

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, JANUARY 31, 2018 ~ VOL. CCLXXI NO. 25

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★★★★ \$4.00

DJIA 26076.89 ▼ 362.59 1.4% NASDAQ 7402.48 ▼ 0.9% STOXX 600 396.12 ▼ 0.9% 10-YR. TREAS. ▼ 8/32, yield 2.725% OIL \$64.50 ▼ \$1.06 GOLD \$1,335.40 ▼ \$4.90 EURO \$1.2404 YEN 108.78

What's News

Business & Finance

Amazon, Berkshire and JPMorgan shook up health-care shares with a plan to form a firm to reduce their workers' health costs. **A1**

◆ **The U.S. homeownership rate** rose in 2017 for the first time in 13 years, driven by millennials. **A1**

◆ **Stocks sank** amid worries over rising bond yields, new health-care competition and rising oil output. The Dow fell 362.59 to 26076.89. **B1**

◆ **Apple is slashing** planned production of its iPhone X, in a sign of weaker-than-expected demand. **B1**

◆ **An economic recovery** in France helped the euro-zone power to its strongest growth in a decade. **A6**

◆ **Fox Broadcasting** is wrapping up a deal with the NFL for rights to its Thursday night package of games. **B1**

◆ **Xerox is nearing** a deal with Japan's Fujifilm that would mark the end of the U.S. firm's independence. **B2**

◆ **Thomson Reuters** is selling a 55% stake in its financial and risk unit to a group led by Blackstone. **B4**

◆ **Och-Ziff named** Wall Street veteran Robert Shafir to succeed Och as CEO. **B16**

◆ **Samsung Electronics** delivered its third consecutive quarter of record results. **B2**

◆ **The RNC's chief** said the party wouldn't return donations from Wynn unless an inquiry finds wrongdoing. **B3**

◆ **Google continues** to stymie competition in online shopping despite an EU ruling and fine, rivals say. **B4**

World-Wide

◆ **Trump called for** major, bipartisan deals on infrastructure and immigration in his first State of the Union address, while reversing his predecessor's vow to close the Guantanamo Bay prison facility. The president lauded the improving economy. **A1, A4-5**

◆ **Mnuchin said** the Trump administration plans to levy new Russia sanctions based on a list of oligarchs and senior government officials. **A6**

◆ **Ryan defended** the GOP decision to make public a classified memo that alleges surveillance abuses against a Trump associate. **A3**

◆ **Special counsel Mueller** is seeking an interview with Mark Corallo, the former spokesman for Trump's legal team. **A3**

◆ **Clinton said** she regretted protecting a former adviser accused of sexual harassment on her 2008 campaign. **A3**

◆ **The FCC found** that multiple mistakes contributed to Hawaii's recent false-alarm missile alert. **A3**

◆ **Yemeni separatist forces** seized a vital military base in the southern city of Aden. **A7**

◆ **Kenya's opposition leader** was sworn in at a mock "inauguration," sparking a crackdown by authorities. **A7**

◆ **The Trump administration** is searching for a new candidate to be the ambassador to South Korea after dropping its previous pick. **A6**

◆ **The pope named** an investigator to examine accusations a Chilean bishop covered up clerical sex abuse. **A7**

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Trump Hails 'New American Moment'



President Donald Trump delivered his first State of the Union address Tuesday, speaking to a joint session of Congress.

Different Role for President: Optimist

BY GERALD F. SEIB

upbeat picture of the country, its economy and its prospects. "Exciting progress is happening every day," he declared.

Jobs are re-

ANALYSIS turning, business

confidence is

high and the

stock market has added \$8 trillion in value, he said. "Together, we are rediscovering the American way," he proclaimed.

In his first official State of the Union address, Mr. Trump presented his own relentlessly

cans in the audience as heroes and role models. The darkest cloud hanging over his administration, the investigation of Russian interference in the 2016 election, went unmentioned.

And, in a capital that during his term has been riven by division and polarization—often aggravated by Mr. Trump's own barbed comments—he insisted he could see the possibility of unity: "Tonight, I call upon all of us to set aside our

differences, to seek out common ground, and to summon the unity we need to deliver for the people we were elected to serve." Rather than unity, though, Democrats, saw more divisiveness sown by the president's description of immigrants as criminals and gang members.

All told, his speech was a long distance from Mr. Trump's dark inaugural ad-

Please see SPEECH page A4

Millennials Kick-Start Housing Market

BY LAURA KUSISTO

The U.S. homeownership rate rose in 2017 for the first time in 13 years, driven by young buyers who overcame rising prices, tight supply and strict lending conditions to purchase their first homes.

The annual increase marks a crucial turning point because it comes after the federal government reined in bubble-era policies that encouraged banks to ease lending standards to boost homeownership.

This time, what's driving the market is a shift in favor of owning rather than renting coming from the largest home-buying generation since the baby boomers: millennials.

"This is market, market and market...There's no government incentive program in sight that is having this effect," said Susan Wachter, a professor of real estate and finance at the Wharton School at the University of Pennsylvania. "This is back to basics."

The homeownership rate rose to 64.2% in the fourth quarter of 2017 from 63.7% a year earlier, according to data released Tuesday by the Census Bureau. The share of Americans who own a home

Please see HOMES page A2

Health Venture Rattles Insurers

Amazon.com Inc., Berkshire Hathaway Inc. and JPMorgan Chase & Co. shook up shares of health-care companies with a plan to form a company to reduce their workers' health

costs, spurring alarm over potential competitive pressure.

The companies said the venture would be "free from profit-making incentives and

constraints" and would develop technological solutions to provide simplified, high-quality health care for their hundreds of thousands of U.S. workers, but they offered few other details.

"The ballooning costs of healthcare act as a hungry tapeworm on the American economy," Berkshire Chairman and Chief Executive Warren Buffett said in a statement.

The companies, he said, believe "putting our collective

Please see HEALTH page A5

Some investors and analysts believe the slide could mark the start of a market adjustment.

Others say strong corporate earnings and economic growth

world-wide will continue to

support stocks. **B1**

AT&T shakes up Mexican phone market, hurting América Móvil

Stocks Slide After Long Surge

Rising interest rates roiled financial markets Tuesday, sending the Dow Jones Industrial Average to its worst one-day decline since May. The blue-chip index fell 362.59 points, or 1.4%, to 26076.89, its second straight triple-digit decline. The S&P 500 slumped 1.1%, its first drop of more than 1% since August. The S&P had notched 14 record closes this month.

Some investors and analysts believe the slide could mark the start of a market adjustment.

Others say strong corporate

earnings and economic growth

world-wide will continue to

support stocks. **B1**

AT&T shakes up Mexican phone market, hurting América Móvil

Carlos Slim Gets Schooled By Former Pupil

By ROBBIE WHELAN

MEXICO CITY—Carlos Slim has dominated telecommunications in Mexico so thoroughly for decades that profits from his company, América Móvil SAB, have helped make him among the richest people in the world.

The deal that launched his career included a partnership with Southwestern Bell Telephone Co., during which he mentored a young executive

dispatched to Mexico for the project.

Today, Mr. Slim's empire

is taking some direct hits.

The value of his controlling

stake in América Móvil, Mex-

ico's leading wireless pro-

vider, has fallen by more

than \$8 billion, or 20%. His

wealth has declined by about

\$10 billion, knocking Mr.

Slim out of the top echelon

of the world's richest people.

His main rival is AT&T Inc., which has won 5.7 mil-

lion new Mexican customers

since entering the wireless

market in late 2014. And the

man atop AT&T is Randall Stephenson, the old friend who learned the business from Mr. Slim two decades ago.

The world's largest tele-

communications firm has

just an 11% market share,

compared with 65% for

América Móvil, but their bat-

tle has fueled a bitter price

war, an upheaval in the

once-staid Mexican cellular

market and an uncomfor-

table reckoning for the two

men.

Messrs. Slim and Stephen-

son haven't seen each other

since the Mexican billionaire

attended the 2009 wedding

of Mr. Stephenson's eldest

daughter. "Make no mistake

about it, Carlos was a men-

tor to me," says Mr. Stephen-

son, AT&T's chairman and

chief executive, but "for him

and me to socialize wouldn't

be right, wouldn't be appropri-

ate."

Mr. Slim says: "We had a

good relationship." Now,

though, "he lives on one

Please see AT&T page A8

Goodbye, Goofy Hats: Balloon Twisters Inflate Art

* * *

Dedicated cadre pushes squeaky pastime beyond children's parties

By JIM CARLTON

LAS VEGAS—Driven by at least six glasses of ice tea and an urge to express his darkest feelings, Jason Secoda stayed up all night in his room in Harrah's Las Vegas Hotel & Casino sculpting an 8-foot Grim Reaper. His medium was more than 500 balloons.

"I put the hourglass in



Balloon Grim Reaper

there to emphasize the fact that our time here is finite," said the 38-year-old physical therapist from Newtown, Pa. "I wanted to make something that puts people in touch with that feeling—not to scare anyone, but to make us aware of it."

Mr. Secoda is an extreme

balloonist, a small but dedi-

cated cadre that has pushed

Please see TWIST page A8

AT&T shakes up Mexican phone market, hurting América Móvil

Carlos Slim Gets Schooled By Former Pupil

U.S. NEWS

Yellen's Legacy Is Still Being Written

Fed chairwoman's tenure ends brightly, but rate policy could be hard to maintain

By NICK TIMIRAO

Janet Yellen ends 14 years at the Federal Reserve this week, the last four as its first chairwoman, having guided the U.S. economy to its tightest labor market in nearly two decades by resisting calls to raise interest rates more rapidly.

The patient path she charted allowed the Fed to start reversing, without major turmoil, the aggressive stimulus measures she advocated during and after the 2008 financial crisis.

Ms. Yellen's tenure as Fed leader, which ends Saturday, resembles a bookend to that of her predecessor, Ben Bernanke, who served as Fed chairman from 2006 to 2014, during the worst of the financial crisis and recent recession.

Mr. Bernanke, a scholar of the Great Depression, unleashed a whatever-it-takes counterassault after the bursting of the housing bubble in 2007 became far worse than officials anticipated.

Ms. Yellen, an expert in labor markets, urged greater attention to the costs of joblessness in steering the Fed to undo those emergency measures very slowly.

Her legacy is only partly written. The rest depends partly on whether the Fed can continue lifting rates gradually, but not so slowly that low borrowing costs fuel an asset bubble that ends in recession—as happened in 2001 and 2007.

Ms. Yellen leads her last policy meeting this week, at which officials are likely to vote to hold their benchmark short-term rate steady in a range between 1.25% and 1.5%.

President Donald Trump last fall opted not to offer Ms. Yellen a second term as Fed leader. Instead he nominated Jerome Powell, a Fed governor since 2012 who has voted with Mr. Bernanke and Ms. Yellen at every opportunity.

Mr. Powell inherits a bright economic picture. Growth is steady. Stocks have reached new highs. Hiring is robust. Unemployment is at a 17-year low.

Colleagues say Ms. Yellen will be remembered for reinforcing the Fed's commitment to boosting employment.

Recovery Trajectory

Not only has overall unemployment decreased under Janet Yellen as Federal Reserve chairwoman, but underemployment has also declined.

Unemployment under Yellen



Source: Labor Department

For decades, Congress has charged the Fed with maintaining stable prices and maximizing sustainable employment, but the former usually took precedence.

As vice chairwoman from 2010 to 2014, Ms. Yellen was among the Fed's strongest advocates of unprecedented efforts—including holding short-



Fed Chairwoman Janet Yellen

term interest rates near zero and buying bonds to lower long-term rates—to boost hiring as well as growth.

From the time she became Fed chairwoman in February 2014 through 2015, pressures built to raise rates. "I was anxious for us to move. There was anticipation" from markets, said Dallas Fed President Robert Kaplan, who joined the Fed in September 2015.

Ms. Yellen's study of labor markets led her to conclude that although the overall unemployment rate was low, other measures suggested more slack in the labor market, such as part-time workers who wanted full-time jobs and people who had given up looking for work.

"Although that now seems almost axiomatic, it was a very contested proposition, certainly in 2014 and 2015," said Daniel Tarullo, who served as Fed governor from 2009 until April 2017.

Another way Ms. Yellen convinced colleagues to move cautiously was to focus on the decline in the long-term neutral rate of interest, the level consistent with the economy operating at its full potential. A lower neutral rate meant

officials wouldn't have to raise rates as high as they have previously. As more colleagues agreed with her assessment, it became easier to justify her push to raise rates very gradually.

She also counseled against making the errors of central bankers who short-circuited expansions after financial shocks by prematurely removing stimulus, such as in Japan in the 1990s.

The Fed waited until December 2015 to start raising rates, and it has lifted them four more times since then. In October, it started shrinking its bond portfolio.

"One defining characteristic of her tenure is she made sure the Fed did not join the long list of central banks that screwed up by lifting off too soon," said Bill Nelson, a former senior Fed official who left the central bank in 2016 to become chief economist at the Clearing House Association.

Critics warned her go-slow approach would fuel roaring inflation or weaken the dollar, which didn't happen.

Others say lofty stock prices today show the bond-buying programs should have been dismantled earlier.

U.S. WATCH

LAS VEGAS

Authorities Question Person of Interest

Investigators probing the Las Vegas massacre have interviewed a person of interest who sold the shooter ammunition, a law-enforcement official familiar with the investigation said Tuesday.

Investigators questioned Douglas Haig, who sold ammunition to gunman Stephen Paddock, the official said. Mr. Haig didn't return email and voice-mail messages on Tuesday. It is unclear if he remains under investigation, or why he was considered a person of interest.

Law-enforcement officials haven't said that Mr. Haig had any knowledge of the attack beforehand. Paddock fired on an outdoor concert on the Las Vegas Strip in October, killing 58 people. More than 800 people were injured in the event.

Mr. Haig said in an October interview with Newsweek published Tuesday that he had been interviewed by investigators, but didn't have any meaningful connection to Paddock.

Representatives for the Federal Bureau of Investigation and U.S. Attorney's Office in Las Vegas declined to comment. A Las Vegas police spokesman didn't respond to requests for comment.

Mr. Haig's identity was first revealed in documents released Tuesday to the Las Vegas Review-Journal.

—Zusha Elinson

ECONOMY

Consumer Confidence Turned Up in January

A measure of U.S. consumer confidence rose in January after a December decline, buoyed by consumers' expectations about the economy.

The Conference Board said Tuesday that its measure of U.S. consumer confidence rose to 125.4 in January from 123.1 in December. Economists surveyed by The Wall Street Journal had expected a January reading of 123.0.

The expectations index rose to 105.5 in January from 100.8 the month before. Consumers' view of current conditions fell to 155.3 in January from 156.5 in December.

The reading of consumer sen-

timent comes as the unemployment rate is parked at a 17-year low and the economy continues to add jobs at a steady pace.

The percentage of Americans saying jobs were "plentiful" increased in January to the highest level since 2001 and well outpaces those saying jobs are "hard to get," though the latter group saw a slight increase in January to 16.4% from 16% in December.

Business conditions were described as "good" in January by 34.9%, down from 35.8% a month earlier.

—Sarah Chaney

MISSISSIPPI

State Flag Remains As Lawmakers Balk

State lawmakers won't consider erasing the Confederate emblem from the state flag this year because there is no consensus on making a change, according to the state House Rules Committee chairman, Republican Jason White.

Several flag bills have been filed. Some would remove the Confederate emblem that critics see as racist. Others would require the current flag to be flown at universities and other government buildings. All died because they weren't brought up for a committee vote before a Tuesday deadline.

The rebel symbol has been on the Mississippi flag since 1894, and voters kept it in 2001.

All eight universities and several cities and counties have stopped flying the flag.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Wynn Resorts plans to open a resort next year near Boston, in Everett, Mass. A Heard on the Street article on Tuesday about the company incorrectly said the resort is in Boston.

A U.S. News article Monday about the federal tax law incorrectly gave Connecticut Gov. Dannel Malloy's first name as Daniel.

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

HOMES

Continued from Page One has been on the rise since the first quarter of last year, indicating a reliable upward trend.

The homeownership rate among households headed by someone under age 35 rose to 36% in the fourth quarter from 34.7% a year earlier. That was by far the largest increase of any age group during the period.

"This is happening because young households are buying homes. Full stop," said Ralph McLaughlin, chief economist at home listings provider Trulia.

Millennials are entering the market after years of stagnant wages and widespread wariness about the pitfalls of homeownership.

After the housing crash that nearly brought down the global financial system in 2008, young people were hampered by tight credit and lackluster wage growth, along with anxiety over the possibility of getting trapped in homes worth less than they paid, as waves of previous home buyers had.

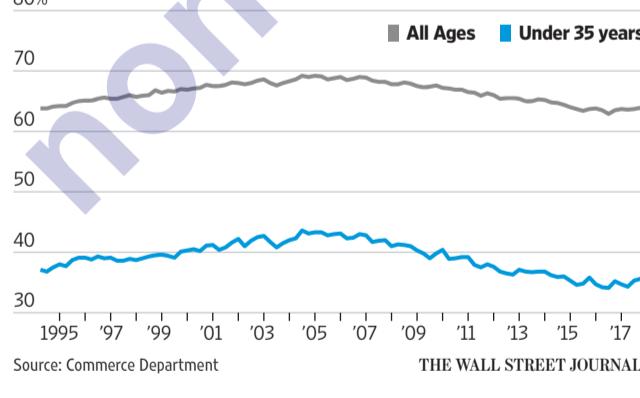
Many millennials also have delayed getting married and having children, which are triggers to buying a first home.

Kevin Bryant, a 32-year-old who works in sales at a software company, and his wife, Carmen, in December moved into their first home, in suburban Chicago.

The couple had been paying \$1,100 a month for their apartment in a bustling neighborhood in northwestern Chicago and were in no hurry to buy. Eventually, however, their one-bedroom apartment began

Buying While They're Young

Homeownership rate, by age



feeling cramped with two dogs and noise from upstairs neighbors.

"Once we got married, it became real," he said. "We wanted a yard."

It took the newlyweds five months to find a home. They had to compete with three higher offers on the four-bedroom house and won by making a personal appeal to the seller, sending a heartfelt letter.

The monthly payment for their mortgage and taxes will be higher than their apartment rent, but Mr. Bryant said they still chose conservatively. "We could afford a lot more [but] we just wanted a home where if one of us got laid off, one of us could support us," he said.

The U.S. homeownership rate shot up to more than 69% in the mid-2000s, buoyed by mortgages with little or no down payments, many of them purchased or backed by government-sponsored entities such as mortgage giants Fannie Mae and Freddie Mac. During the crash, those entities were left on the hook for billions of dollars' worth of bad

other goods and services, boosting economic activity.

Now, the homeownership rate is rising again as millennials begin to embrace home buying. In all, the U.S. added roughly 1.5 million new owner households in the past year. Meanwhile, the number of renter households declined by 76,000, the second consecutive quarter in which the renter population shrank on an annual basis.

The homeownership rate remains below the long-term average of around 65%. Economists said there are likely still years of recovery ahead, in part because home prices are growing faster than wages and inflation.

The S&P CoreLogic Case-Shiller National Home Price Index, which measures prices for single-family houses in major metropolitan areas around the country, rose 6.2% in the 12 months ended in November—about three times the rate of inflation.

National home prices reached a record in September 2016, a decade after the peak of the housing bubble. Adjusted for inflation, prices remain below their 2006 peak.

The hurdles of supply shortages and rising home prices are likely to remain in place in 2018, economists said. In addition, buyers are expected to face rising mortgage rates and changes to the tax code that will offer fewer incentives for homeownership.

But the tax changes could boost the overall economy and put more money in renters' pockets, helping them to save for a down payment.

"We've got lots of jobs and easier credit, and that should win the day," said Mark Zandi, chief economist at Moody's Analytics.

histories or large student-debt burdens.

The homeownership rate bottomed out at a 50-year low of 62.9% in the second quarter of 2016.

That produced a drag on the economy. Not only does demand for homes help drive construction, but new homeowners also spend money on furniture, landscaping and

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U.S. NEWS

Investigation Is Called for Training Site

BY REBECCA DAVIS O'BRIEN

Texas Gov. Greg Abbott called for a state criminal investigation into allegations of misconduct at the Karolyi Ranch, USA Gymnastics' training facility outside Houston, where a number of top gymnasts say they were sexually abused by longtime national team doctor Larry Nassar.

The move Tuesday comes a week after a Michigan judge sentenced Dr. Nassar to up to 175 years in prison on state sexual-abuse charges, following emotional testimony by more than 150 of his victims. The televised sentencing drew attention and outrage to a scandal that has simmered for well over a year, since reports of Dr. Nassar's abuse first emerged in September 2016.

In a letter posted on his official state website, Mr. Abbott cited the "recent, shocking allegations" at the sentencing

hearing and pledged to bring "perpetrators and enablers" of any misconduct at the Karolyi Ranch to justice.

A lawyer for Bela and Martha Karolyi, who own the ranch and for years oversaw training camps there for the U.S. national team, didn't respond to a request to comment. This month, USA Gymnastics said it would no longer use the ranch for national team camps, following calls from Olympians Aly Raisman and Simone Biles to abandon the facility.

Mr. Abbott asked the Texas Rangers at the state Department of Public Safety to investigate the matter. He said the Rangers would cooperate with the Walker County Sheriff's Department, which already has an active investigation into the matter.

A spokesman for the Texas Department of Public Safety said the Rangers would "immediately" open an investiga-



A number of top gymnasts have alleged they were sexually abused by Larry Nassar at the USA Gymnastics' training facility.

tion into the matter, alongside local and federal law enforcement, and would present "any related evidence" to prosecutors for review.

The probe will be the Rangers' second investigation into the ranch. In the fall of 2016,

the Rangers opened a criminal investigation after a former national-team member reported that Dr. Nassar sexually assaulted her over a number of years at the remote site, a Department of Public Safety spokesman told The Wall

Street Journal last year.

That investigation, which ultimately expanded to include three victims, was transferred to the Federal Bureau of Investigation in Detroit in early 2017, the spokesman said. The FBI and federal prosecutors in Mich-

igan haven't charged Dr. Nassar in connection with any alleged crimes committed at the Ranch.

Dr. Nassar pleaded guilty last summer to federal child pornography counts and was sentenced separately to 60 years in prison on those counts.

Clinton Regrets Not Firing Adviser

BY MICHAEL C. BENDER

Hillary Clinton, the Democratic presidential nominee in 2016, said Tuesday that she regretted protecting a former campaign adviser accused of sexual harassment on her 2008 campaign.

"The short answer is this: If I had to do it again, I wouldn't," she wrote on Facebook. The message was posted just moments before President Donald Trump began his first State of the Union speech, and four days after the New York Times first reported on the campaign worker's behavior.

In a lengthy post, Mrs. Clinton didn't name the strategist, who was identified by the Times as Burns Strider, the candidate's faith adviser. Mrs. Clinton said in her post that her campaign manager recommended that the adviser be fired. Mrs. Clinton declined, she wrote, and instead docked several weeks of his pay and ordered him to undergo counseling. The woman who accused him of repeated sexual harassment was moved to a new job.

"I didn't think firing him was the best solution to the problem," Mrs. Clinton wrote on Tuesday. "He needed to be punished, change his be-

havior, and understand why his actions were wrong. The young woman needed to be able to thrive and feel safe. I thought both could happen without him losing his job. I believed the punishment was severe and the message to him unambiguous."

Mrs. Clinton said there were no other complaints about the adviser for the remainder of that campaign. But she said she was troubled that he was terminated from another job later for inappropriate behavior.

Mrs. Clinton responded to the report last week with a pair of posts on Twitter saying she was proud of the woman who made the accusations, saying "she knows what all women should: we deserve to be heard."

Mrs. Clinton's campaign manager during much of the 2008 election, Patty Solis Doyle, said Monday on CNN that her recommendation to fire the adviser was overruled.

Ms. Solis Doyle also said she had been disappointed with Mrs. Clinton's initial response to recent stories about the harassment accusation.

"I was disappointed by that tweet, by that response," Ms. Solis Doyle said. "It was the wrong call. I wish she had said it was the wrong call."

FCC Faults Hawaii's Alert System

BY JOHN D. MCKINNON

WASHINGTON—Federal regulators found multiple mistakes contributed to Hawaii's recent false-alarm missile alert, including use of a recording to kick off the planned drill that contained the words "This is not a drill."

A state emergency-warning officer who heard the recording "believed the drill was real" and intentionally triggered the alert, according to an update provided on Tuesday to Federal Communications Commission members.

Prior accounts by state officials have suggested that the officer accidentally clicked on the wrong button to set off the alarm on Jan. 13.

The officer initiated an alert that went out through many residents' mobile phones, as well as television and radio stations. "BALLISTIC MISSILE THREAT INBOUND TO HAWAII," the alert said, in all-caps. "SEEK IMMEDIATE SHELTER. THIS IS NOT A DRILL."

The event sparked terror across the state. "Panic-stricken citizens called their families to say what they believed were their last words, and some even resorted to jumping into manholes to find shelter," FCC Chairman Ajit Pai said.

Other emergency officials on duty at the time were aware that the recording was intended

to start a drill. It began and ended with the words, "Exercise! Exercise!" The alert was canceled a few minutes later, but it took 38 minutes for Hawaii officials to send a new message saying that the original alert had been a false alarm.

FCC officials said they have not been able to interview the officer who initiated the alert, and had to rely on a written statement he has given.

The FCC's preliminary investigation concluded that a combination of human error and

numerous procedural shortcomings contributed to the false alarm.

The problems included miscommunication between shift supervisors as the drill was about to be started around 8 a.m. (HST) on a Saturday. That led to a lack of sufficient supervision. The recording used to initiate the drill also deviated from a standard script, by including the words "this is not a drill," FCC officials said.

Hawaii also lacked procedures to prevent a single per-

son from sending a live alert. It had been conducting an unusually high number of drills, heightening the risk of a bungle, the FCC found. The state also lacked adequate procedures for recalling a false alert.

Mr. Pai underscored the need for the decentralized national alert system to work effectively. He said the agency would continue working with other federal officials as well as state and local officials to develop corrective actions and best practices.

Mueller Seeks To Interview Former Aide

BY REBECCA BALLHAUS

Special counsel Robert Mueller is seeking an interview with Mark Corallo, the former spokesman for President Donald Trump's legal team, according to a person with knowledge of the matter, in what would be the first contact between the special counsel and a one-time member of the president's personal legal team.

Mr. Corallo was hired last spring by Marc Kasowitz, Mr. Trump's longtime personal attorney whom the president had initially tapped to represent him in the Mueller probe.

In July, Mr. Kasowitz took on a lesser role in the president's legal team, and Mr. Corallo resigned from his post.

Mr. Corallo's resignation followed the revelation that Donald Trump Jr., the president's eldest son, had arranged a Trump Tower meeting in June 2016 between a Russian lawyer linked to the Kremlin and top campaign aides, including Jared Kushner and campaign chairman Paul Manafort. Mr. Corallo had privately expressed frustration over the administration's handling of reports about that meeting, the Journal previously reported.

A lawyer for Mr. Corallo and a spokesman for the special counsel declined to comment.

Surprise her with a stunning star.



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Ryan Defends Memo Release, As Matter Goes to President

BY BYRON TAU
AND KRISTINA PETERSON

House Speaker Paul Ryan, (R-Wis.), on Tuesday defended the GOP's move to release its classified memo.

Hogan Gidley said Tuesday that Mr. Trump plans to meet with his national security team and White House counsel Don McGahn to review the memo. Mr. Gidley said he didn't have a timetable on when the president might make a decision on whether to release the memo.

Democrats were defeated Monday night on a motion to release their own memo that rebuts the GOP one. The Democratic document will be made available to the full House, and Republicans on the panel say they are open to releasing it to the public in the coming days.

The House Judiciary Committee's top Democrat, Jerry

Nadler (D., N.Y.), on Tuesday asked the GOP chairman to hold an executive session to allow members to review the materials on which the memo is purportedly based, but was voted down 16-12.

Mr. Ryan defended the decision to publicly release only the GOP memo, saying it had already gone through a process of being "scrubbed" to make sure no sensitive information on law-enforcement sources or methods is inadvertently revealed.

The chairman went to the FBI to go through the memo, to make sure that we were protecting any sources and methods and we are confident we are," Mr. Ryan said. "None of that work has been done on this new memo."

FBI officials reviewed the Republican document over the weekend. Democrats said they expected theirs also to be reviewed by law enforcement before any public release.

The Justice Department said in a letter last week that it would be "extraordinarily reckless" to release the Republican memo without giving the Justice Department and the FBI a chance to review it. A Justice spokeswoman said Tuesday the agency had reviewed the memo since last week's letter and had no further comment.

White House spokesman

STATE OF THE UNION



JIM BOURG/PRESS POOL

President Donald Trump arrived to deliver his State of the Union address on Capitol Hill in Washington Tuesday evening. In his speech, Mr. Trump took a tough stance toward North Korea and terrorist threats.

TRUMP

Continued from Page One
tion will deal with undocumented immigrants who were brought to the U.S. illegally by their parents. The president has said he wants to protect these young immigrants, who are nicknamed Dreamers, and has proposed a path to citizenship for them in a White House framework for a deal. But in his address, he appropriated the Dreamers language and reframed it for his own purpose.

"My duty, and the sacred duty of every elected official in this chamber, is to defend Americans—to protect their safety, their families, their communities, and their right to the American Dream. Because Americans are dreamers too," he said.

In the Democratic response, Rep. Joe Kennedy III (D., Mass.) urged opponents of the Trump administration to continue rallying against a policy agenda that, in his view, presents Americans with "one false choice after another."

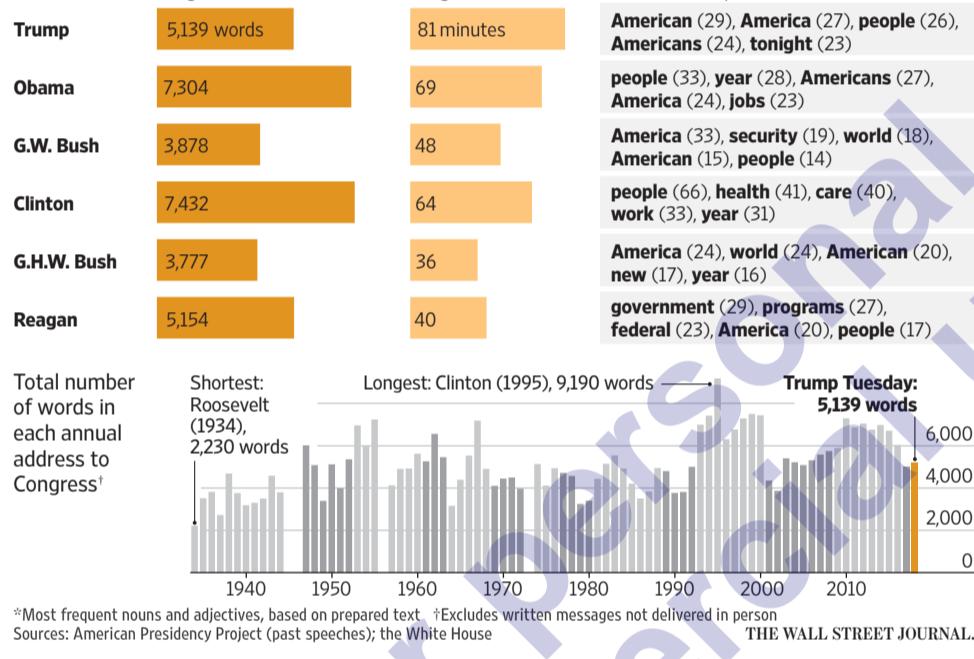
In a speech that was months in the making, Mr. Trump took a tough stance toward North Korea and terrorist threats overseas. He announced that he was ordering officials to keep open the Guantanamo Bay prison, reversing a 2009 order by President Barack Obama to close the facility.

Mr. Trump punctuated his points by introducing guests he had invited to attend. He mentioned the family of Otto Warmbier, an American college student who was imprisoned in North Korea and died shortly after his release. His parents were seated in first lady Melania Trump's box.

Mr. Trump cited the death as an example of the regime's depravity. He also invited to the speech a defector from North Korea to further make

Presidential Firsts

Donald Trump's first State of the Union address compared with predecessors



*Most frequent nouns and adjectives, based on prepared text. [†]Excludes written messages not delivered in person.

Sources: American Presidency Project (past speeches); the White House

the point.

"We need only look at the depraved character of the North Korean regime to understand the nature of the nuclear threat it could pose to America and our allies," Mr. Trump said.

The largest question marks about the speech centered on how he would work to enact fresh legislative goals, including an infrastructure program and immigration legislation, in the face of testy relationships on Capitol Hill and divisive debates within and between the two parties.

Mr. Trump made the case that more secure borders would support American workers and immigrant communities already in the country, citing murders in the U.S. of teenagers by MS-13 gang members as one example, pointing to two dead girls' parents in the audience.

"The United States is a compassionate nation....But as president of the United

States, my highest loyalty, my greatest compassion, and my constant concern is for America's children, America's struggling workers, and America's forgotten communities," Mr. Trump said.

Mr. Trump went on to reiterate the terms of a proposal his White House had outlined last week: offering a pathway to citizenship for 1.8 million young immigrants in exchange for limits on family-based immigration, an end to the visa lottery program, and \$25 billion to expand a barrier on the southern border.

Democrats and some Republicans took pains after the speech to make clear that they don't think of the Dreamers in the same terms as members of the MS-13 gang.

"No one in the world defends them," Sen. Dick Durbin (D., Ill.) said of the gang members.

Mr. Trump again called on Congress to pass a bill that would underwrite a program

to repair the nation's roads, bridges and ports, relying on a blend of state and local government funding along with private investment that would add up to \$1.5 trillion.

Republicans said that Mr. Trump had extended a hand to Democrats and that it was up to the minority party to decide whether they accept Mr. Trump's offer of working together.

"That's going to be up to the people in the room," said Rep. Tom Emmer (R., Minn.).

"He did a fantastic job of putting that out there—now the question is, Are they interested in doing it?"

But infrastructure spending proved to be problematic for some Republicans.

"We've got to be very mindful, though, of balancing the need for infrastructure against the need not to incur more debt," said Sen. John Kennedy (R., La.).

Mr. Trump embraced opportunities to describe his

two great frustrations in his first year in office are that he doesn't get more credit for a good economy, and that the dark cloud of special counsel Robert Mueller's investigation of Russia's actions in the 2016 campaign just won't go away.

There was little Mr. Trump could do about the latter in his State of the Union address, so instead he focused much of his attention on the former, pointing to a good economy and calling it his own.

In an extended passage of his remarks, he touted the virtues of the big tax-cut legislation passed late last year by Republican votes. "Since we passed tax cuts, roughly three million workers have already gotten tax-cut bonuses—many of them thousands of dollars per worker," he said.

One of the anomalies of Mr. Trump's presidency so far is that he appears to get little political boost from a generally good economy. The president's job-approval stands at just 39% in the latest Wall Street Journal/NBC News poll this month and has basically been stuck at roughly that

year as record-setting, including his appointment of conservative judges and a rising stock market.

He emphasized support for the American flag and standing for the national anthem, an issue that has become a cultural flashpoint amid protests over policing practices.

And he squeezed in remarks on a handful of specific other issues including health care, which had dominated his first year in office, when he applauded Republicans' repeal of the requirement that most Americans obtain health insurance or pay a penalty as removing "the core" of the Affordable Care Act.

The president's address came just over a month after the passage of a sweeping tax law and after a year of big gains in the stock market, though share prices have fallen sharply this week.

His appearance also came on the heels of a three-day partial government shutdown and before a Congress that has faced standoffs over immigration and the investigations into Trump associates' ties to Russia during the 2016 election. Another shutdown looms next week if lawmakers can't resolve a rolling dispute over the budget.

Through it all, Mr. Trump's approval rating has fallen to 39%, according to a Wall Street Journal/NBC News poll, down from 44% when he took office.

Mr. Trump's penchant for attacking those who oppose his policies has added to the acrimony; he dubbed Senate Democratic leader Chuck Schumer "cryin' Chuck" on Twitter during the shutdown fight.

A Wall Street Journal/NBC News poll in December asked people whether Mr. Trump had made "division" and "partisanship" better or worse. Some 58% said he had made things worse; 9%, better.

—Felicia Schwartz contributed to this article.

Quotes From The Address

'The state of our Union is strong because our people are strong.'

'We can lift our citizens from welfare to work, from dependence to independence, and from poverty to prosperity.'

'The era of economic surrender is over.'

'As we strengthen friendships around the world, we are also restoring clarity about our adversaries.'

'My duty, and the sacred duty of every elected official in this chamber, is to defend Americans ... because Americans are dreamers, too.'



First lady Melania Trump, with Albuquerque, N.M., Police Officer Ryan Holets and his wife, Rebecca, with their adopted daughter, Hope

Mr. Trump dwelt at length on the crimes of MS-13, a Central America-based gang, and held up its actions as the rationale for reducing legal immigration programs—an assertion that drew Democratic grumbling.

He then laid out a compromise the White House advanced late last week, offering

a path to citizenship for young immigrants brought here as children in return for funding for a wall along the Southern border and an end to existing visa-lottery and family-migration policies. Again, Democrats appeared unmoved.

Judging by his own words before the speech, Mr. Trump's

level for the last 10 months.

That is more than 20 points below the average for all modern presidents one year into office. Moreover, his job-approval rating has remained stuck despite the fact that the share of Americans who say they are satisfied with the economy has risen to 69%

from 56% last spring.

Woven into these numbers are two problems for the president. The first is that while the economy clearly has been

good, it actually hasn't been booming. Unemployment has dropped to 4.1% from 4.8% since Mr. Trump took office, and the economy added a solid 2.1 million jobs last year. Yet that actually represents the lowest level of annual job growth since 2010.

The second is that Mr. Trump often gets in the way of his own good news. He creates controversies and fights that, while they keep attention focused on him, have the effect of distracting attention from good economic news. It's far from clear that Tuesday's upbeat speech will represent a change in that pattern.

STATE OF THE UNION

Democrats Spurn Trump Vision of U.S.

By MICHAEL C. BENDER

Democrats responded to President Donald Trump's first State of the Union speech by describing his initial year in office as one defined by anxiety and fear, with the White House pitting Americans against one another and encouraging the nation's darkest impulses.

Rep. Joe Kennedy III (D., Mass.) delivered his party's response from a vocational high school in Fall River, Mass., where he urged opponents of the administration to continue rallying against a Trump policy agenda that, in his view, presents Americans with "one false choice after another."

While lamenting the "fault lines of a fractured country," Mr. Kennedy celebrated the protests sparked during the past year by a White House that he said places outsize importance on "your net worth, your celebrity, your headlines, your crowd size."

"They are turning life into a zero-sum game where, in order for one to win, another must lose," Mr. Kennedy said at the school, about 50 miles south of the Boston suburb where he lives.

A descendant of one of the nation's most prominent political dynasties, Mr. Kennedy was one of five Democrats to deliver responses to the president on Tuesday, a sign of the discord within the minority party one year into the Trump era. While Mr. Kennedy delivered the party's official response, there was also a Spanish-language speech from Virginia state House Delegate Elizabeth Guzman and an address from Sen. Bernie Sanders, an independent who caucuses with Democrats, that aired on social media.

FROM PAGE ONE

HEALTH

Continued from Page One
resources behind the country's best talent can, in time, check the rise in health costs while concurrently enhancing patient satisfaction and outcomes."

Plans are still evolving and nothing has been decided beyond forming a company and moving ahead, according to people with knowledge of the matter. At one stage, there was discussion among some people about taking over administration of employees' pharmacy benefits and health-insurance benefits from the companies' current insurers and PBMs, according to a document from December viewed by The Wall Street Journal. But the document was an initial proposal and that idea isn't currently on the table, the people said.

The December document also took aim at some of the industry's middlemen, saying that past efforts to address health-costs didn't work "because they conceded the existence and role of intermediaries (PBMs, insurance administrators, wholesale distributors and pharmacies) which have a vested interest in maintaining the status quo." One person with knowledge of the matter said the focus now is on helping the current vendors work better, not replacing them.

Even with little detail available, the plan's potential threat to existing industries spooked investors and sent shares of insurers and PBMs lower Tuesday. Amazon had earlier triggered concerns in the health-care industry, with its ambitions a factor last year in CVS Health Corp.'s \$69 billion bid for insurance giant Aetna Inc.

Amazon has been eyeing an entry into the pharmacy-services industry and has added health-care supply options to its business-to-business marketplace offering.

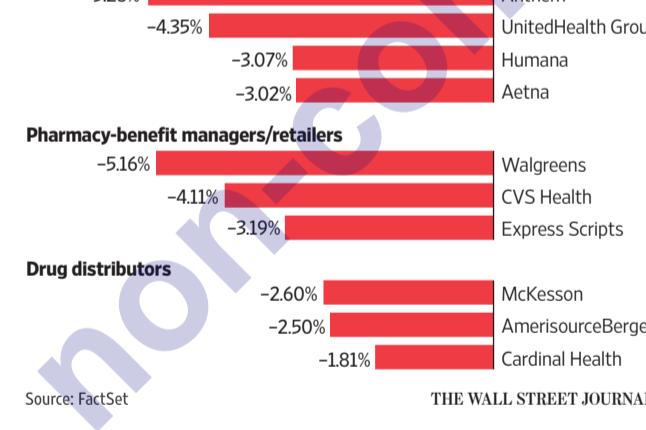
Together, Amazon, Berkshire and JPMorgan have more than one million employees, though not all of them in the U.S.

Mr. Buffett, JPMorgan CEO James Dimon and Amazon Chief Jeff Bezos have been talk-

Amazon Effect

The news that Amazon, Berkshire Hathaway and JPMorgan Chase are teaming up to create a health-care entity caused shares of several health companies to fall on Tuesday.

Percentage change in share price



Immigration Talks Proliferate

BY KRISTINA PETERSON
AND LAURA MECKLER

WASHINGTON—Eight groups of lawmakers and one White House framework have so far produced zero immigration deals ready to become law.

The Senate is expected to begin considering immigration legislation next week, and none of the lawmaker groups devoted to the topic has figured out how to close the divide among Democrats, Republicans and GOP President Donald Trump.

The proliferation of groups has highlighted both lawmakers' widespread interest in immigration, and the chaos that the issue has produced on Capitol Hill. Even lawmakers and congressional aides who closely follow the issue aren't always sure how many groups are meeting, much less what they are discussing.

"All of us are participating either minimally or maximally in all of these different things. It's now a swirl," said Sen. Claire McCaskill (D., Mo.).

There is no consensus as to how broad the bill should be, with some lawmakers advocating a narrow focus on border security and Dreamers—the undocumented immigrants brought to the country as children. Others want to wrap in additional, more conten-



A border agent apprehended a woman in August suspected of entering the U.S. near Granjeno, Texas.

tious aspects of immigration policy.

There is disagreement about whether the Dreamers should be given citizenship or just legal status. On border security, Republicans want a border wall plus a broad set of changes that affect those who cross the border, while

Democrats want more technology and, perhaps, personnel.

And there is sharp debate over whether the bill should make big changes or just small ones to the legal immigration system now in place.

Last week, Mr. Trump produced a framework of his own that would give 1.8 million

young immigrants a path to citizenship as long as Congress agreed to spend \$25 billion toward a U.S.-Mexico border wall and other security measures, reduce family-based legal immigration and otherwise tighten enforcement.

During his State of the Union address Tuesday night, Mr. Trump called on both parties to support his proposal, which he described as a "fair compromise—one where nobody gets everything they want, but where our country gets the critical reforms it needs and must have."

For more than 30 years, the president said, the federal government has failed to find a resolution on immigration. "This Congress can be the one that finally makes it happen," he said.

Mr. Trump kicked off the complex debate in September, when he ended an Obama-era program shielding the Dreamers from deportation and gave Congress until March 5 to pass a replacement.

As part of a deal to reopen the government after a three-day shutdown, Senate Majority Leader Mitch McConnell (R., Ky.) said he would bring an immigration bill to the floor on Feb. 8, when the government's current funding expires, if lawmakers haven't yet resolved the issue.

President Reverses Order to Shut Guantanamo

BY FELICIA SCHWARTZ

WASHINGTON—President Donald Trump signed an executive order Tuesday directing U.S. military officials to keep Guantanamo Bay operating, reversing a 2009 order by former President Barack Obama to close the facility.

Mr. Trump's order affirms that the detention center, established by former President George W. Bush after the 2001 terrorist attacks, may be used for detaining new prisoners. No new detainee has been sent

to Guantanamo since 2008.

Mr. Obama argued that the detention center served as a recruitment tool for terrorists and represented a drag on the federal budget. It costs about \$400 million annually to run the facility, which is part of a U.S. naval base.

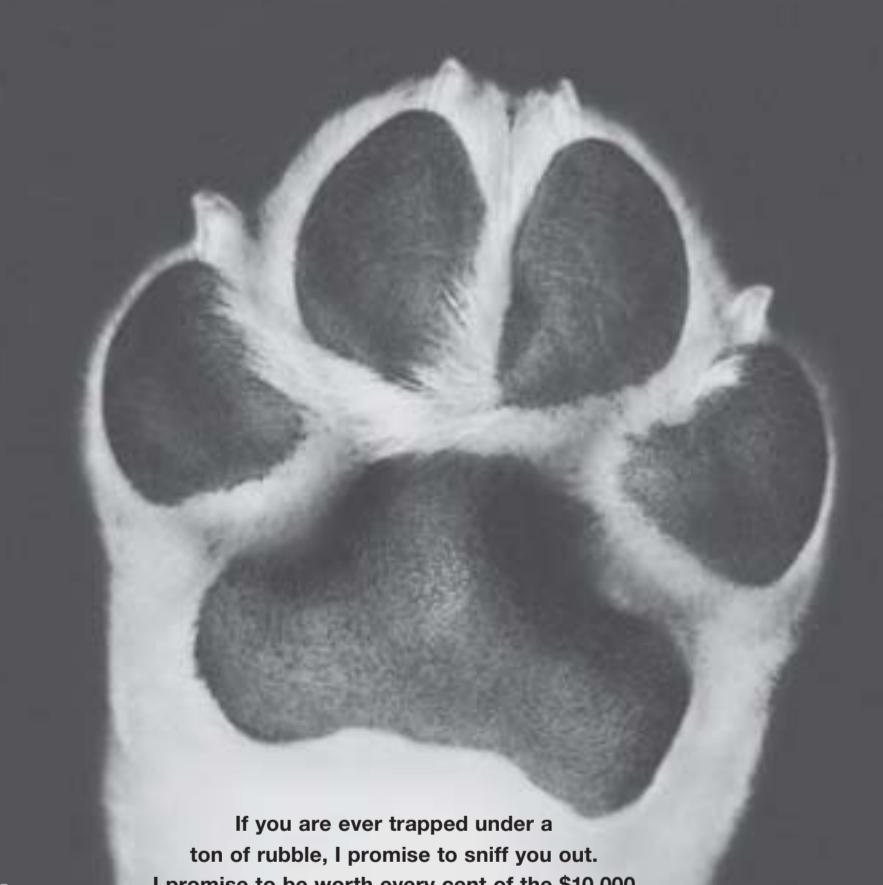
In his State of the Union speech Tuesday, Mr. Trump said his directive to keep the prison open stemmed from concerns about releasing terrorists to the battlefield and the need to maintain efforts to "annihilate" terrorists. He

cited Islamic State leader Abu Bakr al-Baghdadi, who spent time in an American prison in Iraq during the Iraq war.

"Today, I am keeping another promise," Mr. Trump said in the address. "I just signed an order directing [Defense] Secretary [Jim] Mattis to re-examine our military detention policy and to keep open the detention facilities at Guantanamo Bay."

More than 700 prisoners have been held at the site since it opened after Sept. 11, 2001, including some of the

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WORLD NEWS

French Gains Propel Eurozone Economies

GDP in the currency bloc was 2.5% higher in 2017, the fastest growth rate since 2007

By WILLIAM HOROBIN
AND PAUL HANNON

An economic recovery in France, formerly one of Europe's chief laggards, has helped a resurgent eurozone power to its strongest growth in a decade and outpace the U.S. last year.

The European Union's statistics agency on Tuesday said gross domestic product—the broadest measure of the goods and services produced by the eurozone's 19 member countries—was 2.5% higher in 2017 than in 2016, the fastest growth rate since 2007.

That growth was buoyed by France's turnaround, where businesses say they are shaking off long-held economic fears as French President Emmanuel Macron takes his first steps to cut red tape and taxes.

Fueled by a strong election win and a scattered opposition, Mr. Macron has quickly taken decisive steps to change the economy and reached out to businesses to shake up France's image as a place that discourages innovation.

The government cautions it is too soon to judge the effectiveness of sweeping labor overhauls the president signed in September. But new figures showed the economy acceler-



Investors say President Macron's policies are unleashing demand.

ated in 2017, growing by 1.9% to record its strongest year since 2011, signaling a potential end to half a decade of inertia that has kept unemployment close to 10% and held back the broader European recovery.

At business travel agent Travel Planet in the northern city of Lille, customers were managing their travel expenses from one day to the next before Mr. Macron's election in May, said Chief Executive Tristan Dessain-Gélinet.

After the vote, he said, clients began reserving travel four to five months into the future, a rare level of commit-

ment in the industry. By the end of 2017, revenues at his 100-strong company were up over 50% from 2016 at around €100 million (\$123.8 million).

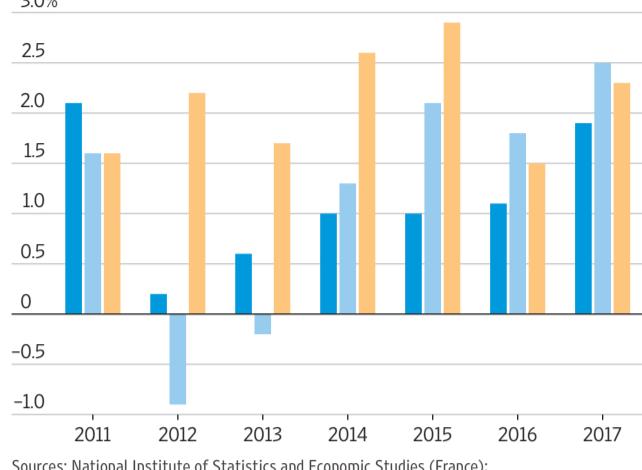
The speed of Mr. Macron's decree boosted confidence, companies say. In a booming construction sector, large firms switched from leasing equipment to buying diggers and trucks, said the head of JCB France Françoise Rausch. The French unit of the construction-equipment maker expects to have slightly outpaced growth in its sector of around 19% to 23% in 2017.

"People think it's rational,

Juggernaut

The eurozone outperformed the U.S. last year, as a revival in France powered growth in the 19-member currency union.

GDP, change from a year earlier ■ France ■ Eurozone ■ U.S.



Sources: National Institute of Statistics and Economic Studies (France);

Eurostat (eurozone); Commerce Department (U.S.)

THE WALL STREET JOURNAL.

now to continue with reforms because at some point in time the next crisis will come."

The European Central Bank has celebrated the year as having marked a transition from crisis "recovery" to a more normal "expansion." Business surveys suggest the economy has started 2018 on an even stronger note, but faces potential stumbling blocks, including the ECB's efforts to wind down crisis-era stimulus policies, and the possibility of U.S. measures designed to reduce its trade deficit with the currency area.

France plans more overhauls this year to remove barriers to growth for small companies and help them compete in export markets. In an interview, French Finance Minister Bruno Le Maire brimmed with optimism, saying: "The message I wanted to convey here in Davos is very clear: It is only the beginning of the story."

Some firms are praising a pillar of Mr. Macron's changes: A cap on how much labor courts can order companies to pay employees hit by layoffs.

At engineering firm Ametra Group, which employs about 600 people, Chairwoman Anne-Charlotte Fredenucci plans to expand her hiring after taking on around 80 new staff in 2017.

"If we hadn't had the election of Emmanuel Macron and the policies that followed, I think we clearly would not be in a position to recruit 100 people in 2018," she said.

—Stephen Fidler contributed to this article.

U.S. Plans New Russia Curbs, Mnuchin Says



MIKHAIL KLIMENTYEV / SPUTNIK / ASSOCIATED PRESS

President Vladimir Putin, left, and Oleg Deripaska attended a business summit in Vietnam in November.

sanctions were announced against any of the individuals.

The 2017 sanctions law was passed amid rising U.S.-Russian tensions stemming from U.S. intelligence conclusions that Moscow meddled in the 2016 election, along with disputes over Ukraine and Syria.

Lawmakers see the administration's use of the new sanctions authority as a test of its willingness to counter Moscow as federal investigators probe the alleged election interference and possible Trump team

ties to that effort.

A senior administration official said there was no deadline or statutory requirement to enact new sanctions Monday.

Mr. Mnuchin rejected the idea the administration is slow-walking Russia sanctions, saying new punitive actions would be in the coming months, possibly even a month.

President Vladimir Putin isn't on the list, but top Kremlin aides and government ministers, including Prime Minister Dmitry Medvedev, are.

Also on the list are some of the country's wealthiest tycoons, including Oleg Deripaska, Roman Abramovich and Aleksei Mordashov.

The Treasury Department said the report doesn't constitute a sanctions list. However,

the report is likely to complicate financial and business relationships for those listed.

Mr. Putin said the list was "an unfriendly act," but that Russia didn't intend to "pick a fight." He said Russia had prepared serious measures in re-

sponse, but would hold off for now while watching what the implications of the list are.

"Everyone should understand that it is impossible to expect an endless retreat," he said at a campaign meeting. People who made the list "are engaged in domestic politics," Mr. Putin said.

The State Department, addressing the decision not to take action against Russian firms on the defense sales list, said the named firms already had paid a cost.

"We have informed Congress that this legislation and its implementation are deterring Russian defense sales," spokeswoman Heather Nauert said late Monday. She added that as a result of the U.S. legislation, "Foreign governments have abandoned planned or announced purchases of several billion dollars in Russian defense acquisitions."

Nonetheless, lawmakers from both parties criticized the Trump administration's decision not to use the 2017 law's authority to blacklist companies found doing business with defense and intelligence firms linked to Russia's government.

Some, however, said the administration was acting appropriately.

State Department officials said the Trump administration was keeping with the spirit of the law, which also included sanctions on Iran and North Korea.

U.S. Dual Citizen Gets Prison in Iran

BY FARNAZ FASSIHI

NEW YORK—An Iranian court has sentenced a wealthy Iranian-American art gallery owner and his wife to long prison terms on espionage and other charges, according to a letter he wrote from jail.

Karan Vafadari, a 55-year-old landowner and member of the Zoroastrian religious minority, was given a sentence of 27 years in prison, 124 lashes and a cash fine of \$243,000 and confiscation of all his assets, according to the letter, which was published Tuesday on the website of the Center for Human Rights in Iran, a New York-based human-rights organization.

Mr. Vafadari's wife, Afarin Nayssari, a 46-year-old architect and U.S. green-card holder, was sentenced to 16 years in prison, according to the letter, whose authenticity was confirmed by Mr. Vafadari's family.

In the letter, written from prison on Jan. 21, Mr. Vafadari denied the charges and called the sentence "unjust" and "cruel."

The Tehran government hasn't commented on the sentencing.

The sentence represents one of the harshest punishments of an American dual national jailed in Iran in recent years.

WORLD WATCH

SOUTH KOREA

U.S. Drops Its Pick For Ambassador

The Trump administration is searching for a new candidate to be the ambassador to South Korea, after U.S. officials said its previous pick, Victor Cha, is no longer under consideration.

Officials familiar with the decision said Tuesday that the Trump administration dropped him from consideration, though it remains unclear why. In an op-ed published Tuesday night in the Washington Post, Mr. Cha, who was a White House National Security Council Asia expert during the George W. Bush administration, wrote that he differed with the Trump administration over how to handle North Korea.

Mr. Cha said he disagrees with the view of some in the Trump administration that the U.S. could use a "bloody nose" strike, which is a targeted attack meant to send a message to Pyongyang without provoking all-out war.

But two administration offi-



BART MAAT / AGENCE FRANCE PRESSE / GETTY IMAGES

MATCH: Indian chess Grandmaster Viswanathan Anand plays against multiple opponents in The Hague, the Netherlands.

cials told The Wall Street Journal that policy differences weren't the reason he was ruled out as the U.S. ambassador to Seoul. One official said that the decision to drop him from con-

sideration was made during the vetting process. The official declined to provide additional information.

—Felicia Schwartz and Jonathan Cheng

Bank of England Gov. Mark Carney said he expects a revival in British household income growth this year after a lengthy squeeze.

In testimony Tuesday to lawmakers in the House of Lords, the U.K. Parliament's upper chamber, Mr. Carney said he sees signs that wage growth in the U.K. is firming as the labor market strengthens.

He added that the inflationary effect of a steep decline in the pound after 2016's vote to leave the European Union is likely to linger for a few years, though he said the bulk of that effect probably has passed.

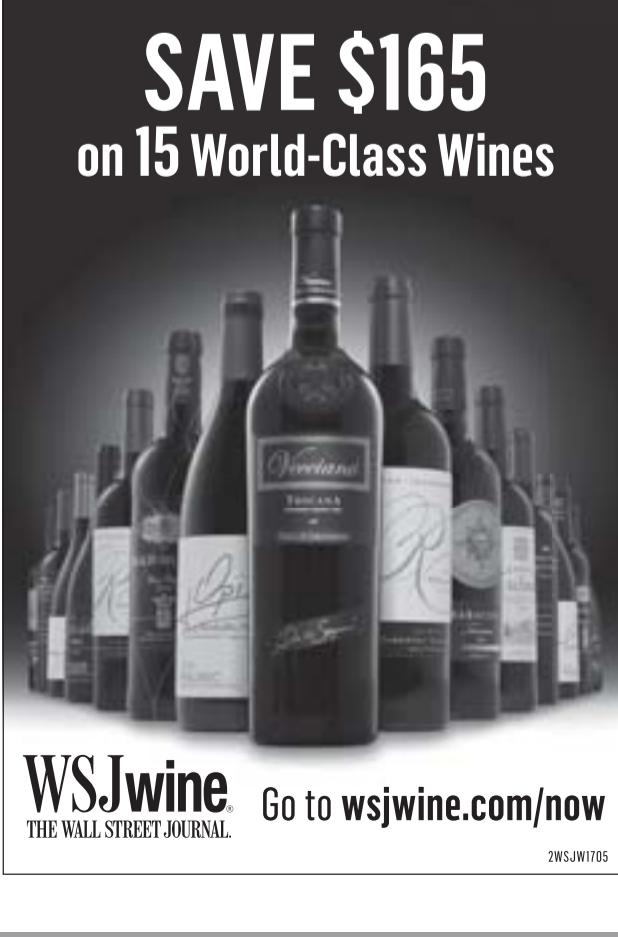
There is a prospect of a return to real income growth later this year," Mr. Carney said.

The BOE raised its benchmark interest rate in November for the first time in a decade and signaled that a couple of further rate rises are likely in the next three years.

—Jason Douglas

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Vatican Will Send Examiner To Chile

By FRANCIS X. ROCCA

ROME—Pope Francis, under heavy criticism for dismissing accusations that a Chilean bishop covered up clerical sex abuse, appointed a special investigator to examine possible new evidence in the matter.

The Vatican announced on Tuesday that Archbishop Charles Scicluna of Malta would travel to Santiago by order of the pontiff, "on account of some new information" in the case of Bishop Juan Barros, to interview witnesses who have come forward.

Sex-abuse victims have accused Bishop Barros of witnessing and failing to report assaults by the Rev. Fernando Karadima, whom the Vatican in 2011 judged guilty of abusing minors and ordered to a life of prayer and penitence. Father Karadima has insisted on his innocence and Bishop Barros has denied knowledge of Father Karadima's actions.

In 2015, Pope Francis appointed Bishop Barros to lead the southern Chilean diocese of Osorno, which led to protests from members of the local church. The pope dismissed the protesters as "foolish" and suggested that they were being "led by the nose by leftists."

During a visit to Chile earlier this month, the pope drew widespread criticism after he told a reporter, in answer to a question about the Barros case, "there is not one shred of proof against him. It's all calumny."

Those remarks elicited an extraordinary rebuke from one of the pope's top advisers, Boston's Cardinal Sean O'Malley, head of the Vatican's advisory panel on child protection. The cardinal said in a statement that the pope's words were a "source of great pain" to abuse victims by suggesting that they wouldn't be believed without proof.

During a news conference aboard a papal flight on his return to Rome, the pope repeated his description of accusations against the bishop as slander, but expressed regret for offending victims, saying that he should have spoken of "evidence" rather than "proof."

"If a person comes and gives me evidence, I'm the first to listen to them," the pope said.

Archbishop Scicluna, who served as the Vatican's prosecutor for sex-abuse cases under Pope Benedict XVI, currently presides over the Vatican's appeals board for such cases. He declined to comment on Tuesday's announcement. The Vatican statement didn't specify when the archbishop would be traveling to Chile or for how long.

Yemen Separatists Seize Key Base

By SALEM AL-BATATI
AND ASA FITCH

ADEN, Yemen—Separatist forces in Yemen seized a vital military base in the southern city of Aden on Tuesday, in clashes that exposed a widening division among Yemeni factions allied with Saudi Arabia in its war against Houthi rebels.

The fighting has pitted forces loyal to the war-torn country's president, Abd Rabbo Mansour Hadi, against separatists who want an independent southern Yemeni state. The latest upheaval comes after almost three years of war between a Saudi-led military coalition and its Yemeni allies—which include both Mr. Hadi's government and the southern separatists—and the Houthi rebels.

Abdelnaser al-Wali, the head of the separatists' local council in Aden, said separatists now controlled much of the city's military and administrative infrastructure. That includes, he said, the main gate of the presidential palace, the central bank headquarters and the Jabal Hadeed military base, a complex on a hill overlooking Aden's coastline and port.

They extended their control by taking over a key Presidential Guard base in the north of the city Tuesday morning, following a brief lull after the Saudi coalition called for an immediate cease-fire. That plea echoed a similar call a day earlier from the U.S., which supports the Saudi-led coalition.

The separatists, fighting under a governing body called the Southern Transitional Council, were "securing the vital institutions in Aden," Mr. Wali said.

The clashes first broke out



Supporters of southern Yemeni separatists took part in an antigovernment protest in Aden, Yemen, this week.

Sunday after a deadline imposed by the separatists for the resignation of the Aden-based internationally recognized government of Mr. Hadi—which they accuse of corruption—passed. At least 36 people have died and 185 have been wounded in the fighting, according to the Red Cross.

A military official with the separatists said the Saudi coalition had urged them not to advance beyond the gates of the palace, which lies on a narrow peninsula jutting into the Gulf of Aden near Jabal Hadeed.

Residents said they saw boats leaving Tuesday from the

palace, where Mr. Hadi's government is based, but it wasn't clear who was on board or where they were headed, and officials close to Mr. Hadi wouldn't offer further details.

"The government is committed to the coalition call for a truce, while the STC forces did not comply with the coalition call for the truce," said Mukhtar al-Rahabi, an adviser to Mr. Hadi.

The coalition began air-strikes against the Houthis, later accompanied by a ground campaign, in early 2015, seeking to oust them and restore Mr. Hadi's government. Saudi Ara-

bia sees the Houthis, who are adherents of a branch of Shiite Islam, as pawns of Shiite Iran, their main rival for regional influence and power.

The United Nations says the war in Yemen has killed more than 10,000 people and left more than eight million on the brink of starvation. An outbreak of cholera is suspected to have infected more than a million people in a country that was already the Arab world's poorest before the war began.

While coalition forces have succeeded in taking large parts of southern and eastern Yemen from Houthi hands, including

Aden, they have stalled in their march toward the Yemeni capital of San'a in recent months.

As the campaign bogs down, political ruptures among coalition allies in the south have grown. Southern separatists formed the STC in May after Mr. Hadi removed Aden's provincial governor, Aidarous al-Zubaidi, who subsequently became the STC's president and remains its leading figure.

The separatists are angry with what they see as mismanagement and corruption within Mr. Hadi's government, and are seizing on long-simmering secessionist sentiment.

Kenyan 'Inauguration' Sparks a Crackdown

By MATINA STEVIS-GRIDNEFF

NAIROBI, Kenya—The opposition leader, who insists he is Kenya's legitimate president, was sworn-in at a mock "inauguration," as authorities moved to crack down by blocking broadcasts of the event and outlawing his political movement.

Thousands gathered in central Nairobi on Tuesday for the swearing-in of Raila Odinga, a veteran politician who has refused to concede to President Uhuru Kenyatta after two elections plagued with procedural problems and low turnout and punctuated by violence.

Kenya's attorney general had warned that a "swearing-in" of Mr. Odinga could amount to treason. Police briefly clashed with opposition supporters and fired tear gas before he showed up for the event, but they permitted the gathering.

Mr. Odinga speaks for a big chunk of Kenyans who feel they have been cut out of the country's prosperity. He and his coalition of opposition parties known as NASA relaunched themselves as a "national resistance movement" after the elections.



Opposition leader Raila Odinga held a Bible during a mock swearing-in ceremony in Nairobi on Tuesday.

In response to Mr. Odinga's symbolic oath, the Interior Ministry declared the movement an "organized criminal group," though it wasn't immediately clear whether that amounted to outlawing the opposition parties themselves.

The Communications Au-

thority of Kenya suspended transmission of Citizen TV, KTN and NTV, an extraordinary move in a country with a much better press-freedom environment than many sub-Saharan African peers. The authority didn't respond to calls to comment.

While the Committee to

Protect Journalists has said it recorded worrying signs of a crackdown during the 2017 elections, Kenya ranked 95th of 180 countries in the Reporters Without Borders press-freedom index, below South Africa, the continent's most advanced country, but well

above Nigeria, a key economy. The move to block broadcast transmission was condemned by journalism organizations.

"The Kenyan government's decision to switch off TV and radio stations to stop the broadcasting of a live and newsworthy event is a violation of the public's right to know and the right to media freedom," said Angela Quintal, of the Committee to Protect Journalists.

Mr. Kenyatta threatened to shut down and revoke the licenses of broadcasters who transmitted the ceremony, said Linus Kaikai, the chair of Kenya's Editors Guild.

Asked to comment, Manoah Esipisu, Mr. Kenyatta's spokesman, shared a statement by the vice chairman of the Editors Guild that contradicted Mr. Kaikai.

"We had a fruitful discussion and we all agreed that media freedom has to be accompanied by high degree of responsibility. At no point were any threats issued to media houses," that statement by Samuel Maina said.

The networks were able to livestream their programs online.

U.S. Cedes Clout to China Under Massive Infrastructure Plan



Mr. Xi sells his vision as a "community of common destiny."

Nobody builds infrastructure as speedily as China, or has comparable means to fund it. That is one reason around 70 countries have signed up.

But this is a colossal exercise in Chinese self-interest and self-promotion, too.

Think of Belt and Road as China's international brand. Then imagine the Chinese Communist Party as the marketing arm.

And Mr. Xi himself as the congenial brand ambassador. What he's pushing—the product—is the "China model": rapid economic development under authoritarian control, the counter to the U.S.-led liberal order. In its vanguard are state enterprises like State Grid and China State Construction Engineering operating under an industrial plan. Many of the governments they serve have autocratic leanings.

Almost 90% of all contractors in Belt-and-Road projects are Chinese, according to data from the Center for Strategic and International Studies, a Washington-based think tank. As Sri Lanka has

found, Chinese money supposed to liberate productive forces often ends up snarling the recipients in chains of debt.

Increasingly, the Chinese currency, the yuan, is the medium of exchange.

One payoff is an overseas market for China's mammoth industrial surpluses. Another is economic development in Xinjiang and other border provinces where Beijing faces social and ethnic unrest.

But the big dividend is Chinese clout.

In recent testimony to a U.S. congressional commission, Nadège Rolland, a Belt-and-Road expert at the National Bureau of Asian Research, argued that the initiative would lead to "increased Chinese influence and possible domination over a key region of the world."

America isn't standing in the way. President Donald Trump's nationalist approach is an antistrategy, even when he softens his rhetoric, as he did in Davos last week, by arguing that "America First" doesn't mean America alone."

CHINA'S WORLD

By Andrew Browne

SHANGHAI—The U.S. once had a grand strategy. Its post-World War II rescue program for Europe gave birth to a new global order.

Dean Acheson, the U.S. secretary of state who sketched out what became the Marshall Plan, aptly titled his memoirs "Present at the Creation."

Only one country today has that kind of bold ambition: China.

During a look-back America has ceded the field.

The Chinese Belt-and-Road initiative, launched in 2013—the Marshall Plan of the 21st century—isn't primarily about money, as many think.

The promised cash, some

\$1 trillion to build trading infrastructure linking East Asia and Europe—ports, rail lines, IT networks and energy pipelines—is dwarfed by the vast needs of an area that encompasses two-thirds of the global population and more than half its gross domestic product. Asia alone will require \$26 trillion in new infrastructure by 2030 just to maintain current growth, according to the Asian Development Bank.

Nor is President Xi Jinping's signature foreign-policy effort mainly to do with cranes and construction projects.

Rather, Belt and Road is mostly about the power of ideas to reshape the world. That is the true comparison with the Marshall Plan, whose outlays—roughly \$140 billion in current dollars—were similarly modest against the challenge of piecing together a shattered continent.

In fact, the Marshall Plan's lasting legacy wasn't factories, schools and hospitals built with U.S. loans but its contribution to the values that underpinned the post-war liberal order—free trade,

democracy and rules-based governance under strong multilateral institutions.

Never before had the victor in war spent so lavishly on rehabilitating both allies and enemies.

Yet only the naïve would believe it was all altruistic. An open Europe provided a market for U.S. exports. Free flows of goods and capital played to America's core

strength: the dynamism of its private sector. The mighty dollar anchored the system. Finally, in the thinking of U.S. planners like Mr. Acheson, a prosperous "Free World" provided a bulwark against the Soviet Union in the Cold War.

China's initiative is almost impossible to measure in terms of tons of concrete poured, or railway track laid.

IN DEPTH

AT&T

Continued from Page One
side. I live on the other."

One analyst who has met both men and follows the two companies puts it more bluntly. "The tablecloth between them has been cut," says Roger Entner, founder of Recon Analytics Inc. in Dedham, Mass.

Mr. Slim went all the way to the Mexican Supreme Court to fight a 2014 law that cut to zero what América Móvil can charge rivals to complete calls on its network. The court ruled last summer that the company could resume charging fees, though at a far lower rate than before the law.

"We have seen radical changes in four years to a market that didn't change at all in the previous 20," says Luis Aldo Sánchez, coordinator of strategic planning for the Federal Telecommunications Institute, Mexico's telecom regulator.

More than 50 million customers have upgraded to smartphones with broadband data plans, and most wireless customers pay far less than half of what they did in 2012.



The value of Carlos Slim's stake in América Móvil, Mexico's leading wireless provider, has fallen by more than \$8 billion.

Mexico investment. The son of an Oklahoma cattle feedlot owner, he started at the telecom company with a part-time job feeding tape into billing machines.

At their first meeting, in a conference room in Mexico City's upscale Polanco neighborhood, Mr. Slim asked Mr. Stephenson to tell him more about Southwestern Bell's capital expenditures, according to Mr. Stephenson.

"I was getting ready to answer, and then he answered himself. He just recited our numbers from memory," Mr. Stephenson recalls. "He knew our numbers better than we did."

Over the next few years, Mr. Stephenson watched closely as Mr. Slim schooled him on the habits of Mexican customers, how to run lean businesses with anemic cost structures and how to value companies rationally in order to make smart acquisitions.

In 1994, when the Mexican government devalued the peso, halving the currency's value almost overnight, Mr. Slim faced a do-or-die moment. His costs for telephone cables, handsets and radio equipment were mostly in dollars, while his revenues were in pesos.

Mr. Slim took a hatchet to Telmex's balance sheet, cutting outlays quickly and dramatically. Mr. Stephenson says the lesson was: "In those types of situations, you have to be bold, decisive and quick."

One banker who knew both men during the 1990s describes them as having had a "very causal relationship" that was "full of warmth." Outside the office, they dined and attended Dallas Cowboys and New York Yankees games together.

The North American Free Trade Agreement, which took effect in 1994, led to billions of dollars in foreign direct investment in Mexico, and its leaders hoped the privatization of Telmex would attract more telecom competition.

Bell Atlantic Corp., one of the Baby Bells formed in the breakup of AT&T and now part of Verizon Communications Inc., was the first foreign en-

trant. U.K. telecom giant Vodafone Group PLC later paid nearly \$1 billion for a stake in the same carrier that Bell Atlantic backed, called Iusacell.

Mr. Slim spun off América Móvil from Telmex in 2000. No one could match his company's heft or wireless network, called Telcel, and the foreign firms gave up one by one and left Mexico. Verizon and Vodafone wrote off a total of nearly \$2 billion in failed investments.

América Móvil expanded to 15 more countries across Latin America and the Caribbean, bought stakes in carriers in Europe and the U.S., and amassed nearly 300 million wireless subscribers and a stock-market value of \$59 billion.

Mr. Slim says he outfoxed wireless rivals with better products and service, including prepaid cellphone cards introduced in 1997 for Mexico's largely cash-based consumer economy. "We always wanted there to be intelligent competition in the market," he says. "Competition always makes you better."

Mr. Slim's critics say he outlasted competitors by at-

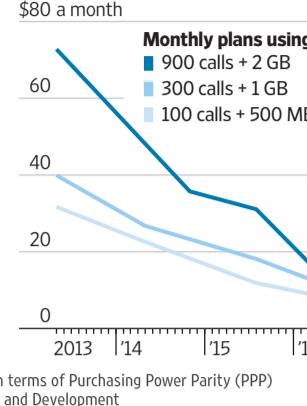
Modern Mexico

The Mexican telecommunications market has gone from one of the world's most expensive and dysfunctional to one that resembles those in the U.S. and Western Europe.

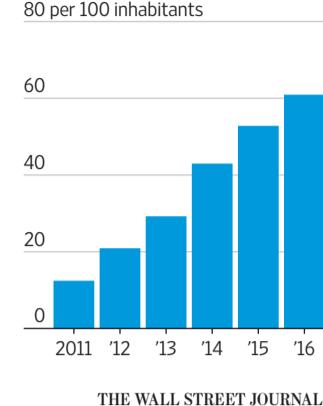
Revenue growth since 2011*



Mobile communications prices*



Mobile broadband subscriptions



THE WALL STREET JOURNAL.

tacking regulations that sought to limit his market power. He has often found a sympathetic ear in Mexico's courts.

One of Mr. Slim's lawyers says his strategy in the wireless business is to invest heavily in Telcel's mobile network while "containing" competitors by "making the very best legal effort to not share infrastructure and increase the fees and termination rates" paid to Mr. Slim's company.

Since the advent of wireless networks, the main tool regulators have used to ensure fair competition is interconnection fees, which carriers charge to rivals for completing calls in their network.

If one company dominates traffic, high interconnection

In 2013, Mexico's new president, Enrique Peña Nieto, pushed Congress to break Mr. Slim's chokehold. The bill included a new, independent regulator to police the telecom and broadcast industries, and the cut to zero in interconnection fees paid to Telcel. The law passed in 2014.

AT&T soon paid \$4.4 billion to buy Iusacell and Nextel Mexico, the third- and fourth-largest carriers in Mexico. They were rebranded in 2015 as AT&T Mexico, which then launched an aggressive push to attract subscribers.

Taking a page from Apple Inc.'s playbook, AT&T opened thousands of sleek, full-service, storefront locations, many with free coffee and WiFi, cafe tables and customer help desks.

The company announced \$3 billion in planned upgrades to its network and the slogan, "The More Trustworthy Network," to win customers away from Mr. Slim's Telcel.

In response to the rising threat, Telefónica began offering discounts to its roughly 26 million subscribers. So did Telcel and AT&T, triggering a price war that cut consumer costs for mobile phones by more than 40%, according to Mexico's telecom regulator. The OECD says the cuts were even steeper.

Since 2015, AT&T has reported more than \$2.1 billion in operating losses in Mexico but increased its subscriber

base 60% to 13.8 million. AT&T also has nearly 22% of all wireless revenue in Mexico and 14% of mobile broadband service, according to the telecom regulator.

Francisco Gil Díaz, a former finance minister who also led Telefónica's Mexico unit, says AT&T "has had considerably more muscle than the previous two or three companies that have emerged here." The U.S. company has stores "all over the place" and caters to high-end customers.

Dearly departed

After the Supreme Court setback, AT&T executives say they are digging in for a long battle. A poster board sign in the office of Troy Hatch, the company's general counsel for Mexico, lists all the telecom operators that have come and gone from the Mexican market over the years.

"We didn't come here to be a 12% market share company. We came here for the long run," says Kelly King, AT&T's Mexico chief. He says the regulatory changes since 2013 help upstarts like AT&T justify steep expansion costs.

In November, Mexico's telecom regulator set a fee of 3 centavos (about 0.2 cents) a minute for competitors to connect to Mr. Slim's network.

While Telcel must pay roughly three times as much a minute to connect to competitors' networks, the ruling is likely to cost rivals tens of millions of dollars a year because of the huge number of Telcel users.

AT&T is trying to gain even more ground on Mr. Slim by investing in rural areas where Telcel has no towers and is barred by the 2014 law from setting up a network.

Last year, the owner of a taco restaurant in Atécuaro, a tiny hamlet of 2,000 people on the slopes of a volcano in the agricultural state of Michoacán, took a bus to Morelia, the nearest large city with an AT&T store, to complain about the poor service in the village.

In response, AT&T installed a cell tower in Atécuaro and offered hundreds of discounted, 3G-enabled smartphones to residents. AT&T reasoned that because Michoacán exports migrant workers to the U.S., many of them would want an AT&T plan with cheap roaming on its U.S. network. Nearly everyone has switched to AT&T smartphone plans, local residents say.

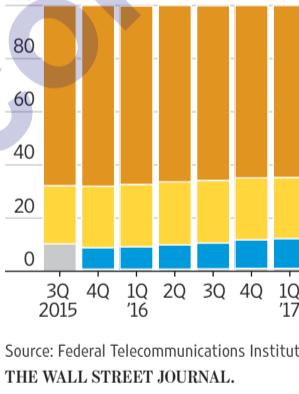
AMIR LEV/GTY IMAGES



Slim in Its Sights

AT&T has won 5.7 million new customers since 2015, bringing its share of the Mexican market to 11%.

Percentage of wireless customers, by company



Source: Federal Telecommunications Institute
THE WALL STREET JOURNAL.

AT&T CEO Randall Stephenson learned about management from Mr. Slim in the 1990s.

TWIST

Continued from Page One

the art of twisting the latex objects as far as possible from its cheerful roots making dachshunds, giraffes and goofy hats for children's birthday parties.

"I know that's a bit darker than what people expect from balloon art, but it's what was inside of me, and balloon art is how I express myself," Mr. Secoda explained.

At the annual Twist & Shout Balloon Convention earlier this month, most of the balloon twisters attended sessions about topics such as how to clear a line of children without drama and how best to shape objects including koalas and flowers.

They look at their more serious brethren as, well, a little bit twisted. "It takes a lot of work. I couldn't do it," said Victor Forja, a balloon artist from Ireland. "I have to do things quick."

In a corner of the convention hall walled off, not surprisingly, by a curtain of balloons, the extreme balloonists were pursuing the

business of competitive ballooning.

Facing deadlines, some of them work for as long as 48 hours on a single creation. They spend so much time stringing together balloons they can suffer cuts to their fingers and, in the case of balloon-dressmaker Melissa

Vinson, the loss of feeling in her thumb.

"I would say it is like the balloon ultramarathon," said Todd Neufeld, a 43-year-old balloon artist from New York City.

Glen LaValley, 56, from Edmonton, Alberta, taped his fingers, drank lots of fluids

and nibbled protein snacks as he pumped and tied balloons to make an enormous green and purple dragon with wings.

"You have to keep your food levels up or you might faint," he said. "Dance music tends to keep me going."

When he crashed for an hour or so of sleep in the hotel conference room, he made sure he wasn't in view of others. "I don't want anyone drawing on me while I sleep," he explained.

He had to wear his balloon dragon to make it work. Inside the creature, he hunched over to operate the wings by maneuvering bicycle hand brakes and cables. "I'm too old for this," he said.

As he maneuvered his dragon onto a stage, its eyes glowed green from LED lights and its wings flapped.

Carolynn Hayman of Ann Arbor, Mich., said she once built a giant lobster but forgot to include a viewing hole. When she squeezed inside to wear it on stage, she nearly fell off. "The number one thing you have to have is a hole to look out of," she warned a class she was teaching on wearable balloons.

comes to balloon gatherings to relax and pick up tips and tricks from fellow balloonists.

Those pushing latex to the edge, she said, "are really exploring the art form."

"You're doing it for the prestige," said 37-year-old Donna Egan of Australia, as she applied finishing touches to a shimmering blue evening dress fashioned out of tiny balloons that took her more than 24 hours to complete.

For her life-size, wearable samurai creation, Amber Corbett of St. Paul, Minn., recruited a friend, prison guard Joe Bell, as a model. Mr. Bell, 28, wore the balloon outfit over briefs. He stripped off the balloons as he cavorted on a stage in a balloon fashion show.

"I couldn't have had a better model do that," said Ms. Corbett, 30, who uses the name "Silly Miss Tilly" for her day job as a children's entertainer.

A professional clown from Salem, Mass., wasn't amused.

"The stripper, I don't know about," said Jay Hubbard, a 54-year-old clown, who was judging the balloon creations.

"There are kids in the audience."



Jason Secoda with the Grim Reaper he sculpted from balloons.

DENNIS SCOTT

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GREATER NEW YORK

New Leader Tapped for NJ Transit System

Gov. Murphy's choice, a corporate executive, must be approved by the agency's board

By PAUL BERGER

New Jersey Gov. Phil Murphy on Tuesday picked Kevin Corbett, a vice president at multinational engineering firm Aecom, to turn around the state's beleaguered rail and bus system.

Mr. Murphy, who called NJ Transit a "national disgrace" shortly before he assumed office in January, last week ordered a comprehensive audit of the agency.

"The culture and the top floors of New Jersey Transit is



More than 300,000 people ride the trains and buses each weekday.

and about 250 bus routes carrying one more than 300,000 people each weekday.

Once regarded as an industry leader, the agency is struggling following years of underfunding, low worker morale and rising customer frustration because of an increasingly spotty service record.

"We need to rebuild a professional, motivated and accountable team in New Jersey Transit," Mr. Corbett said.

Mr. Corbett's selection is a departure for the agency, which has in recent years tapped leaders with senior transit management experience overseeing policy, capital projects or operations on rail or bus. He will succeed Steven Santoro, who said earlier this month that he would leave in April.

As vice president of strategic development at Aecom, Mr. Corbett focused on internal operations. Previously, he led the firm's ports practice.

Mr. Corbett began his career in shipping. During the late 1980s and early '90s, he oversaw operations for shipping company Wilhelmsen AS in sub-Saharan Africa.

He went on to serve as executive director of Port Authority affairs for New York state, where he was involved in the privatization of the World Trade Center and Terminal 4 at John F. Kennedy International Airport. Later, he served as chief operating officer of Empire State Development, New York's economic development agency.

Lee Sander, a longtime friend of Mr. Corbett's and a former

head of the Metropolitan Transportation Authority, which runs New York's subways, buses and two commuter rail lines, said NJ Transit "has significant operational, customer, financial and planning issues, and Kevin's background lends itself well to those."

One big task facing Mr. Corbett will be trying to make a federally mandated deadline to install a rail-safety system by the end of this year. Although NJ Transit officials previously insisted the agency will meet the deadline, federal data shows the agency ranks near the bottom in the nation for progress on system installation, which was only 7% complete by the beginning of October.

—Kate King contributed to this article.



Maria Lugo, who is from Colombia, used loans from Grameen America to build up the Queens tire business she and her husband own.

Microlender Takes a Novel Approach

By ANNE KADET

Daniela Morales's lender is demanding. Every Friday morning, at 9:45 sharp, she has to visit a small apartment in Woodside, Queens, to make her weekly payment—currently \$293 plus \$17 interest on a \$6,900 balance.

"Sometimes I'm busy, but I have to go," says Ms. Morales, who hails from Argentina.

She has plenty of company. On a recent Friday, she crammed into the living room with 20 fellow borrowers—all women, mostly

immigrants from Latin America. The lender's rep collected payments and tallied attendance on an iPad. To close, the women stood and chanted a slogan, in Spanish: "Discipline, unity and hard work!"

Ms. Morales's lender is **Grameen America**, a nonprofit microlender for women entrepreneurs. To get a Grameen loan, you don't need collateral or credit history, just the support of a small group of Grameen loan recipients who can vouch for you. It is, essentially, a reputation-based loan.

"We're paper-light; we keep it as simple as possible," says Alethia Mendez, Grameen's senior director of operations and program strategy.

There are other nonprofit microlenders operating in New York City, including Accion and BOC Capital Corp. But Grameen America, modeled on a Bangladeshi microlender, is unique in its peer support and



Beatrix Chacon, left, chats with Ana Benitez at a Grameen meeting.

loan-approval model. While members borrow from Grameen, not one another, they know the program relies on loan repayments and interest income.

"Everyone makes a commitment to be responsible to her peers and Grameen America," Ms. Mendez says.

The loans, which start at \$500 and command an interest rate of 18% on a declining balance, must be repaid in six months. The interest rate falls as the loan is repaid. Members who establish a good record qualify for larger sums.

Ms. Morales invested her loans in Moneytel, the money transfer and internet cafe business she owns in Jackson Heights, Queens. Behind the plexiglass booth, a new computer has enough memory to store all her customers' photo IDs. The new \$2,000 money-counting machine, meanwhile,

doubles as a counterfeit-bill detector. "Now I can grow," she says. "It's helping."

One of Grameen America's biggest success stories is Maria Lugo, co-owner of a Queens flat-tire repair shop called Who's Papi? Tires By Papi.

When Ms. Lugo learned of Grameen through her hairdresser, she was raising cash for the floundering family tire business by cooking meals in her home kitchen, which she delivered to mechanics at other neighborhood garages.

Her husband was skeptical. "It's too good to be true."

But she went ahead, investing her first loans in a larger stock of tires. Further loans bought new jacks, tire-changing machines and a down payment on a \$50,000 alignment machine.

Tire sales grew from 150 to more than 1,500 a month, says Ms. Lugo, who is from Colombia. Now she is looking to

launch a second location.

Ms. Lugo says Grameen also provided a network of fellow entrepreneurs who share advice and business. She buys baked goods from Susana, jewelry from Francisca and fish from Magali. And when her friends need a tire change, they know where to go.

The weekly meetings also encourage members to keep up with payments.

The model seems to work. Grameen says that as of year-end 2017, it has written off \$1.65 million on total loans of \$820 million. That's a charge-off rate of 0.2%, compared with the 2% rate typical of commercial banks, according to the Federal Reserve.

And from its 2008 launch in Queens, it has expanded to seven branches in the city and 12 additional U.S. cities serving more than 97,000 members.

There have been challenges given Grameen's target population. For one, many members were cashing their loan checks and walking around with big wads of cash. To increase security, Grameen started issuing loans on payment cards. But members, who often operate in an all-cash economy, say they are vexed by the ATM withdrawal limits.

Still, six years in, Ms. Lugo maintains her membership. People ask why she continues now that her business is stable. She says she wants to support Grameen's expansion. "A lot of women," she says, "need this opportunity."

anne.kadet@wsj.com

Woman Testifies About Day Police Killed Her Sister

By ZOLAN KANNO-YOUNGS

Did a mentally ill Bronx woman die because a police sergeant overreacted? Or did that sergeant properly fire his weapon because the 66-year-old woman threatened his life with a baseball bat?

These two questions were at the heart of opening statements in the trial of New York Police Department Sgt. Hugh Barry on Tuesday in Bronx Supreme Court.

Sgt. Barry, 31 years old, is accused of second-degree murder, criminally negligent homicide and manslaughter in the fatal shooting of Deborah Danner in her apartment in the Castle Hill section of the Bronx. He pleaded not guilty and opted for a trial solely in front of a judge.

Sgt. Barry was one of the officers who responded on Oct. 18, 2016, to a report of Ms. Danner screaming in the hallway of her building.

Bronx Assistant District Attorney Newton Mendys said Sgt. Barry was trained to de-escalate a situation involving a mentally ill person such as Ms. Danner.

"Instead his presence added to an already stressful situation," he said in his opening statement. "He made a bad situation worse," resulting in Ms. Danner's death.

Sgt. Barry—who has been on the force for nine years—was carrying a stun gun, but didn't use it, police have said.

Andrew Quinn, the attorney representing Sgt. Barry, said Ms. Danner died because of her decision to grab a bat and swing it at Sgt. Barry. The sergeant had a split-second to make his own decision, Mr. Quinn said.

"She was about to kill my client," Mr. Quinn told Judge Rob-

ert Neary. "And he had no choice but to fire his weapon."

It is rare for police to face murder charges for killing a civilian and even more unusual for them to be convicted. Sgt. Barry showed little emotion during testimony, which revealed details about Ms. Danner's background and how events unfolded the day she was killed.

Her sister Jennifer Danner, who lives in the same complex as Ms. Danner, testified that Ms. Danner was diagnosed with schizophrenia in her 20s. The sister, who has filed a separate wrongful-death lawsuit against the city, said police had responded to incidents at Ms. Danner's apartment and brought her to the hospital at least 10 times since the '90s.

Jennifer Danner, who had full guardianship of her sister, said on the morning of Oct. 18, 2016, Ms. Danner became "agitated" because she thought Jennifer Danner was withholding her Social Security checks. Later that evening, Jennifer Danner got a call from building security. Her sister was in the hallway "upset, boisterous," she was told. Jennifer Danner went to her sister's apartment building.

When Sgt. Barry arrived, the other officers allowed him to bypass them and enter the apartment. Jennifer Danner said she heard a male voice say "drop the scissors."

"All of the sudden all the officers rushed into the apartment and then I heard three shots," Jennifer Danner recalled. "What happened? Did you shoot my sister? Is she alive?" she testified she asked. Shortly after, she said she saw her sister's body wheeled out on a stretcher wrapped in sheets.



Sgt. Hugh Barry has opted to have a judge decide the murder case.

Mayor Steps Up Plan to Equip Officers With Body Cameras

By MARA GAY

New York City Mayor Bill de Blasio said he will speed up an initiative to outfit police officers with body cameras—a move that could increase tensions between his administration and the police union.

All of the New York Police Department's roughly 18,000 officers and detectives on patrol will wear body cameras by the end of this year, the mayor said Tuesday at a news confer-

ence in Brooklyn. Previously, Mr. de Blasio had said they would receive the cameras by the end of 2019.

"It's something that's going to give people a little more faith that there's going to be more and more transparency," Mr. de Blasio said.

About 2,200 body cameras are in use in the NYPD, city officials said.

Police Commissioner James O'Neill said he had reviewed body camera footage from a Monday night police-

involved incident in the Bronx in which a suspect was fatally shot after allegedly lunging at officers with a knife. "It was a violent encounter," Mr. O'Neill said.

The city's largest police union has criticized the initiative, saying there is no proof body cameras improve relations between police and the communities they serve.

"It make no sense to accelerate the program while there are so many unresolved issues

regarding the use of body cams, including the very basic question of whether they actually produce a meaningful change in the interaction between police officers and civilians on the street," Patrick Lynch, president of the Patrolmen's Benevolent Association, said in a statement Tuesday.

The union filed a lawsuit against the city earlier this month arguing that the release of body-camera footage in recent police shootings violated

a state law that says some personnel records shouldn't be made public without written consent from the officers or an order from a judge.

The de Blasio administration's preliminary budget includes \$5.9 million in fiscal year 2018, \$12 million in fiscal year 2019 and \$9.5 million in fiscal year 2020 in funding for the accelerated body-camera rollout.

—Zolan Kanno-Youngs contributed to this article.

GREATER NEW YORK

Couple Opens Farmhouse to Artists

BY LESLIE BRODY

When a young Brooklyn couple fell in love with a country house and bought it last May, they couldn't bear to have it sit idle while they worked in New York City during the week.

So they invited artists to live and work in their white farmhouse in Chatham, N.Y., for a month at a time for free. Now painters, sculptors and performers come to mix colors, hammer and rehearse. When the owners drive up on weekends, they share spaghetti dinners, wine and board games.

Call it a salon with a pond. About 130 miles north of the city, "The Macedonia Institute" is named for the road it sits on and its initials, TMI, slang for "too much information." Artists get TMI baseball caps upon arrival, complete with a logo of a flying pig, inspired by a porcine weather vane perched on the red barn used as a studio.

Things don't always go according to plan.

A 30-year-old from the Bronx, Yves Scherer, brought a chain saw. One of the owners, Aidan Thomas, told him if he got bored he could take down the dead tree out back. The sculptor chopped the wrong one, cutting a live apple tree in half, and used the wood in some of his pieces.

The owners laughed off the mishap. "I don't want to be worried about my things," Mr. Thomas said. "I want to be worried about connections and people."

The sculptor says he plans to make it up to them. Since the institute encourages artists to leave something behind for others to remember them by, Mr. Scherer is designing a bronze apple to hang from a branch of what remains of the tree. It "will be carrying fruit" in the winter, which will be beautiful," he said. "Like the eternal object of desire in the garden of Adam and Eve."

Mr. Thomas bought the 4.5-



Robert Nava, from East Williamsburg, Brooklyn, works on a canvas in the barn, below, at The Macedonia Institute in Chatham, N.Y.

acre hillside property with his fiancée, Devora Kaye. (He proposed in the farmhouse kitchen by writing, "Will you marry me?" on the chalkboard.) She is communications director at the city's Department of Education. He is a dean of curriculum at a charter school, Leadership Prep Bedford Stuyvesant, and training to be a principal there.

Opening up their second home to artists is a fun way to foster creativity, the couple said. "The sharing economy is one of the better acts of the world right now," Mr. Thomas said.

"It seemed such a shame to have a house we could only come to six or eight days max a month," Ms. Kaye added. They would like it to be used more often.

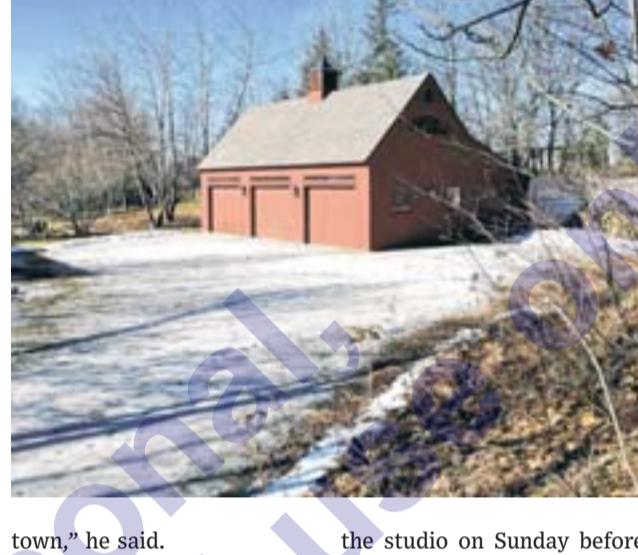
In millennial fashion, the pair of 31-year-olds invite art-

ists they like on Instagram to participate. They meet candidates to make sure they click before scheduling a "residency." So far, eight artists have stayed at the institute, usually one at a time, and more than a dozen are on the calendar.

For some, the near silence of the countryside is a welcome change.

"It's cool to hear your own thoughts," said Robert Nava, a 32-year-old from East Williamsburg, Brooklyn. During two weeks this month he filled the farmhouse basement with bold paintings of monsters, vehicles and cryptocurrency. He even spray-painted piles of snow outside.

One challenge was getting groceries because he doesn't have a car and couldn't find an Uber driver in the area. "I befriended the only taxi in



town," he said.

Lex Brown, a 28-year-old sculptor and performance artist from the Bronx who finished a master of fine arts degree at Yale last spring, toured

the studio on Sunday before settling in for a month's stay.

"I'm so excited to have all this space and time," she said. "Navigating the city takes so much creative energy."

GREATER NEW YORK WATCH

SEXUAL HARASSMENT

Senate Policy Clause Raises Concerns

Updated policies in the New York state Senate to prevent sexual harassment set off a partisan battle Tuesday, with Democrats saying the guidelines discourage people from reporting harassment.

The four-page memo is similar to past Senate policies but Democrats pointed to the addition of a line saying: "Reporting a false complaint is a serious act."

"To emphasize the punishment for filing a false report while not emphasizing the seriousness of sexual harassment is exactly the type of intimidation that has silenced so many," said Sen. Andrea Stewart-Cousins of Yonkers, the Democratic minority leader.

A spokeswoman for the Senate Republicans on Tuesday pointed to the new policy's expanded definition of sexual harassment and new guidelines encouraging Senate staff to report any harassment they witnessed. "The provision that is being referenced by Sen. Stewart-Cousins existed previously," she said.

—Mike Vilensky

HIGHER EDUCATION

School Won't Bargain With Assistants

Columbia University said Tuesday it will not bargain with the graduate student teaching and research assistants who voted overwhelmingly over a year ago to unionize.

Columbia Provost John Coatsworth said the university will instead ask a federal appeals court to rule on whether student assistants are workers with the right to collective bargaining.

Columbia graduate students voted 1,602 to 623 in December 2016 to join a union affiliated with the United Auto Workers.

UAW regional director Julie Kushner said Columbia's refusal to negotiate "shows total and continued disrespect for the democratic will of these workers."

—Associated Press

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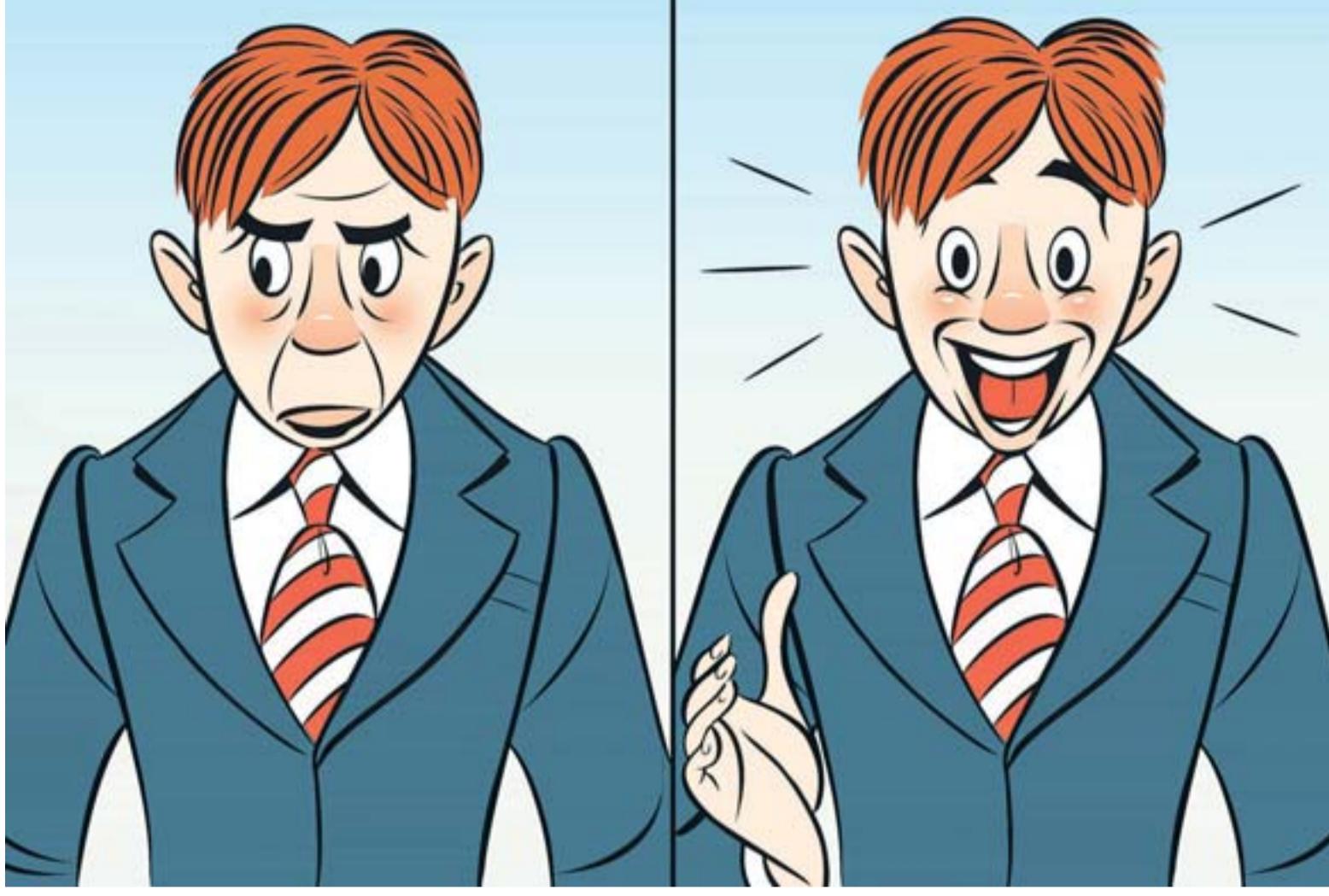
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LIFE & ARTS



Gain Trust Without Saying a Word



To increase the chances that a stranger will see you as a potential ally:

- Hold your hands relaxed at your sides, without fidgeting.
- Avoid hunching over to stare into your phone before meeting others.
- Keep your elbow at your side when shaking hands, drawing the other person closer than arm's length.
- Lean forward and focus intently on the other person when he or she is speaking.
- Stand erect with shoulders squared, balancing your weight evenly.
- Smile in response to what others say or do, rather than grinning nonstop.

ILLUSTRATIONS: MARK MATCHO

WORK & FAMILY | By Sue Shellenbarger

The Mistakes You Make in a Meeting's First Milliseconds

People will make snap judgments as soon as they meet you, but you can turn this to your advantage

HILARY BLAIR HAS ACTED professionally and served as chief executive of her own communications-coaching company for the past seven years. She oversees a staff of 13 and counts Staples and Boeing among her clients. She says her success comes despite the first impression she makes on some people, not because of it.

"I remind everyone of their second-grade teacher," says Ms. Blair, chief executive of Articulate Real & Clear in Denver. "And if they didn't like their second-grade teacher, I'm in trouble."

A growing body of research shows the snap judgments people make about others' trustworthiness are wrong more often than most people think. These first impressions are formed in milliseconds, based on instinctive responses in the brain's emotion-processing center, the amygdala.

Some people conclude a stranger is reliable because he or she looks like someone trustworthy the person already knows, says Alexander Todorov, a leading researcher and author of a 2017 book on the topic, "Face Value: The Irresistible Influence of First Impressions." Or they make judgments based on stereotypes, such as an unconscious belief that older or more feminine-looking people are more trustworthy, he says.

This poses a challenge to anyone who must gain others' trust to un-

perform well in meetings, interviews or other gatherings.

There are ways to head off other people's shaky snap judgments, by being mindful of how they might see you. Some visual cues are beyond a person's control. Faces with a wider distance between the eyes and eyebrows are seen as more trustworthy, research shows.

But people who use and teach these skills, including actors and courtroom trial strategists, say you can control other visual cues. A happy expression, with the corners of the mouth turned upward and eyebrows relaxed, is likely to inspire trust, research shows. People teamed in an investment game with online partners whose facial images appeared friendly and reliable entrusted their partners with 42% more money than those whose partners looked downbeat and threatening, says a 2012 study by British and U.S. researchers.

Facial expressions are important even when you think no one is looking. People tend to distrust others whose "dominant face," or habitual expression, is grumpy, disapproving or angry, says Judson Vaughn, an impression-management consultant. And suddenly switching that downbeat expression to a 1,000-watt smile, just because someone is looking, is likely to un-



Mumbling could be interpreted as untrustworthy behavior.

determine trust even more, he says.

Mr. Vaughn, a former character actor, says casting directors' snap judgments about him, based on fleeting first impressions in the audition room, used to cost him roles he wanted in TV and film years ago.

He began adapting his facial expression, body language and stance

the moment he entered the room to suit the role he wanted. Mr. Vaughn landed more roles as a trustworthy good guy by wearing a pleasant expression that warmed to a smile when he faced the director, shoulders erect, at a respectful distance. Mr. Vaughn, chief executive of First Impressions HQ in Atlanta, also won more bad-guy roles by making sure the director's first impression was of a shifty character—by hunching his shoulders, wearing a hostile expression and eyeing the director askance.

Lisa Peers, an actor and workplace-communications coach, advises clients to prepare themselves mentally to impress new acquaintances by pausing for a few moments beforehand to think about what they want to accomplish with the other person.

She recommends using breathing techniques to foster relaxed, confident movement, and striving for "symmetry in your stance, with your shoulders straight and even. That first entrance in the room is the same as that first entrance of your character on stage," says Ms. Peers, chief executive of Peers & Players, a workplace-communications training firm in San Francisco.

When Ms. Blair greets a new acquaintance, she avoids sending

mixed messages. She stands with her hands relaxed and visible at her side, rather than hidden in her pockets or crossed defensively in front of her. This suggests that your warm greeting is genuine and you have no secret agenda or need to protect yourself, she says.

Mr. Vaughn also advises adjusting your stance and posture, leaning or turning toward the other person to show you're focused intently on what he or she is thinking and feeling. Rather than extending your arm stiffly to shake hands at a distance, relax your arm and lower your elbow to your side, drawing the other person closer to you, he says. "This shows you've made a subconscious decision to trust the person, without having spoken a word," he says.

Stephen Colavito used Mr. Vaughn's techniques in an arbitration case against a former employer years ago. He consciously maintained a confident, positive facial expression throughout the proceedings, even when the opposing attorney asked tough questions, or other participants said things he didn't agree with. Mr. Colavito also turned in his seat when testifying to face the person he most wanted to engage—the arbitrator—leaning toward him and speaking in a focused, positive way. He won the case.

He still uses the techniques as a portfolio manager for an Atlanta asset-management firm. He never reaches across a table to shake hands when meeting new clients, but walks around it to greet them face-to-face and offer a relaxed, warm handshake, elbow at his side. He's also mindful of his posture, keeping his shoulders square and making eye contact to convey confidence, he says. "These little nuances are important. They can help create a deeper bond."

EXHIBITION REVIEW

ARCHITECTURE TO EDUCATE A NATION

BY JULIE V. IOVINE

Charlottesville, Va.

THOMAS JEFFERSON believed with more certainty than any of the other Founding Fathers that it was architecture that provided the ideal way for new nation-builders to express greatness. "From the Grounds Up: Thomas Jefferson's Architecture & Design," a new exhibition at the Fralin Museum of Art at the University of Virginia, explores the aspirational ways that Jefferson tried to forge that identity into something both cultured and uniquely American.

Particularly, he saw as role models and inspirations classical buildings that had already stood the test of time, such as Rome's Pantheon with its astonishing dome (which he knew only from etchings) and, in Paris, the monolithically impenetrable east front of the Louvre (which he walked past every day when he was American).



minister to the French court, 1784-89). Jefferson inordinately praised the Maison Carrée in southern France as "one of the most beautiful, if not the most beautiful and precious morsel of architecture left us by antiquity," making it the source for one of his best designs, the Virginia State Capitol in Richmond.

Please see JEFFERSON page A11



The Rotunda at the University of Virginia and Jefferson's presidential portrait (1800) by Rembrandt Peale, left

LIFE & ARTS

MY RIDE | By A.J. Baime

The Oldsmobile That Turned Into a Chicken

Santa Monica, Calif.-based Tommy Kendall, 51, a retired champion auto racer in the Motor-sports Hall of Fame of America and a current television broadcaster, on his 1973 "El Gallo" Oldsmobile Ninety-Eight, as told to A.J. Baime.

I am fortunate enough to own some rare and expensive race cars, but I would sell any of them before I sold my rooster car.

I heard this vehicle before I ever saw it. I was in my office in Glendale, in 1997, when I noticed this noise. I looked out the window, and there was this car with no one in it, clucking like a chicken through a loudspeaker.

A woman appeared, and I offered her \$3,500. She drove off, but not before I took some pictures of the car. One of those photos ran in the back of a popular car magazine. Someone called and said the car was in an impound lot and was going to be auctioned off on the following Tuesday. On Monday, I got out \$10,000 cash, and the next day, I bought the car for \$895.

That was the start of the serendipity with this car that has gone on for 20 years. The stuff that happens, the people you meet, the doors that open, the situations you find yourself in—it's a magic machine.

I named the car "El Gallo" [the Rooster]. Since it will not fit in any garage, I have parked it on the street for 20 years. Wherever I have lived, the car has lived too, and for some, it has become a Santa Monica landmark.

I once drove El Gallo with my brother across country to Alabama and around the track at Talladega Superspeedway, in front of thousands of fans. The car was once stalked by a famous actress, who would show up in front of my driveway with her daughter to see it every morning. Even animals recognize the car. You pass a guy walking a dog, and the dog goes nuts.

Which leads me to the existential mystery about El Gallo: Why is this 1973 Oldsmobile outfitted like a rooster with a clucking loudspeaker? I do not know. Originally



Tommy Kendall's 1973 'El Gallo' Oldsmobile Ninety-Eight is outfitted like a rooster. He says he bought the car for \$895 from an impound lot in 1997.

it was owned by a promoter of some kind, in Ohio. I guess it does not really matter.

The car is an unbelievable attitude adjuster. Whenever you get in it, after 10 minutes of people honking, cheering and laughing, you're in a good mood. It has attitude, as cocky as they come.

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

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LIFE & ARTS



ART REVIEW

Hudson River School Headmaster

BY BARRYMORE LAURENCE SCHERER

New York

WHEN, IN 1848, the painter Thomas Cole suddenly died at age 47, his funeral oration was delivered by his celebrated friend William Cullen Bryant, the poet and journalist, who recalled the "enthusiasm awakened by...pictures which carried the eye over scenes of wild grandeur peculiar to our country...and into the depths of skies...such as few but Cole could ever paint."

Cole was born and raised in a northwestern English village begrimed by the coal smoke of burgeoning industry. Among the first works in the show is Philippe Jacques de Loutherbourg's 1801 "Coalbrookdale by Night," its rustic, half-timbered houses silhouetted against an infernal sky set afire by the town's iron-smelting forges. Such a scene formed the backdrop to Cole's Lancashire youth, and suggests why he

would later glorify America's virgin, wooded landscape while implying a warning against its deforestation not just by industry but even by agriculture. This is the essential message of his beloved "View From Mount Holyoke, Northampton, Massachusetts, After a Thunderstorm—The Oxbow" (1836), also in the show.

Cole briefly worked for a Liverpool engraver whose prints of contemporary paintings may have introduced him to fine art. Intent on becoming an artist after immigrating to America with his parents in 1818, he was principally self-taught and began painting the Hudson Valley as he wished to see it—unmarred by development and dramatically tinged with his poetic fervor. The success of Cole's initial landscapes, including

London, the exhibition and its richly informative catalog depart from our traditional view of Cole chiefly as a home-grown American artist. Instead, for the first time, they examine the English-born patriarch of American landscape painting beside the European contemporaries and old masters whose works he studied firsthand during several voyages to England, France and Italy—especially John Constable, Claude Lorrain, John Martin and Joseph Mallord William Turner.

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In London, Cole made a beeline for the newly opened National Gallery, delighting there in Claude's 1641 "Seaport With the Embarkation of St. Ursula," its combination of figures, Classical architecture and soft, crepuscular lighting influencing his own work thereafter. At the Royal Academy, Cole was astounded by the stark ruins and sumptuous clouds in Constable's recently finished "Hambledon Castle, the Mouth of the Thames—Morning After a Stormy Night." At Turner's private gallery, Cole was awed by "Snow Storm: Hannibal and His Army Crossing the Alps," though not by Turner's crude appearance and manner.

Though he would later regard

Turner's more radical style with disdain, Cole virtually quotes

Turner's menacing arc of cloud as the departing storm in "The Oxbow." And to come upon these great works—respectively lent by London's National Gallery, Yale Center for British Art and Tate Britain—hanging together in the show is to feel Cole's own wonderment and understand the challenge he faced in formulating his own aesthetic.

Cole's ambitious pentalogy, "The Course of Empire" (1834-36)—lent by the New-York Historical Society—forms the exhibition's centerpiece. Magnificently displayed at eye level in its own five-sided alcove, it invites viewers to examine every finely conceived detail of its grand and cautionary narrative. Here, the music-loving Cole produces a psalm of nature as eloquent as Beethoven's "Pastoral" symphony.

In retrospect, we can acknowledge that Cole had every reason to fear that his beloved American

landscape was threatened.

The show's thoughtfully selected paintings, drawings, oil sketches and related works by Cole, by the Europeans who influenced him, and by the American painters who perpetuated his legacy clarify the dynamic balance between his indebtedness to foreign tradition and innovation, and also his own original vision: Cole's fantasy "Titan's Goblet" (1833) anticipates the surrealism of Salvador Dalí and René Magritte a century in the future.

Ultimately, it is hard to imagine any visitor departing this moving exhibition without a deeper and more comprehensive understanding of Cole's extraordinary activity not just as an American, but as an actor upon the world's stage.

Thomas Cole's Journey: Atlantic Crossings

The Met Fifth Avenue, through May 13

Mr. Scherer writes about music and the fine arts for the Journal.

JEFFERSON

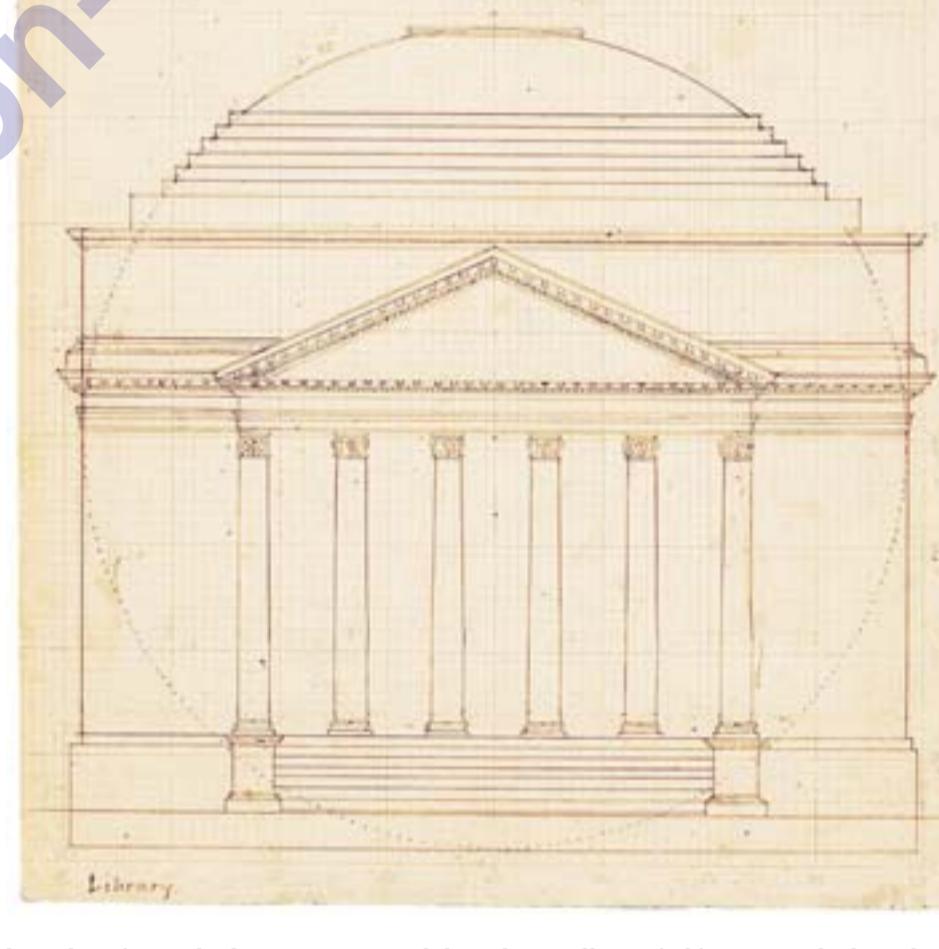
Continued from page A9

By comparison, he had nothing but contempt for homegrown architecture—describing it as "ugly, uncomfortable and hap-happy...perishable." He even disparaged the grandiose buildings of Williamsburg as "rude mis-shaped piles" more reminiscent of brick kilns than dignified buildings of state.

If Benjamin Franklin chose to wear a rough-and-ready coonskin cap around Paris to make a point, Jefferson believed the American spirit was better communicated through buildings set in landscapes that married classical rigor with awe-inspiring natural wonder. At its most intriguing, "From the Grounds Up" shows how Jefferson combined his insistence on antique precedents with an appreciation for America's expansive untamed landscapes. One of his favorite constructions was not manmade. The Natural Bridge outside Lynchburg, Va., is a craggy stone outcropping forming a high arch—shown here in an 1852 painting by Frederic Edwin Church—that Jefferson liked to crawl through on hands and knees. Jefferson owned more editions of Andrea Palladio, that revered source on the classical orders, than any other American, and, for a time, he also owned the Natural Bridge.

From a discussion of influences and inspirations, the exhibition moves to the buildings themselves. It provides a detailed look at the houses Jefferson designed through his own sketches and plans—primarily his masterpiece, Monticello, but also his less well-known getaway, Poplar Forest, an octagon enclosed around a perfect cube. Monticello, begun in 1770 and still under way at his death in 1826, most completely embodies Jefferson's thoughts on architecture—and enlightened individuality, for that matter. In one early version, each room was to be detailed according to a different classical motif as a kind of live-in learning tool.

Later, Jefferson followed that model at the University of Virginia, where the famed academic village that cascades down the hillside is punctuated by mini-temple-like pavilions. Each is based on a different ancient original, as duly noted in his minuscule scrawl on the plans here on show. You can also read how he



kept obsessive track of measurements and the exact number of bricks needed.

The exhibit detours to a section on construction. There's a spade, a section of fencing and a pile of nails alluding to the nail factory operated briefly at Monticello. There's a pine door made by John Hemmings, the gifted and indentured craftsman who ran the joinery at Monticello. This section corroborates the reality that Jefferson's elevated pursuits were carried on the backs of slaves, but more details would have made it more meaningful.

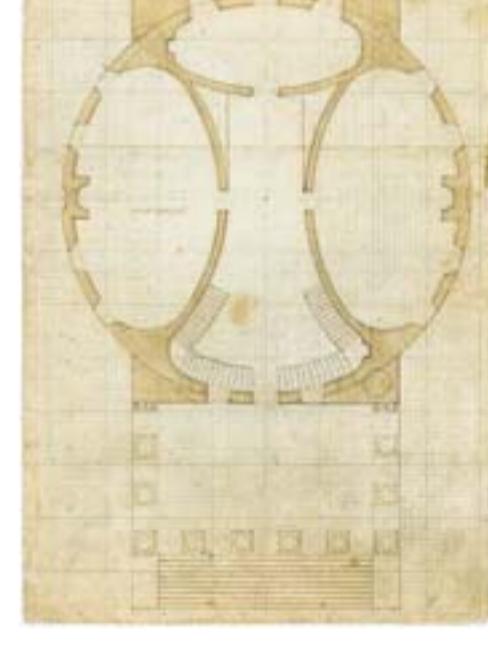
Jefferson once wrote, "Architecture is my delight, and putting up and pulling down one of my chief amusements." For visitors to "From the Grounds Up," it's a pleasure to

hear Jefferson in his own words through wall texts, captions and facsimiles of his letters. The voice is lively and articulate; the intentions determined.

John Adams spent much of his early working life in a modest farmhouse inherited from his father. George Washington built Mount Vernon to his own specifications, including the folksy-overblown portico overlooking the Potomac meant to suggest the great military man at ease.

Jefferson wanted Monticello to mirror the ideals of the entire nation.

Only a few of Jefferson's many designs were completed as planned. The Virginia Capitol didn't get the grand stair he envi-



Two of Thomas Jefferson's designs for the Rotunda at the University of Virginia.

sioned until much later; at the University of Virginia, his dream of a landscape that would flow past classical buildings to an open vista of the majestic purple mountains was curtailed by latter-day constructions; his famed Rotunda was aggressively refigured by McKim Mead & White in 1896.

Still, what remains indelible is Jefferson's inspired conception of an architecture built up from proven classical principles embedded in a sublime landscape. "From the Grounds Up" gives us a glimpse of the wheels turning in this brilliant, imperfect, striving mind as it tried to apply that insight to shaping a new world that would inspire and elevate an informed and newly independent citizenry.

From the Grounds Up: Thomas Jefferson's Architecture & Design

The Fralin Museum of Art, through April 29

Ms. Iovine reviews architecture for the Journal.

SPORTS

THE COUNT

YOUTH VS.
EXPERIENCE IN
THE BIG GAME

Tom Brady and the 2017 Eagles have something in common: They have both appeared in seven Super Bowls. That's Brady all by himself—and every single player on Philadelphia's 53-man roster combined.

The current iteration of the Patriots have collectively played in 60 Super Bowls, a product of the Brady-led dynasty that has resulted in eight AFC championships and five titles this century. The Eagles have exactly one player with more than one Super Bowl on his résumé: running back LeGarrette Blount, who has appeared in two—both with the Patriots.

The discrepancy in Super Bowl experience between the two teams squaring off in Sunday's matchup is the largest in a quarter-century and the third-largest in history. In Super Bowl XXVII, played after the 1992 season, the Buffalo Bills had 67 Super Bowls under their belts, versus all of three for the Dallas Cowboys, for a gap of 64. (This didn't stop the Cowboys from handing the Bills their third consecutive Super Bowl defeat, a 52-17 drubbing.)

Of course, the big question is how much the extra experience matters. The answer? A little bit—maybe. In the 10 Super Bowls played between teams with the largest experience gaps, the roster with more experience won six.

—Jared Diamond



Polar Opposites

The largest discrepancy in Super Bowl experience based on total number of Super Bowls played by players on active roster:

| GAME | TEAM 1 | TEAM 2 | DIFF. |
|--------|----------|----------|-------|
| XIV | PIT (77) | RAM (5) | 72 |
| XXVII | BUF (67) | DAL (3) | 64 |
| LII | NE (60) | PHI (7) | 53 |
| XXXIX | NE (56) | PHI (7) | 49 |
| XI | MIN (55) | OAK (7) | 48 |
| XXVIII | BUF (83) | DAL (35) | 48 |

Note: Winner in bold

Source: Stats LLC



Philadelphia Eagles defensive tackle Fletcher Cox sacks Atlanta Falcons quarterback Matt Ryan in an NFC Divisional playoff game on Jan. 13.

SUPER BOWL LII

Eagles: Like the Jags...but Better

Philadelphia excels at pressuring the passer, which is the blueprint for how to attack Tom Brady

BY JARED DIAMOND

Bloomington, Minn.
FOR THREE QUARTERS in the AFC Championship, the Jacksonville Jaguars provided the perfect blueprint for how to beat the New England Patriots.

They still lost—because, well...they're the Jaguars. But by hounding, harassing and generally making Patriots quarterback Tom Brady's life in the pocket miserable, Jacksonville showed the Philadelphia Eagles exactly how to attack the most dominant quarterback of all time in Super Bowl LII: go at him relentlessly, with the full force of a defensive line designed to frequently acclimate the 40-year-old Brady with the turf at U.S. Bank Stadium.

"They were able to get pressure on him early in the game, and that's what you want to do," Eagles defensive tackle Beau Allen said. "With a great quarterback like that, you want to make him uncomfortable, you want to be around him, be near him, let him know that you're not going to let him have a clean pocket."

That bodes well Sunday for the Eagles, who just so happen to boast the top-rated pass-rushing unit in the NFL. The Eagles hurried the opposing quarterback on about 41% of drop-backs during the regular season, the highest mark in the sport, according to Pro Football Fo-

cus. They accomplished this largely without blitzing, a requirement for holding down Brady, who is a master at carving up defenses that dare send extra men at him at the expense of coverage in the secondary.

Instead, the Eagles rely on a ferocious front four loaded with talent and depth. They liberally rotate up to eight players, creating an unending carousel of fresh bodies who will be on a mission to chase Brady around the field. Patriots guard Joe Thuney said that after watching the Eagles on film last week, their combination of size and speed "just jumps out at you."

It should come as no surprise at this point that teams see quarterback pressure as the best strategy for stopping Brady. His previous history in the Super Bowl proves as much: In Brady's five victories, opponents rushed him less than 21% of the time, according to Stats LLC. The New York Giants, the only team to conquer Brady on this stage, hurried him a combined 28% of the time in their wins in Super Bowls XLII and XLVI.

Defensive end Derek Barnett said the Eagles plan to study how the Giants bothered Brady leading up to Sunday's matchup.

"We know we have to try to get to him as much as possible," Barnett said.

The Jaguars did, too, and for a while, it worked. Then the fourth quarter arrived and Brady did

what he always does: He used the Jaguars' ruthlessness against them, quickening the pace of the Patriots' offense to tire Jacksonville out just in time for the most crucial moments of the game.

Once fatigue set in across the Jaguars' defensive line, Brady pounced, connecting on two touchdown passes in the final nine minutes to lead the Patriots to yet another late comeback. In the end, the Jaguars couldn't get to Brady when it counted the most, a familiar story for teams who attempt to pressure the Patriots.

The Atlanta Falcons learned that lesson just last year in Super Bowl LI. They stormed Brady early in the game, invading the backfield without blitzing, resulting in a 28-3 third-quarter lead. We all know what happened from there. The Falcons tired, the Patriots started giving Brady the time he needed, and New England won yet again.

The Eagles, however, have the personnel to combat the problems that plagued the Falcons and Jaguars. In addition to a dynamic first unit led by Fletcher Cox and Brandon Graham, they boast a group of backups who likely could start elsewhere.

The Patriots say that the sheer amount of talent on Philadelphia's defensive line presents an unusual challenge. "It increases the amount of preparation you have to do, because you have to understand the

differences in each pass rusher," Patriots offensive tackle Nate Solder said.

Of course, not even a strong pass rush ensures that the Eagles will keep Brady at bay Sunday.

The numbers show that while Brady's performance certainly drops under pressure, he still handles the rush better than any other quarterback in the NFL. More often than not, Brady still somehow finds a way. As Eagles defensive end Vinny Curry put it, "It's Tom Brady at the end of the day. None of that stuff matters. There's no blueprint."

Still, the Eagles will try, in the hopes of building on the formula the Jaguars outlined, but with a couple enhancements: First, instead of Blake Bortles under center, Philadelphia will turn to Nick Foles, who threw for 352 yards and three touchdowns in a rout of the Minnesota Vikings in the NFC Championship.

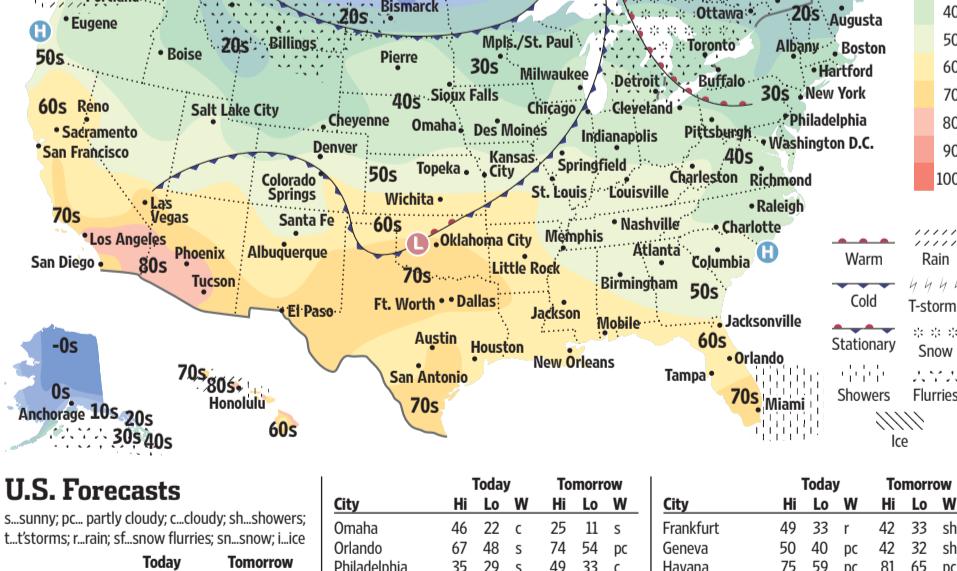
Perhaps more important, the Eagles won't allow Brady to wear down their defensive line. And if they could knock Brady down a few more times, they might just pull off an upset.

"If we can stay fresh for four quarters and we can keep bringing wave after wave of pass rusher at him, it'll be like bringing fastball pitchers out of the bullpen," Eagles defensive coordinator Jim Schwartz said. "We'll be able to stay fresh."

(T-B) ANDY LEWIS/ICON SPORTswire/GETTY IMAGES; JULIE JACOBSON/ASSOCIATED PRESS

Weather

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



U.S. Forecasts

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

Today Tomorrow

Hi Lo W Hi Lo W

Anchorage 17 2 s 12 4 s

Atlanta 54 38 s 56 37 sh

Austin 70 50 pc 74 46 pc

Baltimore 37 29 s 51 32 c

Boise 46 31 c 47 37 pc

Boston 32 28 s 43 34 c

Burlington 28 25 sn 39 20 sf

Charlotte 50 33 s 58 41 pc

Chicago 44 27 c 28 6 pc

Cleveland 44 36 c 39 15 sn

Dallas 73 53 pc 65 39 pc

Denver 51 22 pc 40 26 c

Detroit 41 31 c 35 9 c

Honolulu 82 73 r 84 74 sh

Houston 69 56 pc 73 52 c

Indianapolis 47 33 c 37 9 sn

Kansas City 52 32 pc 35 15 s

Las Vegas 74 50 pc 73 51 pc

Little Rock 63 45 s 57 28 r

Los Angeles 80 55 s 79 55 pc

Miami 72 63 pc 77 61 pc

Milwaukee 43 21 c 22 5 pc

Minneapolis 34 2 pc 57 6 s

Nashville 57 46 s 20 20 r

New Orleans 66 54 pc 71 51 c

New York City 34 30 s 46 34 c

Oklahoma City 70 37 s 55 22 pc

International

Today Tomorrow

Hi Lo W Hi Lo W

Amsterdam 47 37 r 44 39 pc

Athens 62 47 pc 60 48 pc

Bahrain 63 39 s 65 41 s

Bangkok 87 71 pc 83 71 pc

Beijing 38 15 s 39 20 pc

Berlin 47 35 r 41 34 pc

Brussels 50 35 r 42 35 sh

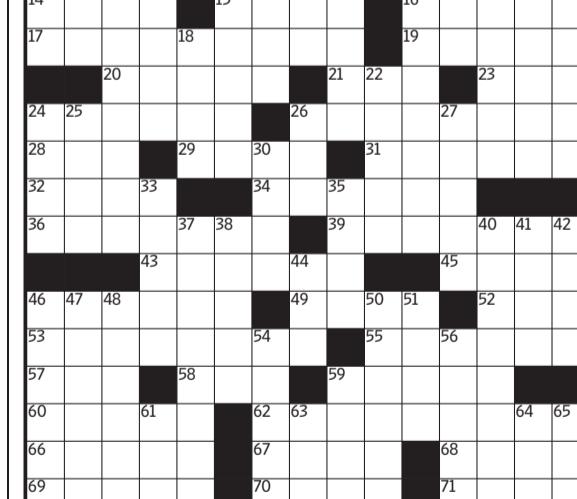
Buenos Aires 90 67 p 93 67 s

Dubai 71 60 s 73 60 s

Dublin 42 34 sh 44 34 pc

Edinburgh 41 34 c 44 31 pc

The WSJ Daily Crossword | Edited by Mike Shenk



COVER LETTERS | By Alex Eaton-Salners

Across

- 1 Auspicious
- 5 Extremist's display
- 9 Preps for print
- 14 Onetime "Open up...and take a lick!" advertiser
- 15 Home port of the USS Niagara
- 16 Uncle Vanya was her uncle
- 17 Afternoon snack choice?
- 19 Navigational need
- 20 Hired muscle
- 21 Single-stranded molecule
- 23 Oppositional figure
- 24 Profferer of green eggs and ham
- 26 Check for texts, perhaps?
- 28 "... tree falls..."
- 29 Title bestowed by Her Majesty
- 31 ____-Dazs
- 32 Sixth letter out of 24
- 34 Ribbons, e.g.
- 36 Ferry for flock members?
- 39 "Cradle it between your thumb and index finger," and the like?
- 43 Excitement
- 45 "Echoes in Rain" singer
- 46 "Phooey!"
- 49 Call it ____
- 52 Assist after dinner
- 53 Stinger?
- 55 Lover boys
- 57 Government rule, in brief
- 58 Keats' creation
- 59 Weighed down
- 60 Bye at the French Open?
- 62 Hardtack, perhaps?
- 66 Body shop concerns
- 67 Bye at Wimbledon?
- 68 Crashes into
- 69 Make blank
- 70 Treat for flickers
- 71 Russian-born pianist Scheps

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

Down

- 1 Rubbish
- 2 Extraction target
- 3 Flying neighbor
- 4 Mario's dinosaur friend
- 5 Figure of speech exemplified by "You held your breath and the door for me"
- 6 Noteworthy times
- 7 It's mostly nitrogen
- 8 Guarded
- 9 Rolling adventure
- 10 Homer's shout
- 11 Dazed and confused
- 12 Power in Hollywood
- 13 Soft fabric
- 18 Thigh muscle
- 22 Prime minister from 1947 to 1964
- 24 Fitting question?
- 25 Not many
- 26 "Disgusting!"
- 27 Headlong activity
- 30 He shared a screenwriting Oscar with Ben
- 33 Arafat's successor
- 35 Breezed through
- 37 Its door may have a crescent moon cut through it
- 38 Syrian strongman
- 40 Refusing to face facts
- 41 Match player?
- 42 States
- 44 Speedway circuit
- 46 Wear away
- 47 Garden tool
- 48 Capital between Winnipeg and Calgary
- 50 Genesis landfall
- 51 Grand Master of the Jedi Order
- 54 Breathers
- 56 Way around Paris
- 59 Behind
- 61 UFO passengers
- 63 Perrier product
- 64 "Whoa!"
- 65 Code-cracking org.

Previous Puzzle's Solution



OPINION

What the FBI Fight Is About



BUSINESS WORLD
By Holman W. Jenkins, Jr.

To journalists, the Chinese curse "may you live in interesting times" is anything but a curse. We live to live in interesting times. At least you would hope so.

On the "PBS NewsHour" the other night we heard a panelist explain: "The idea, Judy, that the FBI, made up of professional law enforcement people, is a hornet's nest of bleeding-heart, knee-jerk liberal lefties, which is what Trey Gowdy and these people are selling, is that somehow there is a great cabal, left-wing."

If you think this is what's going on with the Trump-FBI fight, you've lost the plot in the most interesting story of our time. To the extent that top leaders of the Obama FBI or intelligence agencies were hostile to Donald Trump, it was not on partisan or ideological grounds, but because they thought him singularly unsuited to be president. This view, by the way, they would have shared with millions of Americans, including a healthy chunk of the national political and media elite.

Mr. Trump is not a conservative, hardly even a Republican. At the same time, no candidate was so well known before he entered the political arena. Donald Trump, for 40 years, deliberately peddled an image of himself as

the garish, high-living playboy-businessman. What a colleague once said of his fellow Manhattan swashbuckler Ron Perelman seemed doubly true of Mr. Trump: "His basic value is making money, money, money and collecting women."

Whether or not FBI leadership did anything improper, its behavior could not help but be conditioned by the presumption that Mr. Trump was unacceptable to most Americans, that he was likely to lose, and that Hillary Clinton would be the next president.

But 63 million Americans disagreed; with an assist from our quirky electoral system, they made him president anyway. And now we're having the inevitable reckoning. Simply because of the way the chips have fallen, the FBI is at the center of that reckoning.

Its leadership would have been far from human if its perceptions of Mr. Trump didn't color its response to a succession of inherently thorny decisions about the Clinton email "matter" and about allegations of Trump-Russia connections.

The text messages and memos you've been reading about go straight to the key questions: Did the FBI soft-pedal its Clinton investigation because it saw her victory as inevitable and necessary? Was the agency a little too eager to exploit questionable Russian intelligence as an excuse to intervene in her case? Was it a little too keen to find grounds to suspect Trump

associates of playing footsie with Vladimir Putin?

The word we have used is not conspiracy, but cascade—a cascade of awkward decisions that amount to the FBI playing a much bigger role in the election than it possibly could have wanted. These culminated in the comeuppance that fate often reserves for the too-clever: James Comey's

ways to be president as there have been presidents. With his big mouth, lack of discipline, and momentous baggage, it's easy to imagine Mr. Trump not finishing his term. It's also possible to imagine him, because of his showmanship, mercurial nature and lack of partisan conviction, becoming the midwife of one compromise after another to move the country forward on longstanding stalemates—its dysfunctional corporate tax system, its dysfunctional immigration system.

In any case, you are not a partisan to realize that partisan opportunism, more than any real evidence of a Trump conspiracy with Mr. Putin, drives the Russia narrative. Every president, including Donald Trump, has a duty to fight for his political existence. In our two-party system, where the parties serve as a check on each other, Republicans have a duty to help him mount a defense against those who would destroy him, at least until they decide the partisan cost of Mr. Trump exceeds the benefit.

America is a happy, prosperous, low-crime country right now by historical standards, yet something curious and transformative is happening in our politics. You are living in interesting times. Don't miss out. Don't make the mistake of relying too much on claptappy, ratings-driven media institutions whose limitations become most apparent just when the story gets most interesting.

A reckoning is inevitable when electorate and elite are so out of sync.

pressured decision to reopen the Clinton case when the Anthony Weiner laptop surfaced, a thunderclap that inadvertently may have pushed Mr. Trump over the top.

Somewhere in her voluminous writings, the German Freudian with the unfortunate name, Karen Horney, describes the logic of neurosis as meaning that the professions attract some who are least suited to them—lawyers who are cynical about justice, doctors who enjoy suffering. That also includes journalists who constantly seek to reduce our interesting world to partisan banality.

Personally, I've given up trying to predict how the Trump presidency will play out, but his rise provides an opportunity to think in new ways about presidential competence. There are as many

ways to be president as there have been presidents. With his big mouth, lack of discipline, and momentous baggage, it's easy to imagine Mr. Trump not finishing his term. It's also possible to imagine him, because of his showmanship, mercurial nature and lack of partisan conviction, becoming the midwife of one compromise after another to move the country forward on longstanding stalemates—its dysfunctional corporate tax system, its dysfunctional immigration system.

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The Problem Solvers Take On Immigration

POLITICS & IDEAS
By William A. Galston

Last week I argued that the immigration conundrum, which has bedeviled Congress and the country for decades, can be solved only step by step, not all at once. Phase One would focus on Deferred Action for Childhood Arrivals and related issues, while Phase Two would address broader structural reforms of the framework that has undergirded U.S. immigration policy since 1965. On CNN over the weekend, Sen. Joe Manchin, a West Virginia Democrat who is one of the leaders of a bipartisan Senate group working toward an immigration solution, suggested a similar distinction.

There is a broad center-left and center-right coalition in the country that is willing to support a reasonable compromise in both phases. The question is whether Congress will reflect the will of this majority or succumb to partisanship. The purist Democratic and Republican positions are politically unrealistic. If Democrats want a solution to the DACA problem, they must offer more than token concessions to Republicans' long-held concerns about interior enforcement and border security. They will have to accept significantly intensified

efforts in this area, which will include elements of President Trump's wall. For their part, Republicans cannot insist on cramming their entire restrictionist agenda into a solution for the plight of those eligible for DACA. Structural changes, such as the role of family reunification in overall immigration policy, belong in a Phase Two discussion, when all issues will be on the table.

In this context, the proposal recently released by the Trump administration is a mixed bag. On the one hand, its proposed path to citizenship for DACA recipients and other DACA-eligible immigrants illegally present in the United States is reasonable, even generous.

And the administration should be commended for spelling out its position on enforcement and border security, along with a price tag. The \$25 billion figure for the southern and northern borders as well as ports of entry produced sticker shock in some quarters, but every Senate Democrat voted in 2013 for a 10-year, \$46 billion border-security package as part of a bipartisan comprehensive immigration reform bill.

On the other hand, the administration proposed tight limits on family-based migration that would not only transform the structure of the entire immigration system but would also lead to a 44% reduction in overall levels of

leaving the broader issue of family-based migration to Phase Two negotiations. In a humanitarian gesture, the bipartisan plan offers renewable, three-year legal status and work authorizations—but not a path to citizenship—to the parents of young adults participating in the DACA solution.

Against this backdrop, the new bipartisan proposal released on Monday by the Problem Solvers Caucus offers real grounds for hope.

Lawmakers are beginning to see the virtue of a two-stage approach to reform.

This bipartisan House group of 24 Democrats and 24 Republicans endorsed the Trump administration's plan for DACA recipients while spelling out tough eligibility criteria. It proposes a down payment on the administration's border-security plan, along with the elimination of the Diversity Visa program the administration had demanded (although its plan for reallocating these visas on a merit basis is more generous to immigrants from underrepresented countries than the administration's).

The Problem Solvers accepted the administration's proposed restrictions on family sponsorships for current legal permanent residents,

leaving the broader issue of family-based migration to Phase Two negotiations. In a humanitarian gesture, the bipartisan plan offers renewable, three-year legal status and work authorizations—but not a path to citizenship—to the parents of young adults participating in the DACA solution.

What happens next? If there is no deal, both chambers will go their separate paths, each developing its own legislation on its own timeline. The final products are likely to diverge significantly. A compromise—if there is one—will come in tough negotiations between the two chambers.

This would be the best case. The worst case would be a repetition of 2013, when Republican leaders in the House prevented the body from taking up any immigration bill at all. Not only did they oppose the Senate bill; they were unwilling to pass their own and risk a conference committee that might come up with a compromise that would have been harder to oppose. As a result, the issue has continued to fester.

This time, the Problem Solvers and other public-spirited members of the House must insist on floor consideration for a range of immigration proposals. If leadership resists, they should resort to other measures—including discharge petitions—to force the long-overdue debate the country needs.

And the Oscar Goes to . . . Reagan?

By Mark Weinberg

It's a bad time for Hollywood. Last summer marked the biggest box-office decline in modern times, according to the Hollywood Reporter. Bad movies deserve part of the blame, but Middle America also seems tired of condescension from Hollywood. Add to that the regular reports that some of Hollywood's biggest names have been accused of perpetrating or enabling appalling sexual abuses.

There's an easy way to help Hollywood regain its credibility: Give Ronald Reagan the honorary Oscar he's long been due.

Many of Reagan's films—"Bedtime for Bonzo," "Knute Rockne All American," "The Girl from Jones Beach"—are far from Oscar-worthy, though "King's Row" was nominated for Best Picture in 1942. But Reagan was a prolific actor, appearing in more

than 50 movies. Moreover, honorary Oscars are given in recognition of an individual's total influence on the movie industry. Edward G. Robinson and Douglas Fairbanks were never nominated for an Oscar during their lifetimes, but both received posthumous tributes for their overall contributions.

The film industry can start to redeem itself with Middle America.

By that standard, Reagan is difficult to top. During his groundbreaking years as president of the Screen Actors Guild, Reagan led the first strike by actors, forever changing their relationship with their employers. Later he became the first Hollywood veteran elected president. As I witnessed firsthand, some of

his happiest moments were regaling audiences with tales of his filmmaking escapades and the lessons they taught him.

Perhaps that accounts for the rare expression of regret I heard Reagan make after he was elected. He was hurt that the movie community never recognized his achievement in making it to the White House. "You would think that after what I've done, being the only one from the profession to do so, they would commemorate it in some way," he told me.

Recognizing his achievements would lessen that hurt, at least among his millions of admirers. It's impossible to imagine that the Academy would have snubbed, say, Barack Obama, had he started his career in Hollywood. The gesture would also hark back to an era of statesmanship and dignity, whose lessons all the leaders and alleged role models in Hollywood

would do well to remember today.

Hollywood celebrities are attempting to make amends for the misconduct in their ranks. Many attendees of the Golden Globes wore black in solidarity with sexual-assault victims. But Hollywood also needs to behave differently, and think differently, to show it respects all Americans, regardless of race, sex, social status or political beliefs.

Awarding an Oscar to Reagan—maybe another actor in California who entered politics, Arnold Schwarzenegger, could do it—would send a helpful message to a worldwide audience tired of celebrity self-congratulation and political correctness.

Mr. Weinberg is a former spokesman, adviser and speechwriter to President Reagan and author of "Movie Nights with the Reagans," forthcoming from Simon & Schuster.

BOOKSHELF | By Gerald J. Steinacher

Helping to Get The Word Out

The Book Smugglers

By David E. Fishman
(*ForeEdge*, 322 pages, \$29.95)

The Nazis did not merely want to murder all the Jews; they were also determined to eradicate all Jewish art and literature. In "The Book Smugglers," David E. Fishman, a professor at the Jewish Theological Seminary in New York, introduces us to a thriving Jewish culture in Eastern Europe and to the people who risked their lives to save this culture from the barbaric Nazi onslaught.

Vilna, better known today as Vilnius, was the cultural capital of Eastern European Jewry. Nicknamed "the Jerusalem of Lithuania," on the eve of the Holocaust the town had an ethnically diverse population of 193,000, of which about 28% were Jews. It was foremost a city of books for the people of the book. Yiddish literature flourished in a vibrant writers' scene. The city's Jewish cultural institutions, such as the Strashun Library and the Yiddish Scientific Institute, were famous for their rare literature and Jewish-history collections.

On June 22, 1941, the German Wehrmacht invaded the Soviet Union. Vilna was captured two days later, and the assault on the Jewish community began almost immediately. Forty thousand people were crammed into two small ghettos created in an area that, before the war, had housed only 6,000 people. Food, water and heating were sparse. The SS and its local Lithuanian collaborators routinely rounded up large groups of ghetto residents into pits in the nearby forest of Ponary to be shot.

The imprisoned Jews did their best to hold on to their life and culture. A ghetto library was established, and Herman Kruk, one of the most highly regarded librarians in interwar Poland, became its director. Despite the horrific conditions in the ghettos, many people continued to read and write—what Kruk called "the miracle of the book in the ghetto." Kruk and other intellectuals were committed to strengthening the spirit and dignity of the ghetto population. "Even in its agony," Mr. Fishman writes, Jewish Vilna "remained true to its inner self."

But Vilna's cultural treasures, too, were under deadly threat. Hitler's men systematically looted art all over Europe. Alfred Rosenberg, the leading ideologist of the Third Reich, was especially interested in plundering books and artifacts related to Jewish culture for his Institute for Study of the Jewish Question, located in Frankfurt and intended to help legitimate persecution and genocide. A small percentage of the objects and archives stolen from Yiddish Vilna was deemed useful for this purpose. Everything else was destroyed.

How a small band of Jews resisted Nazi efforts to destroy the cultural treasures of 'the Jerusalem of Lithuania.'

To assist the Nazis in this looting, 40 Jewish scholars, librarians and workers from Vilna were forced to help select "the books that will be deported—and the ones that will be destroyed," Mr. Fishman writes. Members of this Jewish slave-labor brigade decided to resist and undermine the destruction of their cultural treasure. Kruk "was the original book smuggler," as Mr. Fishman puts it. Together with others from the "paper brigade," he would hide from the Nazis important papers and books, placing them in secret hideouts such as a stone-floored cavern under the ghetto. "Our present is as dark as this bunker," wrote the poet Shmerke Kaczerginski, "but the cultural treasures radiate with the promise of a luminous future." With the perpetrators aiming to wipe out not just the lives of these Jews but also most traces of their existence, taking the risk to rescue their books was not just a conscious act of resistance but an existential statement.

With September 1943 came the end of the ghetto. Several thousand Jews were sent to the Treblinka extermination camp, while the sick and elderly were executed just outside the city. The rest of the ghetto population was deported to labor camps. An armed uprising, like the one in the Warsaw ghetto a few months before, had to be called off for lack of support—but many Jewish partisans went into the woods to fight on. It was the darkest hour for Yiddish Vilna, with no way for the book smugglers to know if any of their buried treasure would eventually be rescued.

When Vilna was taken by the Soviet army in July 1944, the surviving members of the paper brigade found some of the hiding places still intact. Among the saved gems were the diary of Theodor Herzl, the father of political Zionism; a painting by Marc Chagall; manuscripts and letters by Leo Tolstoy, Maxim Gorky and Sholem Aleichem (whose "Tevye the Dairyman" would later inspire the Broadway musical "Fiddler on the Roof"). Many of the artifacts would eventually end up at the YIVO Institute for Jewish Research in New York. But the Jerusalem of Lithuania, the Jewish city of the book, was no more.

"The Book Smugglers" is widely based on the diaries and memoirs of the men and women of the paper brigade, including Kruk's, skillfully woven together. If there is any criticism, it is that the reader may find the book's misspelling of German terms distracting and the lack of German sources regrettable. But the immediate and unfiltered personal stories of the book smugglers make for a powerful read. They convey the timeless message that, even in the most extreme circumstances, we still have a choice, however minimal, about how to respond to existential threats. The people targeted for extermination rescued something important to them, something they deemed bigger than themselves. In the end, the perpetrators could kill them but couldn't take away their humanity.

Mr. Steinacher is an associate professor of history at the University of Nebraska-Lincoln and the author of "Humanitarians at War: The Red Cross in the Shadow of the Holocaust."

OPINION

REVIEW & OUTLOOK

The House Memo, the FBI and FISA

The House Intelligence Committee voted Monday night to release a Republican memo that by most accounts reveals how the FBI handled, or mishandled, federal wiretap requests during the 2016 presidential campaign. The White House should now approve its public disclosure as the first of several to help the country understand what really happened.

Democrats are objecting to the release, claiming partisanship and violations of national security. None of this is persuasive. Republican Intelligence Chairman Devin Nunes has followed a long and deliberative process that follows House protocol.

When the FBI finally agreed after months of resisting to answer a committee subpoena for documents, Mr. Nunes deputized former prosecutor and South Carolina Rep. Trey Gowdy to investigate. The subsequent memo was vetted for security concerns, provided to the entire House committee, then made available to the entire House, then shown to the director of the FBI, and is now undergoing White House review. This is hardly a Chelsea Manning-to-WikiLeaks-to-New York Times leak.

Another false claim is that Republicans are "censoring" a rival Democratic memo. The same Democrats howling about national security wanted the committee on Monday instantly to approve the public disclosure of their counter-memo that hasn't gone through the equivalent reviews that the majority memo has. Committee Republicans voted to start that process by making the Democratic memo available to the full House, and by all means let's see that memo too.

The House memo is not about "attacking the FBI" or "our law enforcement professionals," as Democrat Adam Schiff insists. This is about restoring confidence in a law enforcement agency that played an unprecedented role in a U.S. presidential election regarding both the Trump and Clinton campaigns.

Americans deserve to know whether accusations that the Kremlin infiltrated the Trump campaign have any basis, and prosecutors and Congressional committees are investigating. The FBI might well have had cause to believe

Progressives suddenly don't care about wiretap applications.

Russians were targeting the Trump campaign when they sought a Foreign Intelligence Surveillance Court warrant. But Washington also should be able to investigate if and how law enforcement agencies exceeded their remit in seeking wiretaps.

The memo also concerns the integrity of the FISA process. Democrats created FISA in the 1970s to protect against wiretap abuses during the Cold War. We opposed it on grounds that it would dilute political accountability, and what do you know here we are. FISA is supposed to provide a measure of legal assurance against abuse, and FBI and Justice officials appear ex parte before the FISA judges with no competing claimants.

The public should know if as part of its warrant application the FBI used the Christopher Steele dossier that we now know was financed by the Hillary Clinton campaign. The House intelligence memo may answer that question, as well as whether the FBI made other misrepresentations or omissions in its FISA application. In June 2017 former FBI director Jim Comey referred in Senate testimony to the dossier as containing "salacious and unverified" material. Is that what the FBI told the FISA court in 2016?

If the FISA judges weren't told about the partisan provenance and doubts about the veracity of the memo in the middle of a presidential election campaign, then what is FISA for? To serve as a potted plant so the FBI can get whatever warrants it wants? Are they genuine Article III judges with an independent writ or merely another arm of the executive branch that can be rolled like some deputy assistant secretary of State?

The same progressives who demanded accountability for FISA courts after Edward Snowden exposed federal snooping now want President Trump to shut down the House's limited attempt at transparency. Don't buy it, Mr. President. Let it all out—the two House Intelligence memos, Senator Chuck Grassley's referral letter for a criminal investigation of Mr. Steele, and all other relevant FBI or Justice documents that won't undermine U.S. security. Our democracy can take the transparency, and after the 2016 fiasco it deserves it.

Britain's Tory Wars

Another week brings another civil war within Britain's ruling Conservative Party, with Chancellor Philip Hammond again the target. Meanwhile, a new study of last year's election debacle shows the Tories won't easily keep Labour leader Jeremy Corbyn from becoming Prime Minister.

The latest infighting stems from internal government reports on the economic consequences of Brexit that will be presented to Prime Minister Theresa May's cabinet this week. Leaks suggest they'll be grim reading.

Pro-Brexit Tories are trying to discredit this exercise and think that questioning Mr. Hammond's judgment will help, although it's not clear his department contributed much to the analyses. Former leader Iain Duncan Smith complains about Mr. Hammond "sniping from the sidelines," and other Tory MPs have called for Mr. Hammond to resign or haven't said that he shouldn't, which in Britain is the same.

Mr. Hammond isn't one of Britain's best economic-policy minds. His obsession with debt and deficits crowds out pro-growth reforms such as tax cuts, especially since he also lacks the conviction to stare down Tory demands for

more spending on industrial policy and other gimmicks. A better chancellor would be leading the charge for lower taxes and deregulation to encourage a post-Brexit investment boom. But no one else among the Conservatives has such a vision either, or they don't have the credibility to sell it to voters.

This is an urgent political problem because new research punctures a Tory myth about why they didn't win last year's election. One theory is that the Tories were hit by Mr. Corbyn's unforeseeable success in mobilizing young voters. The British Election Study found no huge uptick in youth turnout. Labour under Mr. Corbyn's leadership was simply more popular than before with most age groups except for voters older than 70.

This suggests the Tories need to woo back all sorts of voters before Mr. Corbyn can peel off more Brits disaffected with Tory dysfunction. Historically, economic growth has been the best way to do that. If Conservatives think defenestrating Mr. Hammond will help, that's their choice. But they shouldn't expect any better from a successor—on Brexit or in elections—unless the party unites behind an economic growth plan.

Pruitt's Bad Pebble Precedent

Scott Pruitt has done good work reigning in his predecessor's regulatory overreach. But that only makes the EPA Administrator's decision late last week to rubber stamp a violation of due process toward a mine proposal in Alaska all the more disappointing.

The Environmental Protection Agency said it will no longer seek to withdraw the Obama Administration's pre-emptive veto of the proposed Pebble copper and gold mine in southwest Alaska. The Obama EPA issued that unprecedented veto in February 2014, blocking Pebble's progress through the regular Clean Water Act process in which a company files for permits and receives an environmental review from the Army Corps of Engineers. EPA's job is to weigh in at the end of the review, not short-circuit the application.

EPA says that although the proposed veto will remain in place, the agency will allow the Pebble Limited Partnership an additional three years to navigate the Corps process. This is less generous than it sounds. Pebble had already won that right in May 2017, when the EPA settled litigation Pebble brought that had exposed EPA's phony science and the collaboration by EPA employees with anti-mine activists and native tribes to sabotage the project. As part of that settlement, EPA agreed to start formally withdrawing the veto.

Mr. Pruitt's about-face is the sort of arbitrary diktat that undermines capital investment. Shares in Northern Dynasty Minerals, which owns Pebble, fell 21% on Monday, the first trading day after the Pruitt announcement. EPA says its decision to maintain the veto is

The Trump EPA ratifies a pre-emptive Obama veto on projects.

based on more than "one million comments" it has received since this summer that mostly oppose the mine, and Mr. Pruitt's judgment that "any mining projects in the region likely pose a risk to the abundant natural resources that exist there."

Based on what analysis? The Obama EPA ginned up a phony study based on a hypothetical mine to create a worst-case scenario and justify its veto. Even if the public comments are genuine (and not part of a spam campaign), they are informed by a faulty, partisan federal effort to discredit the mine.

Pebble didn't file its permit application until Dec. 22, so the Pruitt EPA can't possibly have analyzed the actual proposal. Mr. Pruitt is pre-judging the project as egregiously as did the Obama EPA, even as he pays lip service to due process. And so much for Mr. Pruitt's commitment to federalism, since the state of Alaska owns the mine site and is again getting rolled by the feds.

The broader concern is Mr. Pruitt's embrace of a pre-emptive EPA veto power. This makes the agency a superregulator able to kill any mine, pipeline, bridge or oil well before companies can make a case, and regardless of support by one of the 50 states. The next Democratic EPA will take Mr. Pruitt's precedent and run with it. Many lawyers argue that EPA lacks the statutory power to pre-empt the process, and EPA had never previously exercised a veto like it did with Pebble. If Mr. Pruitt now thinks the EPA has such pre-emptive power, Republicans in Congress need to know.

We take no position on the merits of the Pebble mine, but regulatory due process matters. We thought Mr. Pruitt believed in it too.

LETTERS TO THE EDITOR

More Suggestions for Comey's Ethics Class

Your editorial takes us to week four of "James Comey's Ethics Class" (Jan. 23). My contribution for week five: The IRS, one of the most feared federal agencies for the average American, begins targeting non-profit groups of a particular political persuasion. Congress issues a subpoena not to delete any communications; nine months later 24,000 emails are "accidentally" deleted. The IRS's Lois Lerner retires with a full federal pension.

Breakout session by State Department personnel who deleted secretaries of state's emails and other communications after an American ambassador and three others are killed in a terrorist attack in Libya. Also, various computers and thumb drives are "lost."

Have the students construct a sliding scale with rule of law on one end and fascism on the other, and

have them place these various events described in the class at the appropriate location on this scale. Compare the final result with discussions by Friedrich Hayek in "The Road to Serfdom."

RUSSELL DODDS
Belton, S.C.

Extra Credit: The spouse of the FBI associate deputy director accepts approximately half a million dollars from a Virginia governor's political-action committee and over \$200,000 from the Virginia Democratic Party. This occurs during an investigation into the use of a private, unsecured email server used by a former secretary of state who is then running for presidential office, who also happens to be a close personal friend of the governor.

FRANCIS X. BERGMESTER
Stafford, Va.

The Common Process Helps Those Applying

"Justice May Bust the College Trust" by Naomi Schaefer Riley (op-ed, Jan. 23) uses my quote from an Inside Higher Education article to support the argument that colleges and universities collude to restrict student choice. My point was the opposite—that the guidelines used by colleges and universities help students make informed, low pressure, student-centered choices. The quote in full provides the context:

"The world of college admissions is very competitive. Colleges spend money on programs and facilities, not to mention marketing and scholarships, in order to influence student enrollment decisions. Without mutually agreed upon guidelines, one could imagine moving toward a free-for-all where, for example, students could be pressured to deposit early

through a financial aid or housing incentive, or where a high school and a college could routinely work together behind the scenes to move a student toward a particular college because a commission is at stake for the counselor. The list of potential abuses is long, and Nacac's revised Code of Ethics and Professional Practices seeks to provide the guidelines members believe are needed to assure that the student and not the institution is at the center of the admissions process."

Ethical guidelines for member colleges and universities protects students and helps them select the right college for the right reasons.

ROBERT J. MASSA
SVP for Enrollment
Drew University
Madison, N.J.

Mulvaney Calls the CFPB to Serve the Public

Regarding "The Zero That Makes Mulvaney a Hero" by David B. Rivkin Jr. and Andrew M. Grossman (op-ed, Jan. 22): President Trump and CFPB Acting Director Mick Mulvaney should not be so quick to eviscerate the Consumer Financial Protection Bureau. In fact, Mr. Mulvaney should ask Federal Reserve Chair Jerome Powell not for a pitiful \$217 million, but a healthy \$10 billion or more, every quarter. And he should build up a robust reserve fund, just as his predecessor Richard Cordray did, only more so. Imagine that the Democrats retake both houses of Congress and impeach the president. The last official acts of President Trump should then be to ask Mr. Mulvaney to resign and to appoint himself as CFPB director.

ELLIOTT BARAL
Chicago

Regulations issued by one administration can be quickly reversed by the next one. Permanent legislation is what will slow regulation. Unless the CFPB is eliminated or significantly reworked by Congress, it may well rise from the ashes under a future administration.

WILLIAM N. JONES
Naples, Fla.

While Mr. Mulvaney may be cautious in "pushing the envelope" at

SHELDON RAY
Washington

Mr. Mulvaney's attempts to rein in the CFPB provide a glimmer of hope to the unwashed that it is still possible for heroes to emerge in government. People like Mr. Mulvaney are desperately needed to counter eight years of overreach under President Obama and restore faith in our government—one of President Trump's bigger and largely unheralded successes.

KIRK SCHLUPT
Woodbury, Conn.

The Self-Aware Macbeth and 'Fire and Fury' Compared

Regarding Fred Ehrman's letter "The Bard Prophesied a Wolf" (Jan. 11): The reference to Macbeth is more apt than the letter writer realizes. Macbeth convinces himself that he deserves to be king and that his ambitions justify telling lies, committing and covering up crimes, and putting his country at risk. The speech is made when he realizes his ambitions haven't brought him the rewards he expected, and that things keep going wrong.

The famous passage: "Life's but a walking shadow, a poor player that struts and frets his hour upon the stage and then is heard no more. It is a tale told by an idiot, full of sound and fury, signifying nothing." This is a better commentary on the subject of "Fire and Fury," except Macbeth, in the end, is capable of reflecting on what he's done before his downfall.

JOSHUA KAPLAN
Granger, Ind.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Goodnight cerebellum, goodnight hippocampus, goodnight little neurons. Goodnight little brain, it's time for sleep mode."

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OPINION

The Mystery of Trump's Lousy Polls

By Scott Adams

For years I've been arguing that Donald Trump is a world-class persuader. So why is his job-approval rating so low? The short answer is that the old rules about presidential approval no longer apply.

Do you remember a few decades ago when one of the main complaints about politics was that Democrats and Republicans were not so different? Not anymore. The news industry has found that polarization is a strong business model. The first group of pundits claim many times a day that Republicans are right about nearly everything and Democrats are stupid

If he's so persuasive, why is his approval so low?
Well, Michael Jordan missed a lot of baskets.

and evil, while the second group do the reverse. Voters tend to consume news that agrees with their opinions, thus reinforcing them. In this environment, you can't reasonably expect the folks who voted for the losing candidate to warm up easily to the winner. In the past the differences between victor and vanquished in the political arena were mostly questions of policy. To partisans today, Hillary Clinton and Mr. Trump are a lying, cheating murderer and a crazy, impulsive, lying, racist, homophobic, sexist narcissist. That's a big gap.

And it's not as if Mr. Trump's opponents are eager to close it. Michael Jordan missed about half of

the shots he attempted. That isn't because he lacked skill, but because the opposing players were highly capable at defending. Likewise, the political and media professionals who oppose the president are playing unusually strong defense, and that works against his job-approval ratings.

Example: Anti-Trumpers take it as a given that this president is a racist. As evidence, they point to a series of news stories and quotes that seem to support that position. Your common sense tells you that even if some of the claims are exaggerated or taken out of context, there are so many of them that they can't all be wrong.

But as any cognitive scientist will tell you, they *can* all be wrong, and that wouldn't be unusual. Confirmation bias looks exactly like a mountain of evidence. If that sounds crazy, consider how much solid evidence the press gave us in 2016 that Mr. Trump could never get elected. Let's consider three bits of so-called evidence about Mr. Trump's alleged racism to illustrate my point:

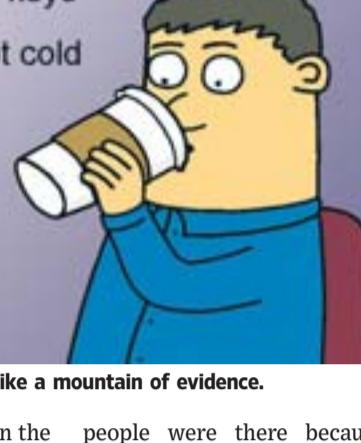
• *Birthism.* Critics of Mr. Trump point to his questioning of President Obama's birth certificate as obvious evidence of racism. But imagine if Hillary Clinton's birth certificate had been questionable in any way. Do you seriously think Candidate Trump would have ignored that easy line of attack because she was white? In 2016 he did make an issue of Ted Cruz's Canadian birth.

Mr. Trump has attacked every white male who opposed him, including Republicans, on a daily basis, using every persuasion tool at his disposal. But the birther issue still

POLTERGEIST CHECKLIST

- One sock is missing
- iPhone slowed down
- Can't find keys
- Coffee got cold

UH-OH.



SCOTT ADAMS

Confirmation bias looks exactly like a mountain of evidence.

feels racist because you see it in the context of all the other evidence of his alleged racism.

• *Charlottesville.* Critics believe Mr. Trump took sides with the torch-carrying racists who were chanting anti-Semitic slogans in Charlottesville, Va., and called them "fine people." The implication is that he publicly betrayed his Jewish daughter, son-in-law and grandchildren—while also inexplicably recognizing Jerusalem as Israel's capital. That doesn't make sense.

The more ordinary explanation is that Mr. Trump spoke about the protests without having all the details about who attended and why. It was reasonable for him to assume some

people were there because they agreed with his position that toppling Confederate statues is more about political correctness than racism. (For the record, I regard those statues as offensive decorations we can live without.) In any event, Mr. Trump later disavowed the Charlottesville racists in clear terms.

• *S-hole countries.* If you don't think Mr. Trump is a racist, you probably interpreted his scatological reference as applying to Third World countries that are not producing as many educated citizens as economically advanced places like Norway. If you think he is a racist, you probably believe he was calling the people in those countries a nasty word.

Now consider these three bits of evidence combined. I just offered compelling rebuttals to each, but when partisans weave them together in a quilt of confirmation bias, they feel deeply persuasive.

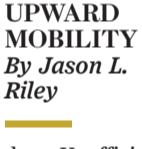
Candidate Trump offered his own explanation for his offensive statements. "I think the big problem this country has is being politically correct," he said in the first Republican debate in August 2015. "I've been challenged by so many people, and I don't frankly have time for total political correctness." When he proves it time and again, critics cleverly reframe his offensiveness to "he's a racist!" With that sort of persuasion working against him, even his supporters are likely to be wary of admitting it to pollsters.

Moreover, much of the public understands "job approval" to include liking Mr. Trump's style in addition to his accomplishments. A better measure of presidential approval might be the National Federation of Independent Business's Small Business Optimism Index. That captures a lot of variables: growth, jobs, foreign policy, domestic risks. The NFIB index's monthly average hit an all-time high in 2017, even as Mr. Trump's job-approval ratings hovered around 40%.

Anyway, 40% is better than the press's approval rating, and a lot better than Congress's. That sounds about right for the best persuader in the world. He's very talented, but he isn't magic—and the other team is playing too.

Mr. Adams is the creator of the comic strip Dilbert and author of "Win Bigly: Persuasion in a World Where Facts Don't Matter."

Do Democrats Even Want a Compromise on Immigration?



Officially, Republicans and Democrats in Congress are working to craft an immigration fix before the March deadline set by President Trump to wind down a program that protects the so-called Dreamers brought here illegally as children.

Unofficially, you have to wonder how much interest Democrats really have in reaching a compromise.

First, we had Dick Durbin of Illinois, the No. 2 Senate Democrat, stroll out of a private meeting with the president and share with the media Mr. Trump's crude remarks about immigrant homelands. Mr. Durbin had to know that by publicizing the alleged comments, he was jeopardizing any potential deal. His intent was to sabotage the discussions, not advance them.

A few days later, after the White House released an immigration framework detailing the president's priorities, Senate Minority Leader Chuck Schumer rejected it out of hand as a "wish list" for "anti-immigration hard-liners." Given that those hard-liners

dismissed the very same White House framework as a sop to Democrats like Mr. Schumer, the senator's criticism seems rather curious.

The administration's proposal includes a multiyear path to citizenship for Dreamers, an end to the Diversity Visa lottery, a reduction in family-based migration, an increase in merit-based visas, and funding for additional barricades along the Mexican border. None of those provisions, mind you, come out of the blue. All of them were included in a bipartisan immigration bill that passed the Senate in 2013, with support from Messrs. Schumer and Durbin, before dying in the House. At least the immigration restrictionists are being consistent.

Nor are these political theatrics limited to Democrats in Washington. Progressives at the state and local levels are just as keen on undermining the Trump administration whenever possible. Last week New York Mayor Bill de Blasio described the Justice Department's crackdown on sanctuary cities as a "racist assault on our immigrant communities" and then refused to meet with the president. Meanwhile, California's attorney general, Xavier Becerra, has

threatened to prosecute employers who help federal immigration officials identify people in the country illegally. Mr. Becerra said businesses that share employee information with immigration agents will face fines of up to \$10,000. In other words, California is promising to punish people for obeying federal law.

Schumer and Durbin act as if they'd rather have an issue to use against the Republicans in November.

The Democrats don't sound like a party that wants to tackle immigration reform and help productive people who find themselves in America illegally through no fault of their own. They sound like they're looking for an issue to run on in the November midterm elections. For a taste of what's coming, Nancy Pelosi, the Democratic leader in the House, called the White House immigration proposal an effort "to make America white again."

Everyone knows that Donald Trump made The Wall a central plank of his campaign, and Democrats are now feigning shock that additional border security is a precondition of broader immigration reform. They're also playing down Mr. Trump's willingness to compromise.

Marc Short, the White House director of legislative affairs, explained on "Fox News Sunday" that the administration initially planned to extend protection only to the 690,000 Dreamers who received work permits under the Obama-era Deferred Action for Childhood Arrivals program. Democrats, however, wanted to include a larger number of people who were eligible for DACA but too afraid to apply.

The White House complied, said Mr. Short, and the resulting proposal went "further than many people thought [the president] would in providing not just permanent residence but also a pathway to citizenship for roughly 1.8 million people."

More fencing along the Southwest border is not likely to have much impact in itself on unlawful entries. According to the Department of Homeland Security, illegal border crossings, which peaked in 2000, fell by another 24% last year to their lowest level

since 1971—and that's with some physical barriers already in place. Border security is not immune to the law of diminishing returns.

Whether or how long these trends continue probably has more to do with the U.S. economy than anything else. The most troubling aspect of the White House plan is the attempt to reduce legal immigration at a time when economic growth has quickened and more industries are reporting job shortages even after offering higher wages. Adjusting the mix of high-skill, low-skill and family-based immigration to match the labor demands of a modern economy is fine and perhaps overdue. But it would be a mistake for the administration to insist on antigrowth immigration policies that undermine pro-growth tax reform in hope of appeasing restrictionists who mistakenly view labor markets as a zero-sum game.

For their part, Democrats must decide if it's worth keeping the Dreamers in limbo for the sake of opposition to a wall in particular and Mr. Trump generally. The president seems to understand that he's not going to get everything that he wants on immigration. When will Democrats reach the same realization?

Why Now Is the Wrong Time to Increase the Deficit

By Alan S. Blinder

My last column prompted more than 1,500 comments from Wall Street Journal readers. Few were friendly. Many objected to this sentence: "The tax cuts blow a large hole in the federal budget, and most Americans think the deficit is already too large." Since I was an outspoken supporter of President Obama's fiscal stimulus in 2009, which increased the deficit, some readers argued that I was inconsistent to oppose President Trump's tax cuts on the grounds that they would also increase the deficit.

These comments reminded me that the budget deficit is frequently misunderstood. So let me try to explain why it is perfectly consistent to support a larger budget deficit

under some circumstances while arguing for a smaller deficit under others.

Start with the basics: A balanced budget has no inherent claim to being the "right" fiscal policy. In fact, as long as our economy grows, it is normal for the government to run a budget deficit of some size. With GDP growing larger, it is natural for household debt, business debt and, yes, government debt all to rise year after year. Not in unlimited amounts, of course—families, businesses, and governments can, and sometimes do, go overboard with debt.

So how much is too much? The analog, in a growing economy, to a balanced budget in a no-growth economy is a national debt that grows at the same rate as gross domestic product. These days, for the

federal government, that means an annual budget deficit in excess of \$600 billion. (Yes, it's a big country.) Perhaps by coincidence, that's close to where we are today. Projections, however, show the debt-to-GDP ratio rising in the years to come, which is cause for concern.

That said, borrowing for productive purposes is perfectly sensible. Students borrow to finance their educations; businesses borrow to invest. As long as the projects they finance with debt generate income flows large enough to pay the interest and principal—and leave over some surplus—borrowing makes them better off. It's the same for governments. Debt acquired to build, say, schools and highways often generates payoffs that exceed the costs—leaving society better off.

Notable & Quotable

Leslie Albrecht reporting at MarketWatch.com, Jan. 25:

Shark-related nonprofits have been receiving a steady stream of donations in the wake of Trump reportedly telling adult film actress Stormy Daniels, "I donate to all these charities and I would never donate to any charity that helps sharks. I hope all the sharks die..."

"We have been receiving donations in Trump's name since the story was published," said Cynthia Wilgren, chief executive officer and co-founder of Atlantic White Shark Conservancy, based in Chatham, Mass. Most of the money has come from first-time donors, she added. "It can certainly be a challenge to raise money for a species that most people fear," Wilgren said.

Every business owner knows where to draw the line between debt that is sensibly rather than foolishly acquired: Borrowing makes good sense where the rate of return on the investment exceeds the interest rate paid on the loan.

In a growing economy, the federal government should shore up its long-run fiscal position, not blow it out.

This last point is why, for example, state and local governments have lots of outstanding debt despite legal requirements to "balance their budgets." At first blush, that seems to defy the laws of arithmetic. If a state balances its budget every year, how does it go into debt? The answer is that state balanced-budget requirements, unlike the oft-proposed balanced-budget amendment to the U.S. Constitution, generally apply only to operating budgets. Capital expenditures are financed by issuing bonds.

But there is a more important difference between federal and state budgeting: The national government has responsibility for the health of the nation's economy; states don't. So, for example, when the Great Recession began in December 2007, many states saw their tax receipts shrink and reacted with spending cuts—which made the recession worse.

But the federal government is not hamstrung by a balanced-budget requirement. It also has huge borrowing capacity—as today's low Treasury rates attest. And should it ever need to pay back its debt,

Washington has much greater taxing power than the states. So the responsibility for stabilizing the economy with fiscal policy naturally falls to the federal government, not to the states.

Concretely, this means spending more, not less, when a recession starts, thereby administering a double whammy to the deficit: Spending rises while tax receipts fall as the economy sags. It may also mean cutting taxes further. Finally, it probably means helping the cash-strapped states by increasing federal grants for such items as Medicaid, education, highways and unemployment insurance. All these things and more were done in the 2009 stimulus package. It was sensible fiscal policy, and we would have suffered through a worse slump without it.

The general lesson is clear: In a recession, the federal government should make its budget deficit bigger—deliberately.

But today we are back to full employment, or perhaps beyond it, and economic growth looks solid. The economy doesn't need fiscal stimulus. Further, as we look to the future, we see an aging population putting great pressure on government budgets, especially for health care and pensions. And all this is happening at a time when federal revenue as a share of GDP is below its 50-year average—even before the Trump tax cuts kick in.

So, unlike 2009, this is a particularly bad time to cut taxes—or to do anything else that worsens the government's long-run fiscal position.

Mr. Blinder is a professor of economics and public affairs at Princeton University and a former vice chairman of the Federal Reserve.

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Dow Tumbles in a Broad Selloff

By IRA IOSEBASHVILI

U.S. stocks dropped sharply, hit by worries over rising bond yields, new competition in the health-care sector and rising oil production.

The declines were broad-based, hitting shares of everything from energy to financial companies and spooking investors, who have pushed U.S. stocks to a repeated string of records since the 2016 election.

The Dow Jones Industrial Average declined 362.59

points, or 1.4%, to 26076.89, its worst day since May, while the S&P 500 dropped 31.10 points, or 1.1%, to 2822.43, its largest percentage drop since August.

Tuesday's declines mark the first time this year that both indexes have fallen for two consecutive days. The Nasdaq Composite Index fell 64.02 points, or 0.9%, to 7402.48.

Before this week's slide, the S&P 500 was off to its best start to a year since 1987, buoyed by strong corporate earnings, improving economic growth and the new U.S. tax

law.

Some investors welcomed Tuesday's declines. Many had hoped for a drop to bring down valuations that had skyrocketed in recent months, giving them a chance to put fresh money to work.

"Markets go down, that's normal. It's not a reason to panic," said Michael Farr, president of Farr, Miller & Washington. "I would love to see this go down 10%."

Part of the pressure on stocks comes as investors grapple with a steady rise in

bond yields. Some are concerned that the rising payout on bonds could diminish the attractiveness of stocks for income-seeking investors.

For years, bond yields have bumped along near historic lows as central banks around the world eased monetary policy in a bid to kick-start their economies after the financial crisis. As global growth heats up for the first time in a decade, monetary authorities are beginning to unwind some of that stimulus, pushing bond yields higher. Yields rise as

bond prices fall.

The rise in bond yields "is one of the main factors underpinning this tension," said Jack Ablin, chief investment officer at BMO Private Bank.

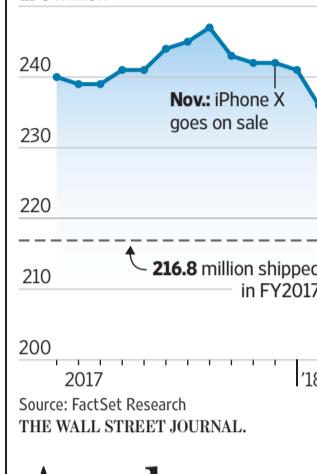
Bonds have "been fighting with one arm tied behind their backs because their yields were not competitive with stocks," Mr. Ablin said. As bond yields rise, "they are putting pressure on the valuation premium [stocks] have enjoyed for so long because they were the only game in town."

Please see STOCKS page B17

Falling Expectations

Analysts have reduced their estimates for iPhone unit sales this fiscal year amid reports of weak demand for the iPhone X.

Consensus shipment estimates for fiscal 2018



Source: FactSet Research

THE WALL STREET JOURNAL.

Apple To Cut iPhone X Output

Apple Inc. is slashing planned production of the iPhone X for the three-month period ending March 31, peo-

By Yoko Kubota
in Beijing and Tripp Mickle in San Francisco

ple familiar with the matter said, in a sign of weaker-than-expected demand for the pricey handset.

Apple plans to make about 20 million iPhone X handsets in the first quarter, down from roughly 40 million initially planned, according to a person with knowledge of Apple's production goals. Other people familiar with the iPhone supply chain said Apple had cut orders for components used in the iPhone X by 60%.

Apple declined to comment. The company will offer its first report on iPhone X sales Thursday when it reports earnings for the three months ended in December. Analysts expect the company to report total iPhone shipments—including sales of iPhone 6, 7 and 8 series models—rose 1.5% during the period, according to FactSet Research.

Investors have been betting that the iPhone X would drive a resurgence in Apple's smartphone sales this year, and that its lofty price—it starts at \$1,000, about 50% more than previous models—would give a further boost to revenue. The iPhone X production cuts for the March period have raised investors' concern that sales could fall short and that average selling prices for the

Please see APPLE page B7

Easy-Money Decade Upends Bond Market



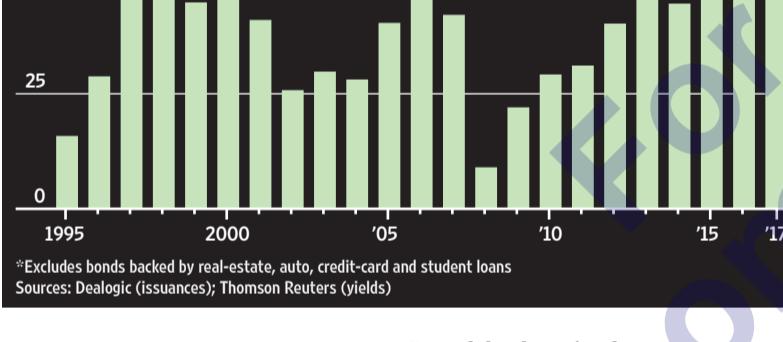
FROM LEFT: BENOTT TESSIER/REUTERS; FRANCISCO SECO/AP
Boots studded with diamonds from Diarough, a recent borrower.



Investor appetite has returned for esoteric securitizations, such as diamond-backed bonds.

U.S.-marketed esoteric asset-backed security issuance*

\$75 billion

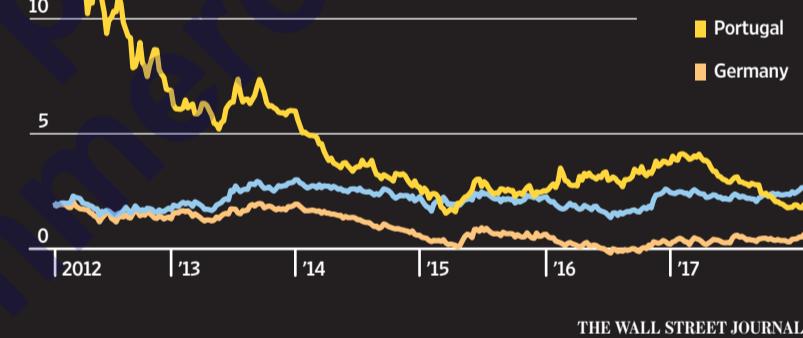


*Excludes bonds backed by real-estate, auto, credit-card and student loans

Sources: Dealogic (issuance); Thomson Reuters (yields)

Rising demand for once-shunned Portuguese bonds has driven prices up and yields down.

Yields on 10-year government bonds



THE WALL STREET JOURNAL.

By MATT WIRZ

A hydroelectric dam in Tajikistan, the government of Portugal and a cruise-ship operator last fall all issued debt at unusually low interest rates, part of a proliferation of aggressive bond sales influenced by a decade of loose monetary policy and a demographic shift in global investing.

Historical limits on who can borrow, and at what cost, have broken down as fund managers agree to previously unpalatable

terms. Central bankers in the U.S., Europe and Japan helped shape the new breed of deals by simultaneously purchasing more than \$1 trillion in high-quality bonds since 2009 and lowering benchmark interest rates to jump-start their faltering economies.

Modest economic growth came, but the strategy crowded private investors out of safe debt, prompting them to buy riskier bonds to boost returns.

Retiring baby boomers amplified the trend by moving their in-

vestments from stocks into bonds, increasing assets in U.S. bond mutual funds to \$4.6 trillion in November from \$1.5 trillion a decade earlier, according to the Investment Company Institute, a trade group for investment firms.

"A lot of smart people say we're in a bubble, and their fingers are pointed at credit," said Steven Shenfeld, president of MidOcean Credit Partners, an investment firm focused on high-yield debt. MidOcean is preparing for the expected downturn in

certain portfolios by placing bets that will pay out if bond prices sell off, he said. "I'm just an old trader that's seen this movie too many times."

U.S. bond yields ticked up this year but remain below historical averages, and investors keep buying below-investment-grade bonds, squeezing the risk premium junk bonds pay over Treasuries to a 10-year low. Some central banks are reeling back quantitative easing to keep economies and markets from overheating. An anecdotal gauge of

five key markets—emerging markets, municipal bonds, government debt, securitizations and corporate loans—shows temperatures are plenty hot already.

Here are some tales from the bleeding edge of credit:

TAJIKISTAN: The country is ranked as one of the world's most corrupt nations by Transparency International. When the country sold its first international bond in September, offering documents warned that "corruption, and allegations of

Please see CREDIT page B2

Please see APPLE page B7

HEARD ON THE STREET | By Aaron Back

MetLife Investors' Patience Runs Thin

For a company that says it is getting simpler and more predictable, MetLife

has produced too many financial surprises. Investors are running out of patience.

In the latest incident,

MetLife said Monday it expects to boost reserves by \$525 million to \$575 million on a pretax basis and will delay its fourth-quarter earnings announcement.

Shares fell 8.6% on Tuesday.

MetLife said it needs to replenish its reserves because it prematurely released funds that had been set aside for customers who held annuities.

The stumble came in its pension-risk-transfer business when it lost track of customers who had changed jobs, moved or were otherwise unreachable.

By prematurely releasing reserves, the company improperly flattered earnings

Unsteady

MetLife's share price



currently aware of any material weaknesses in these areas.

MetLife's shareholders are getting tired of nasty surprises. In the fourth quarter of 2016, the company was hit by big accounting losses on its interest-rate hedges. It said the losses weren't financially significant, but shares still fell 5%.

The company said it isn't

The spinoff of its variable annuity business last year was supposed to make MetLife a predictable, steady earner. That message to shareholders was tainted after the company took unexpectedly large charges of over \$1 billion as part of the spinoff.

Shares fell 9.5% after these charges were announced in August.

The sharp decline in MetLife's stock on Tuesday might seem an overreaction to \$575 million of charges. But the reaction is a sign that management has lost credibility with investors.

In a note on Monday, Evercore ISI analysts said they expect investors to pressure MetLife for management changes, including external candidates.

Given the company's rocky record, new leadership may indeed be needed.

♦ MetLife shares plunge on big increase to reserves..... B16

INSIDE

Fox Lands Thursday Football

By JOE FLINT

Fox Broadcasting is wrapping up a deal with the National Football League for rights to its Thursday night package of games, according to people familiar with the matter.

Under the terms of the agreement, Fox is expected to pay significantly more than the \$450 million that current rights holders NBC and CBS Corp. paid this past season, the people said. An announcement could come as early as Wednesday morning.

Although ratings for Thursday night football were down this past season by 12%, it still averaged nearly 12 million viewers and usually beats all competing programming. Ratings were also down for the NFL's Monday night and Sunday afternoon packages. Overall, ratings were down for NFL football by almost 10% this

Please see FOX page B6

WYNN'S BOARD HAS LONG DRAWN FLAK

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DRIVERLESS CARS RESHAPE ARCHITECTURE

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Xerox, Fujifilm Close In on Deal

Xerox Corp. is nearing a deal with Japan's **Fujifilm Holdings** Corp. that would mark the end of independence for a stalwart of 20th-century American industry.

By Dana Mattioli, Dana Cimilluca and David Benoit

The deal would combine Xerox with a joint venture the company has with Fujifilm, and the U.S. company's shareholders would own just under half of the resulting entity, according to people familiar with the matter. As part of the deal, to be announced as soon as Wednesday, Xerox shareholders would get an implied premium for their stock and some cash, one of the people said.

Xerox shares would continue to trade following the transaction, should it be completed. As of Tuesday, Xerox had a market value of \$8.3 billion.

The talks could still fall apart or the terms could change.

Earlier this month, The Wall Street Journal reported that Fujifilm and Xerox were discussing an array of possible alternatives that may or may not have included a change of control of Norwalk, Conn.-based Xerox.

The expected deal caps a

yearlong decline at Xerox, which has been beset by a decrease in office printing and copying as more functions move online—and more recently by a campaign by activist shareholders. It would put control of the company in the hands of a competitor that has successfully diversified away from printing and copying and another of its signature businesses, film photography.

By combining, the companies believe they can cut costs to combat declining demand, a task that could be made easier by the fact that they already know each other from their longtime joint venture. It is that venture, Fuji Xerox, that would be combined with Xerox in the deal.

Xerox has been under pressure from two of its biggest investors, who together own about 15% of the company and want it to make major changes including recutting the joint venture and to explore other potential deals. Carl Icahn, Xerox's biggest investor, and Darwin Deason, third-largest, joined together this month and called on Xerox to fire Chief Executive Jeff Jacobson and find a new owner. Mr. Icahn is seeking to change the board, two years after he settled another fight with the company.

1.94%—the lowest rate ever for the country. Portugal needed an international bailout in 2011 and still has a junk credit rating. Investors placed bids for about €2 billion of bonds, far exceeding the amount on offer.

Portugal remains one of the most heavily indebted countries in Europe, but the auction set its borrowing cost below that of the U.S. government, which sold 10-year bonds in November to yield 2.31%. The U.S., with among the highest credit ratings, is viewed as one of the safest borrowers on the planet.

The mismatch is an unintended consequence of the European Central Bank's use of low interest rates and bond purchases to revive economic activity. The policy resulted in negative bond yields in the eurozone's strongest economies like France and Germany, forcing bond funds to buy more in riskier countries like Portugal to deliver positive returns.

ASSET-BACKED SECURITIES: These three words are redolent of the risk taking, financial alchemy and hubris that fed the credit crisis. Mortgage-backed bonds were the most infamous ABS, but investment banks innovated far stranger types, including airplane-backed bonds, bonds backed by royalties owed to David Bowie and, in 2007, a \$100 million bond backed by the inventory

of Antwerp, Belgium-based diamond dealer Diorough.

Like many precrisis ABS, repayment of the diamond bonds was predicated on refinancing, and after the securitization market dried up, Diorough restructured the debt instead. The gem merchant cut the interest it paid bondholders and extended the due date of the bonds, according to a report by Moody's Investors Service.

By 2017, the esoteric ABS market was showing signs of life again, and Diorough returned

NORWEGIAN CRUISE LINES: Executives of Miami-based Norwegian Cruise Line Holdings gathered in October to toast an unexpected accomplishment with Veuve Clicquot Champagne. They had negotiated a \$375 million bank loan for the company at an interest rate of about 3%, the lowest in its 55-year history.

It is also one of the lowest yields ever achieved by any borrower in the leveraged-loan market for companies with below-investment-grade credit ratings.

The force driving the race to the bottom in leveraged loan rates is the same one causing the feeding frenzy in other credit markets: Investors reaching further for yield in response to central-bank policy. With most triple-A Treasury bonds paying negligible yields, banks and insurers from Tokyo to New York are buying more investment-grade corporate and securitized bonds to boost returns.

That has benefited managers of collateralized loan obligations, or CLOs, who issue triple-A bonds and use the borrowed money to buy up bundles of leveraged loans like those borrowed by NCL. No surprise, CLO issuance boomed in 2017, boosting demand for corporate loans and giving NCL unprecedented pricing power and a new reason to break out the champagne.

—Ben Eisen

contributed to this article.

Samsung Posts Record Profit Again

By TIMOTHY W. MARTIN

SEOUL—Samsung Electronics Co. delivered its third consecutive quarter of record results, owing to robust demand for its memory chips, though operating profit at its smartphone unit fell.

The Suwon, South Korea-based tech company said fourth-quarter net profit rose 42% to 12.26 trillion South Korean won (\$11.4 billion) from 7.09 trillion won a year earlier.

The world's largest smartphone maker said revenue rose to 65.98 trillion won from 53.33 trillion won. Operating profit was 15.15 trillion won, an all-time high.

But the company's smartphone shipments fell in the fourth quarter from the third. Operating profit for the mobile handset division fell slightly to 2.42 trillion won from 2.50 trillion won a year earlier. Samsung blamed higher marketing costs for the decline.

Samsung's flagship devices, like the Galaxy Note 8, which compete with Apple Inc.'s iPhone, saw sales increase.

The Galaxy Note 8 and the new iPhone X pushed phone prices up to the \$1,000 mark,

testing whether consumers would pay up for the latest gadgets. The Wall Street Journal reported on Tuesday that Apple is slashing planned production for the iPhone X for the three-month period ending March 31, a sign of weaker-than-expected demand.

As recently as 18 months ago, smartphones were Samsung's cash cow. But the bulk of profits now come from memory chips, with demand boosted by the proliferation of internet-connected devices and servers. That has helped Samsung navigate the leadership vacuum it faces, with the firm's de facto leader behind bars, its chairman incapacitated and a shake-up last fall of all three of its CEOs.

Samsung awaits an appeal trial verdict next week for Lee Jae-yong, the grandson of the company's founder, who was convicted in August for bribing South Korea's former president

ident and sentenced to five years in prison. Mr. Lee has denied wrongdoing.

But the firm's financial results are in order. Samsung has benefited from a memory chip price surge because few big semiconductor makers remain after a decade of industry consolidation. Analysts refer to the current phase as a memory-chip "supercycle" that should remain strong through this year, though some believe has peaked.

The prices of two main types of memory chips have more than doubled over the past two years, according to DRAMeXchange.

For the full year, Samsung

racked up operating profit of 53.65 trillion won and revenue of 239.58 trillion won in 2017.

Samsung sought to extend its chips lead by investing \$44 billion on capital expenditures in 2017—more than any other publicly traded company last year, according to S&P Global Market Intelligence estimates.

Consumers were mostly undeterred from an embarrassing global recall of Galaxy Note 7 devices in 2016, a fiery debacle that cost it around \$6.5 billion. Initial sales of its flagship phones, the Galaxy S8 and the Galaxy Note 8, were among the strongest in Samsung's history, the company has said.

The prices of two main types of memory chips have more than doubled over the past two years, according to DRAMeXchange.

For the full year, Samsung



Samsung virtual-reality display this month. The company's fourth-quarter net rose 42% to \$11.4 billion.



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BUSINESS NEWS

Wynn Board Got Low Marks on Pay Plans

In past years, proxy advisory firms flagged 'excessive' executive compensation

The board of directors of **Wynn Resorts Ltd.**, which has pledged to investigate allegations of sexual misconduct involving Chief Executive Steve

*By Chris Kirkham,
Joann S. Lublin
and Sarah Krouse*

Wynn, has itself faced criticism over its executive-compensation and corporate-governance practices.

Outside proxy advisory firms for years have criticized the company's executive-compensation practices as "problematic" and "excessive." In 2015 **Institutional Shareholder Services** recommended that shareholders withhold support from the two directors nominated for re-election, citing an "overall corporate governance profile that ranks among the worst, not the best, of U.S. companies."

The Wall Street Journal last week published an article that drew on dozens of interviews with people who have worked at Mr. Wynn's casinos and whose allegations against him cumulatively would point to a decadeslong pattern of sexual misconduct. The casino mogul stepped down from his post as finance chairman of the Republican National Committee over the weekend and faces a regulatory review in Massachusetts, where he is building a \$2.4 billion casino in the Boston area. A spokesman for Wynn Resorts said the company has been in contact with the regulator "and will be fully cooperative with any review."

Mr. Wynn, who founded the firm in 2002 and is also its chairman, said it was "preposterous" that he would assault a woman. He didn't provide further response to other allegations of sexual misconduct that the Journal inquired about before last week's article.



People arrive at the Wynn Palace casino resort in Macau, China. The company is dealing with sexual-misconduct allegations against its CEO.

The Wynn Resorts board said Friday it had created a special investigative committee to look into the allegations, made up of independent directors and led by Patricia Mulroy, its sole female director.

Ms. Mulroy and the other board members didn't respond to requests for comment. The company spokesman, who said he was also representing the board, said an independent counsel "is being interviewed and will be selected soon" to conduct the investigation on behalf of the board.

The board was set to meet Tuesday evening.

The Journal reported Friday that shortly after Mr. Wynn opened his flagship Wynn Las Vegas in 2005, a manicurist who worked there told people that Mr. Wynn forced her to have sex. The casino billionaire later paid the manicurist a \$7.5 million settlement, the Journal reported.

That settlement was referred

to in 2016 in a lawsuit in which Mr. Wynn's ex-wife, Elaine Wynn, seeks to lift restrictions on the sale of her stock in the company. At a court hearing last year, a corporate attorney for Mr. Wynn said there had been "allegations of assault." The company spokesman said board members became aware of the settlement from the lawsuit, but didn't respond to a question on whether they investigated the matter at the time.

Ms. Wynn, who co-founded the company and was a member of the board until 2015, said in her lawsuit that when she learned about the allegation she informed the company's general counsel, who told her the matter had been properly handled. The company said it was noteworthy that Ms. Wynn first learned of the allegation in 2009 but didn't notify the board, of which she was a member, or raise the issue until after she lost her board seat.

An attorney for Ms. Wynn, James Cole, told the Journal Ms. Wynn raised the issue with the general counsel "shortly after she learned of it." The company said the general counsel, Kim Sinatra, disagrees with Ms. Wynn's characterization but declined to comment further, citing ongoing litigation.

Mr. Wynn has accused Ms. Wynn of instigating the accusations laid out in the Journal's article last week. The Journal contacted more than 150 people who work or had worked for Mr. Wynn; none reached out to the Journal on their own. Ms. Wynn declined to speak to the Journal for last week's article.

Douglas Chia, executive director of corporate governance at the Conference Board, a business-research group, said the board is in a tricky position. If its members knew about Mr. Wynn's alleged misdeeds, they could be criticized for their inaction. But if they remained unaware, Mr. Chia said, that "won't insulate them because...they should have known."

Either way, Mr. Chia predicted, the board could face pressure "to completely overhaul its composition."

Executive pay practices at Wynn Resorts have been a subject of criticism in recent years. ISS, the biggest proxy-advisory firm, cited Mr. Wynn's pay packages compared with other CEOs and a severance agreement equating to \$330 million that "exceeds the upper parameter of acceptable amounts," according to a report from ISS last year.

Speaking for the board, the company spokesman said it "significantly restructured" Mr. Wynn's compensation in 2014, reducing his base salary and curtailing some benefits such as a housing allowance and access to corporate aircraft for personal use. Still, Glass, Lewis & Co., the second-biggest proxy advisory firm, has given the company an "F" grade for its pay-for-performance practices the past two years.

Republicans to Keep Donations From Steve Wynn for Now

The chairwoman of the Republican National Committee said Tuesday that the party wouldn't return donations from Steve Wynn, its former finance chairman who faces allegations of sexual misconduct dating back decades, unless an investigation by his company's outside directors finds wrongdoing.

In an interview with Fox News, Ronna Romney McDaniel called the allegations against Mr. Wynn, published by The Wall Street Journal last week, "deeply troubling" and noted that Mr. Wynn had stepped down from his post as finance chairman on Saturday. But the RNC has no current plans to refund Mr. Wynn's donations, she said.

"Steve has denied these allegations," she said. "There is an investigation that will take place. He should be allowed due process."

If wrongdoing is found, "we'll return 100% of that money," she said. "But we'll let due process take place."

Ms. McDaniel said the RNC was "moving forward," and Chicago Cubs co-owner Todd Ricketts has been offered the lead fundraising position for the RNC, according to a person close to Mr. Ricketts. Mr. Ricketts would need to be confirmed in a vote Wednesday by the RNC. Two people close to the RNC confirmed Mr. Ricketts is the only person in the mix for the national finance chairmanship.

Mr. Ricketts has been in Mr. Trump's orbit since shortly after the election. In the closing weeks of the presidential race, he helped raise at least \$66 million for outside groups called Future 45 and 45Committee, Federal Election Commission reports show.

—Rebecca Ballhaus



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Google's Ads Dominate, Rivals Say

Competing online shopping services see little improvement despite EU ruling, fine

Google continues to stymie competition in online shopping, despite a record fine from European authorities and an order to modify its behavior, rivals say.

The European Union in

*By Sam Schechner
in Paris
and Natalia Drozdiak
in Brussels*

June fined Google parent **Alphabet Inc.** €2.4 billion (\$2.9 billion) and ordered it to treat competing shopping services "no less favorably" than its own. The bloc's decision said Google had abused its dominance to favor its own comparison-shopping service over competitors such as **Kelkoo Group Ltd.** and **Compare Group BV.**

Google has taken steps to comply with the ruling within the EU by creating a new system that it says treats all comparison-shopping sites equally by letting them bid for desirable product-ad slots at the top of its search results, which it had previously reserved for itself. Google's own shopping service, too, competes for these slots on what the company says are the same terms. It is appealing the EU decision.

Rivals say matters have barely improved, and in some areas even deteriorated. Some say that despite the new system, they struggle to get products listed on the first page of Google's search results. And when they do, they say it is so costly to outbid Google that they can barely make money. Now, several—including Kelkoo and Compare—are asking the bloc's competition regulators to demand a new remedy.

"If you're in a fight with Google, it's a race to the bottom," said Ben Kerkhof, managing director of Compare,

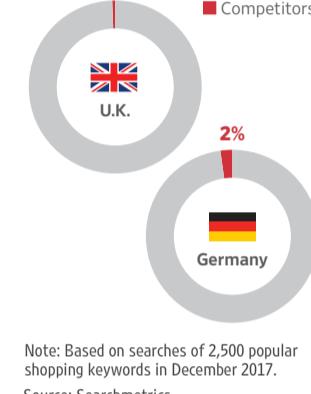


Google Cloud's booth in Davos, Switzerland, this month. Rivals' complaints focus on search results.

Self-Promotion

Google now allows competitors to advertise products in spots on top of search results in the EU, but nearly all ads are bought by Google itself.

Product-listing ads on Google



Note: Based on searches of 2,500 popular shopping keywords in December 2017.

Source: Searchmetrics

THE WALL STREET JOURNAL.

whose Vergelijk.nl has been one of the bigger users of the system Google set up in September to comply with regulators. "We can't bid more than we get paid, or we lose money."

New third-party data show that Google's product ads appear in almost all of the prod-

uct-ad spots it displays as part of the EU remedy. In a report published Monday, search analytics firm Searchmetrics said that only 2% of product-ad spots in Germany show competitors' ads. In the U.K. the proportion is 0.4%. The researchers tested the system by recording product-ad results on Google for 2,500 popular keywords in each country.

The new system is "nothing game-changing," nor is it "meaningful enough to be considered a fair and even playing field," said Harald Schiffauer, managing director of **Nextag Inc.**'s Guenstiger.de, a German site that bids actively in the Google system.

"It's really hard to compete," said Philipp Peitsch, managing director of Idealo, a price-comparison engine owned by **Axel Springer SE**. "I don't think it's a fair proposal."

Google declined to comment on rivals' individual allegations, but previously said that its remedy gives rivals the same opportunity as Google to show shopping ads to users.

The rivals' informal complaints, which the EU says are being taken seriously, show

the growing threat that Google faces from a pileup of competition cases in the EU. Brussels is also investigating Google for other alleged antitrust abuses with its AdSense advertising and Android mobile operating services. Google has denied the charges.

In the current case, the EU is focusing on shopping ads that often appear at the top of results when users perform product-related searches, say, for a gas grill, on Google. Merchants would pay Google each time a user clicked. Similarly, competing comparison sites allow users to search for products and charge merchants for clicks from their sites.

But links to those comparison sites appeared much lower down in Google search, which the EU in its June decision said conferred an illegal advantage to Google because users rarely scroll that far down.

In response, Google created a new auction system that lets competing comparison-shopping engines bid for highly coveted product-ad slots that Google had previously kept for itself at the top of its search results.

Thomson Reuters To Sell Part of Unit

Thomson Reuters Corp. struck a deal to sell a majority stake in its financial-information and terminal business for \$17 billion to a group led by **Blackstone Group LP**, a significant bet by the private-equity

*By Miriam Gottfried,
Jeffrey A. Trachtenberg
and Aisha Al-Muslim*

giant on financial data.

Under the agreement, the consortium will take a 55% stake in the financial and risk unit, which will become a separate privately held firm, and Thomson Reuters will hold a 45% stake. The deal values the new firm, which services banks, money managers and other financial institutions, at \$20 billion. Blackstone and Thomson Reuters said.

The remaining Thomson Reuters business will receive \$17 billion when the deal closes, funded by \$14 billion of debt and preferred stock and a \$3 billion equity contribution.

The Canada Pension Plan Investment Board and Singaporean sovereign-wealth fund GIC Pte. Ltd. are investing in the new firm alongside Blackstone.

The deal marks a new chapter for Reuters, a storied news organization that traces its history to the 1850s. A 2008 merger between Reuters Group PLC and Thomson Corp. represented a bet that combining the news operation with a financial data and analytics business would set it up to weather the storms in the punishing business of news publishing.

Now the news service will be split from the financial and risk business, albeit with a stable revenue line from the newly formed company. The remaining company will supply its news services to the new partnership in exchange for at least \$325 million a year over a 30-year contract.

Thomson Reuters's financial

and risk business has struggled to generate revenue growth over the years, hurt by cutbacks in spending by banks forced to contend with the fallout from the credit crisis.

In an interview, Thomson Reuters Chief Executive James Smith said the deal with Blackstone better positions the financial services business "to accelerate growth faster than we can do on our own."

After noting that the business was at a crossroads, he said, "We've gone from declining revenues back to growth. We've moved to new and modern platforms, and improved reliability. Our focus is how to accelerate top-line growth."

For the news business, the agreement provides "a stable

Blackstone's purchase values the financial and risk business at \$20 billion.

floor from the financial-services business that is predictable, with room for annual increases," he said.

For Blackstone, the deal is one of the largest in its history, reflecting the private-equity firm's focus on the value of data. Blackstone has hired data scientists to help it evaluate ways it could profit from nontraditional sets of data. The financial and risk unit, which is a major provider of data to Wall Street trading floors, could become a platform for consolidating some of that data.

"Data distribution and analytics is a very fast-growing space," said Martin Brand, a senior managing director at Blackstone who led the deal, in an interview. "This is one of the very few data assets available at scale."

*—Ben Dummett
contributed to this article*

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BUSINESS NEWS

Tech to Size Up Tax-Law Impact

Companies are likely to take a big hit on overseas profits, but effects are uncertain

BY DOUGLAS MACMILLAN

Silicon Valley threw its support behind the congressional tax overhaul. How much will the new rules help their bottom line?

Investors will closely watch tech firms' financial results over the next few weeks for clues on how the new U.S. tax system will affect profits.

A drop in the corporate tax rate to 21% from 35% will boost future earnings at most businesses, but for some tech giants, the benefit of the lower rate could be partially offset by a one-time mandatory levy on their huge overseas cash stockpiles.

The exact impact of the new tax rules won't be known for several months, as regulators spell out how they will enforce the changes and as companies make adjustments.

But executives are already dropping tax hints as they update investors on fourth-quarter results. Here are the four key areas to watch.

Offshore profits

The tax overhaul gave incentives for American businesses to bring their estimated \$2.5 trillion in offshore profits back to the U.S. Where they once paid up to 35% on profits brought to the U.S., they will now generally pay no U.S. taxes on future overseas profits.

But there is a catch: All companies will be forced to pay a one-time tax on the overseas profits they have accumulated so far, with one rate for cash and liquid assets and another on other assets, including factories and equipment.

The tax is due regardless of whether they bring anything home or not, though companies may choose to pay it over

eight years.

Businesses must generally book this tax as a one-time charge in the final quarter of 2017. Apple said this month it would pay \$38 billion in taxes and return the majority of its overseas cash to the U.S.

The taxes companies pay on these profits will vary somewhat, depending on both the size of the profits and how they have been invested.

Companies must pay 15.5% on liquid assets, such as cash and a variety of marketable securities, and 8% on other assets.

Compared with other industries, technology companies tend to have a larger share of their overseas stockpile in liquid assets. For instance, 95% of networking giant **Cisco Systems Inc.**'s accumulated foreign profit last year was in cash and cash equivalents, versus 22% for retailer **Wal-Mart Stores Inc.**

The Wall Street Journal estimated that 311 large publicly traded U.S. companies could generate nearly \$250 billion in these taxes, of which 38% could be paid by tech companies.

Tax rates

Tech giants generally enjoy low effective tax rates because of the portion of their profits that accumulates in low-tax foreign jurisdictions.

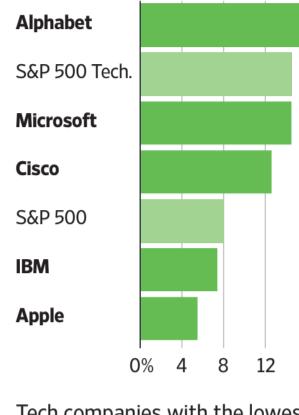
Tech firms paid an average tax rate of 24% over the 10-year period through 2016, below the 29% average tax rate for all companies in the S&P 500 for that period and lower than any other industry, according to an analysis of corporate filings by Zion Research Group.

Companies that pay the lowest effective rates may be punished by the new rules, which set a minimum 10.5% tax on wide swaths of future offshore profits.

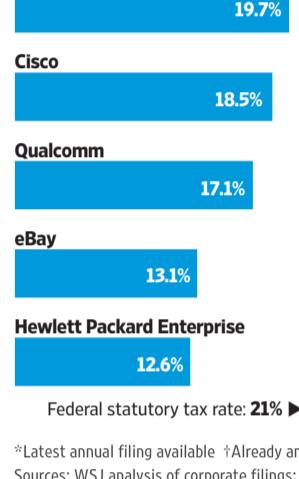
That means firms like Google parent **Alphabet Inc.**, Microsoft Corp., Amazon.com Inc. and Facebook Inc.—all report earnings this week and investors will be

Toting Up High Tech

Spending as a share of revenue by tech firms in the S&P 500 on R&D and on physical assets*

Research and development

Tech companies with the lowest tax rates for 2007-2016, and those with the biggest estimated tax bills for overseas earnings

Average tax rates

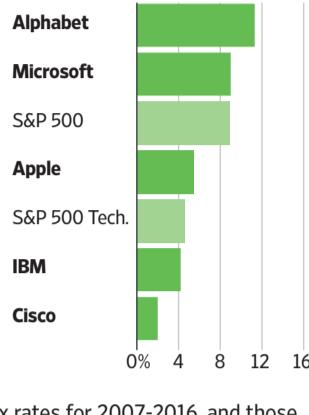
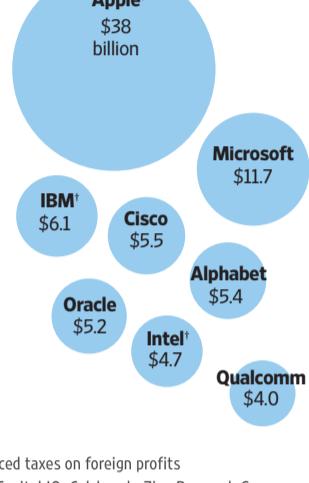
*Latest annual filing available. †Already announced taxes on foreign profits

Sources: WSJ analysis of corporate filings; S&P Capital IQ; Calcbench; Zion Research Group analysis of company filings

than the new statutory rate of 21%, may soon see their rates go up.

International Business Machines Inc., which paid a tax rate of 12% last year excluding one-time benefits, said this month its rate will rise to as much as 18% in 2018.

The five biggest U.S. tech companies—**Apple Inc.**, Alphabet, Microsoft Corp., Amazon.com Inc. and Facebook Inc.—all report earnings this week and investors will be

Capital expenditures**Taxes on foreign profits**

answer, even if the revised tax code also allows companies to accelerate deductions for the cost of equipment purchases.

The easiest solution strategically—to return cash to shareholders through buybacks and dividends—may be unwise politically. The Republicans sold the tax overhaul on the promise that it would spur investment in the U.S., and not simply enrich shareholders.

"It will be interesting to see what companies ultimately do with more unfettered access to their global cash," said Kirsten Malm, a partner at law firm Baker McKenzie who advises tech firms on taxes. "Is this going to set off a new wave of M&A? Will we see share buybacks? Maybe not, because share prices are so high at the moment."

Borrowing

With most of their cash sitting offshore, tech giants have increasingly issued debt to finance their growth and return money to shareholders.

Tech firms in the S&P 500 collectively held nearly \$566 billion in long-term debt in the most recent quarter, more than three times the amount they held just five years ago. That is a faster pace of growth than any other sector.

Now that they can access their overseas cash, tech giants have less need for debt, said Jason Pompeii, senior director at Fitch Ratings. "We believe those companies borrow only because they don't have access to their cash flow," Mr. Pompeii said. "We would expect debt issuance in the technology sector to decrease."

Investors will be asking the companies with the most debt whether they intend to pay it off ahead of schedule, even though they have been able to borrow the money at attractive rates. The big borrowers include Apple, with long-term debt of \$97 billion; Microsoft, with \$76 billion; and Oracle Corp., with \$58 billion.

FOX

Continued from page B1

However, NFL football accounted for 33 of the top 50 most-watched shows last year, according to Nielsen and the league.

Fox's deal for Thursday night football comes just months after **21st Century Fox Inc.** Chief Executive James Murdoch publicly criticized the NFL for having too much product on television and causing the erosion in ratings over the last two seasons.

However, the Fox network has been struggling in prime time for the past several years, and the addition of Thursday night football will certainly boost its audience and give it a big platform to promote other shows. In addition, 21st Century Fox's recently announced deal to sell the bulk of its entertainment assets to **Walt Disney Co.**, including its television production unit, for \$52.4 billion means it will need content for the broadcast network it is keeping.

21st Century Fox Executive Chairman Rupert Murdoch has indicated that live sports will be a large part of Fox's future. It is also retaining ownership of its national cable sports channel Fox Sports 1.

21st Century Fox and Wall Street Journal parent News Corp share common ownership.

Both NBC, a unit of **Comcast Corp.**, and CBS made bids to retain Thursday night football, though the bids were smaller than what they paid a year ago, a person with knowledge of the bids said. Both networks have lost money on Thursday night football, people close to the networks said.

This past season, Amazon also streamed most of the Thursday night games as part of a one-year deal worth \$50 million. The NFL is expected to announce a streaming deal for the Thursday package shortly.

News of Fox's expected agreement was first reported by Bloomberg News.

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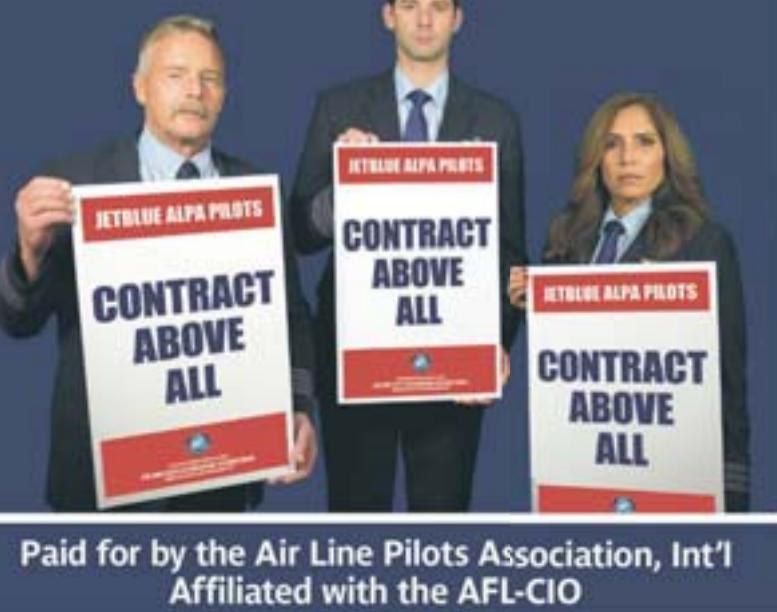
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BUSINESS NEWS

Facebook Pushes New Tool

Its social platform Workplace is making steady gains in the corporate world

By ANGUS LOTEN

Complaints of compromised posts and other malicious activity on Facebook Inc. aren't reducing the company's push into the corporate market, where security and trust are often make-or-break issues for business technology buyers.

The social network giant last year more than doubled the number of organizations running Workplace, its enterprise-collaboration platform. The steady growth is nothing like the viral adoption Facebook experienced with consumers, a slower pace that reflects the broader enterprise social-networking and collaboration market, where advances have lagged behind some earlier estimates.

The acceptance of Workplace and other social platforms in the business setting seems to be a longer-term process, shaped by an evolving understanding of usability and influence within an organization, according to analysts.

Launched in October 2016, with 1,000 commercial users, Workplace has since attracted more than 30,000 organizations, together forming more than one million separate user groups, Facebook says. They include small and midsize ventures, in a range of industries, as well as Wal-Mart Stores Inc., Starbucks Corp., Stanley Black & Decker Inc. and the Royal Bank of Scotland Group PLC.

The world-wide market for enterprise social-networking and collaboration tools is expected to hit \$2.4 billion this year, up 11.8% from 2017. The market is expected to be worth \$3.2 billion by 2021, for an average annual growth rate



Julien Codorniou, Workplace vice president, speaking in 2016. Facebook last year more than doubled the number of organizations running Workplace, its enterprise-collaboration platform.

of 11%, according to the latest forecast by market-research firm International Data Corp.

Enterprise social-networking and collaboration applications allow co-workers to communicate and share project-related messages, documents, videos and other content over a web interface or mobile app, often in a more transparent and informal way.

These applications allow a group of co-workers to share project-related content.

Craig Le Clair, vice president and principal analyst for enterprise architecture professionals at Forrester Research, said corporate usage of social networking has yet to achieve critical mass, and suffers from a "tortoise of overlapping solutions." So far, he said, "broad collaboration solutions within companies are not helping get work done." In some cases, he said, trust remains an obstacle.

Corporate adoption is often

highest in small groups within a large organization, Forrester has found.

Sandy Pentland, director of the Massachusetts Institute of Technology's Human Dynamics Laboratory and MIT Media Lab Entrepreneurship Program, said his research shows that workplace social-media use tends to grow along existing social ties, or face-to-face interactions, and that workers are more likely to respond to social-media invites from people they know within a company.

For many technology managers, a big part of Workplace's appeal is that it looks and feels a lot like Facebook, a feature they say can help cut down on time and resources needed to train employees to use the tool and boost the chances that they will keep using it.

Rather than Facebook's signature blue, Workplace features a subdued color palette, and includes enterprise-grade security and administration tools. While the standard tool is free, companies can opt for a premium version, at a monthly fee of \$3 per active user, which provides additional administrative controls, monitoring tools for IT teams, an ability to add custom integrations, and administrative support, among other features. Both versions are advertising-free.

Instant name recognition has helped Workplace stand out in a crowded field that includes collaboration tools and services from startups and tech giants.

Teams, Microsoft's networking and collaboration tool launched in March 2017, is used by roughly 125,000 organizations in 181 different markets, a Microsoft spokeswoman said. The tool is included in the enterprise and small-business versions of Office 365, at no extra charge, and Microsoft expects to roll out more features in the months ahead.

"People using Workplace understand that Workplace and Facebook are entirely separate platforms," said Workplace Vice President Julien Codorniou. He said most companies are using the platform as a "command center for everything that's happening with their team, their company and their industry."

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APPLE

Continued from page B1

iPhone could also lag behind expectations.

Apple's stock fell 2.1% Monday after the production cutback was reported by Japan's Nikkei newspaper, and a further 0.6% Tuesday. The shares are off 5.7% since Jan. 22.

Launched a decade after Apple's first iPhone, the iPhone X was promoted as the smartphone of the future, with features including a sharp, organic light-emitting diode display and facial-recognition technology.

Apple set the price high in hopes of boosting revenue and preserving margins on a device that features more expensive components. But troubles incorporating the new technology led to delays in the manufacturing process and forced Apple to abandon the use of fingerprints as an option to unlock the phones.

Those early delays were exacerbated by a shortage of certain components used in the facial-recognition system. Sales of the iPhone X didn't begin until Nov. 3, much later than usual for Apple's new models, shortening the

critical retailing window ahead of the holiday shopping season.

Some consumers have said they don't believe the features justify the iPhone X's high price. "People love Apple, but they still have limitations," said Kylie Huang, a Taiwan-based analyst at Daiwa Capital Markets covering the Apple supply chain.

Further complicating things, Apple for the first time last year released three new devices, meaning the iPhone X competed for sales with the iPhone 8 and iPhone 8 Plus. Those two devices, which start at \$699, are pricier than predecessors but offer a less-costly alternative to the iPhone X.

Instead of the iPhone X or iPhone 8, though, some customers have turned to older, less-expensive models such as the iPhone 7 and 7 Plus, said Canalys analyst Nicole Peng. She said that wasn't necessarily a bad thing for Apple, noting that the older models are cheaper to produce and generate relatively high margins per unit.

"Apple doesn't need to rely on one model to perform very well to be able to achieve the financial results they are aiming at," Ms. Peng said.

Apple Faces Probes Over Battery Issue

Apple Inc. is being investigated by the Justice Department and the Securities and Exchange Commission over potential securities violations related to the company's disclosure of a software update that slowed older iPhones, people familiar with the matter said.

The two probes add pressure on the tech giant to address criticism from customers and lawmakers after it acknowledged in December that it was throttling the performance of older iPhones as batteries aged.

The company later apologized for the issue and slashed the price of an iPhone battery

replacement to \$29 from \$79, hoping to win back customer goodwill.

Apple didn't respond to a request for comment. The news was reported earlier by Bloomberg.

Regulators and prosecutors often open investigations that don't result in any charges being filed, and securities investigations often take more than a year.

It isn't clear why federal officials are focusing on potential securities violations involving an issue affecting customers.

Generally in such a case, the SEC could try to fault a public company for failing to make timely disclosures about material information that would affect the stock price.

—Aruna Viswanatha and Tripp Mickle.

THE PROPERTY REPORT

Builders Reimagine Future

Projects are being designed with the prospect of driverless vehicles in mind

BY PETER GRANT

Mass adoption of driverless cars is still years away, but architects, developers and planners already are designing new projects with autonomous vehicles in mind.

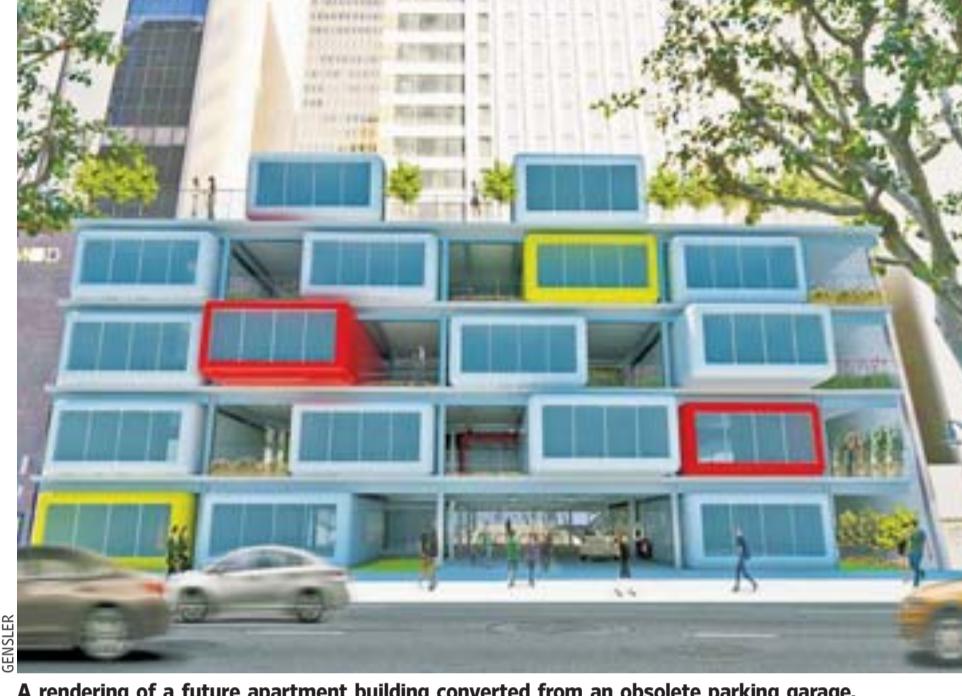
Developers are starting to build offices with internal parking structures that can be converted to office space if demand for private parking decreases. New master-planned projects in cities like Toronto, Los Angeles, Oslo, San Francisco and Boston are being designed with features like curbside drop-off areas for passengers and e-commerce deliveries that replace traditional parking lanes.

"The term that we're hearing over and over again is 'future-proof,'" said Jeffrey Shumaker, director of urban planning and design at architecture firm **Kohn Pedersen Fox Associates PC** in New York.

Real-estate developers and architects are thinking about a driverless future today because many of the structures and streets they're designing will still be around decades from now. They see the benefit of including enough flexibility into today's projects so that they can later adapt to changing transportation patterns with limited cost.

Novel ideas are being floated for the distant future as well as the messy transitional years until mass adoption of driverless vehicles is complete. For example, **Gensler** already is looking at ways to free up green space in housing developments by replacing driveways with common storage areas for autonomous vehicles.

Meanwhile, a Reebok and Gensler venture has been studying how to repurpose gasoline stations in the future when driverless vehicles will visit remote charging stations



A rendering of a future apartment building converted from an obsolete parking garage.

instead. One idea: fitness centers that include playgrounds, workout areas and fresh food stores.

"Today on your way home, you stop at the gas station to top up," said Joseph Brancato, a Gensler regional managing principal. In the future, the Reebok venture envisions transforming the properties into stations for "recharging human beings" where you "get an additional workout, buy some farm-to-table food and maybe pick up some holistic medicine," he said.

Much of the future-proofing under way involves master-planned communities with new approaches to streets, bike lanes and other infrastructure.

For example, Kohn Pedersen is designing a complex in Shenzhen in China with an elevated loop that could be dedicated to autonomous vehicles and underground parking areas that could be converted into retail space or other uses.

Planners also are studying flexible streetscapes and parking guidelines for Boston's Seaport development and for Sidewalk Toronto, a joint effort by the government and **Alphabet Inc.**'s Sidewalk Labs

focusing on about 800 acres on Toronto's eastern waterfront.

The San Francisco Giants baseball team is looking down the driverless road with architecture firm **Perkins + Will** in their planning for Mission Rock, a 27-acre project south of AT&T Park. Planners are designing streets and buildings that can adapt to declining

The term that we're hearing over and over again is 'future-proof.'

parking demand and the increasing need for better curbside pickups and drop-offs of passengers and packages. Apartment buildings are being designed with more space, including cold storage, for package deliveries from **Amazon.com Inc.** and other e-commerce businesses.

"These projects are beta-testing the autonomous future," said Gerry Tierney, co-director of Perkins + Will's mobility research lab.

Parking garages that can be converted into other uses already are being built. For example, Gensler designed the new Cincinnati headquarters building for data analytics firm **84.51°** with three floors of aboveground parking that can be converted into office space.

That's possible partly because the parking-floor heights are higher than those in typical garages. Also, the facades of the parking floors resemble the rest of the 84,000-square-foot building.

Gensler is exploring ways to convert stand-alone parking-garage structures into apartment buildings that could be used for student or other forms of low-cost housing. This could be done with modular units designed to slide into the structure easily, Mr. Brancato said.

Expense is a major obstacle to convertible parking structures. Whether they're stand-alone or part of a building, they cost more to build than conventional garages. Because their ceiling heights need to be higher, convertible garages contain fewer spaces, making the idea a nonstarter with many developers.

Stores Go High-Tech In Fight With Online

BY ESTHER FUNG

Retailers may be closing some store locations, but the ones they are keeping are embracing technology to compete with online shopping.

Some stores are bringing in facial-recognition technology to alert salespeople that a customer in their loyalty program has walked in.

Others, tapping into the popularity of how-to videos and social media, are installing mirrors that double as video screens and cameras to record a makeup artist's step-by-step application, which then can be sent to the customer's phone.

Still others are fine-tuning inventory management to align workers more closely to traffic patterns in their stores.

"Retailers are saying, 'we've done the pruning, now we need the comps to go up,'" said Mark Ryski, chief executive officer of Headcount Corp., a company that studies and helps businesses with retail traffic and conversion analysis. Comps refer to same-store sales compared with the previous year.

According to Euromonitor International, a market-research provider, total U.S. store locations declined 0.1% in 2017 from a year earlier, the first downturn since 2009.

Because many of the locations closed last year were large-format stores, the volume of retail real-estate space fell by a more sizable 0.6% to 8.52 billion square feet.



Neiman Marcus employs technology that records a makeup artist's application process and sends it to the customer's phone.

"E-commerce has had a profound effect on where consumers are shopping and has compelled retailers to rethink their business models and fight to maintain market share," said Jim Sullivan and Otto Aletter of **Green Street Advisors' Advisory & Consulting Group** in a recent white paper. "Some retailers are focusing on right-sizing their retail footprint, some are improving in-store experience and digital integration—and many are attempting to do both."

One of the issues increasingly straining negotiations between retailers and landlords these days is foot traffic. Retailers have been blaming declining numbers of walk-in traffic for their weak sales, but landlords say some tenants have neglected store upkeep and should shoulder the blame if customers walk out without making a purchase.

Intel Corp. has joined with **Memomi Labs Inc.** to produce technology that enables consumers shopping for new clothing, beauty products and eyewear to share pictures and videos taken by "memory mirrors" at luxury retailer **Neiman Marcus** and shoe retailer **Finish Line** in the U.S. and Sephora stores in Europe.

"The biggest misconception out there is that the technology is nascent. The technology is mature and ready for scale," said Joe Jensen, vice president and general manager of Intel's retail solutions division.

PLOTS & PLOYS

BLOCKCHAIN

Technology Weighed For Property Deals

The city of South Burlington, Vt., is embarking on a pilot project with a startup blockchain firm in a possible first step toward using the technology to replace the city's system for recording property transactions.

Officials with South Burlington and the firm, **Propy Inc.**, said the project would be a small step in the city's possible adoption of blockchain, which is the technology that underpins cryptocurrencies and records transactions on a public ledger.

Blockchain proponents say the technology could greatly reduce the cost and complexity of recording real-estate documents. But replacing one system with the other would take years, if not decades, and would require surmounting numerous technological and practical obstacles.

—Peter Grant

GREYSTAR REAL ESTATE

London Towers Get Modular Treatment

Greystar Real Estate

Partners LLC is acquiring a 550-unit development in London with two towers that will be among the tallest in the world to be built using modular construction, according to company executives.

Wes Fuller, executive managing director of investments at Greystar, said modular construction will shave the development time in half, down to two years from four or five.

The development's two towers in Croydon are set to be 44 and 38 stories. Still, developers often have struggled to make modular technology work on large projects. It allows little flexibility to change the design and can lead to clashes with construction unions.

Greystar is joining with European real-estate investor **Henderson Park** on the acquisition.

—Laura Kusisto

In Big Cities, Retail Rents Yield to Storm

BY ESTHER FUNG

The retail storm pounding weaker real-estate markets is starting to lash America's biggest cities.

Malls in smaller cities have been suffering for years from store closures as retailers adjust store footprints to changing consumption habits and rising online sales.

Now, retail rents in some of the priciest cities in the U.S. are falling back to earth after years of strong growth, as the retail reckoning spreads to properties once considered immune.

Over the past 12 months, rents in New York, Washington and Boston declined between 0.4% and 1.4%, while rents were roughly flat in Chicago and San Francisco, according to data from CoStar Group Inc., a commercial real-estate data provider. Across the U.S., rent growth averaged 1.8% in 2017, down from 2.7% in 2016 and the slowest pace since 2012.

The availability rate across all retail property types, including enclosed malls, open-air malls, grocery-anchored centers and strip centers, rose to 6.6% in the fourth quarter of 2017, from 6.1% a year earlier, according to CBRE Econometric Advisors. Availability rates include both vacant space and spaces that are currently occupied but are marketed to potential tenants because they will be vacant soon.

"We're seeing downward pressure on rents," said James Hull, founder and managing principal of **Hull Property Group**, a retail real-estate company based in Augusta, Ga. "Some of that comes from too much space and too few tenants."

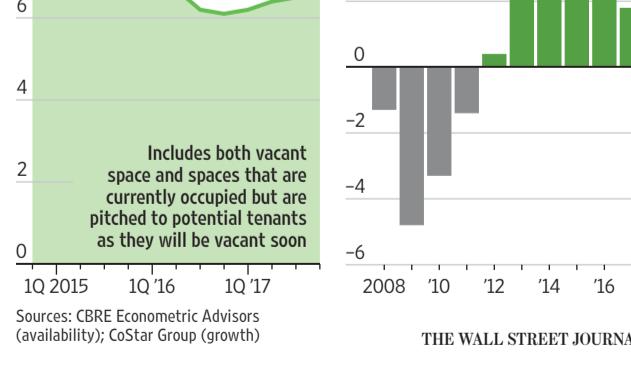
Hull Property, which owns about 15 million square feet of retail space in 13 states, said some tenants are more cautious these days, opting to sign leases of three years versus the previous norm of five to 10 years. Mr. Hull added



An empty storefront in Manhattan, where the average asking rents plunged 18% in 2017 from a year earlier.

Cool-Down

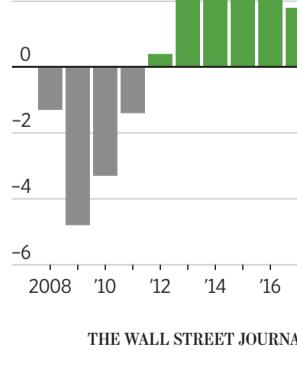
The amount of retail space available for lease has increased in recent quarters.



that, depending on location and availability of space, his firm sees rent increases in about 20% to 30% of lease renewals signed.

A surge in the number of bankruptcy filings and store closures by apparel retailers and department stores has hung over the sector, particularly second-tier malls in less affluent areas.

Growth in asking rents has slowed in each of the past two years, after rising steadily in the years following the housing crisis.



While discount retailers and grocers such as Dollar General Corp., TJX Cos., Five Below Inc. and Lidl are still opening stores, they are focused mainly in stand-alone retail centers and open-air centers rather than enclosed malls, according to research firm Fung Global Retail & Technology.

Meanwhile, some down-

town areas that experienced skyrocketing rents a few years ago are now showing significant weakness.

The substantial number of empty storefronts in New York City, for example, finally has taken a toll on landlords, which are starting to adjust prices accordingly. CBRE said average asking rents in Manhattan plunged 18%, to \$721 a square foot, in 2017 from 2016.

Manhattan's retail real-estate market, which is more affected by tourism than that of other cities, is subject to volatile swings.

SL Green Realty Corp., a big office building owner in New York City, said rent negotiations for retail space at its 719 Seventh Ave. building in Times Square would take some time.

"We acknowledge it was more of a challenge than we expected," said Marc Holliday, chief executive officer at SL Green during the company's fourth-quarter earnings call last week. "We're still in sort of a discovery phase in terms of the market, block by block."

Some pockets of the country remain strong. Asking

rents in Nashville, Tenn., Orlando, Fla., Atlanta, Dallas-Fort Worth and Denver rose 5.1% to 7.3% over the past 12 months, while in Los Angeles and Miami rents rose 2.3% and 2.8%, respectively, according to CoStar.

Retailers are becoming more selective in where they open new stores or sign renewals, and in affluent, high-density locations, landlords say they are still able to command higher rents.

Tom McGee, president and chief executive officer at industry group International Council of Shopping Centers, said the sector is in a good position with regard to supply, noting that the millennial population will be aging into its prime consumption years, while the modest growth in new shopping center development in the past 10 years could keep market fundamentals balanced.

Also tipping in landlords' favor this year is the tax overhaul, which promises significant savings for retailers, a group that has paid among the highest effective tax rates over the years.

BUSINESS NEWS

Tesla Rivals Pay For Model 3 Data

By TIM HIGGINS

DETROIT—Tesla Inc. was absent at the annual auto show here this month, but its new Model 3 sedan was still a hot ticket.

Tucked away in the convention hall's basement, far from the new Chevrolet Silverado pickup and Toyota Avalon sedan displayed on the main floor, **Caresoft Global Inc.**, an engineering firm based in the Chicago area, showed off a Model 3 chassis.

It is one of several sedans Caresoft has purchased from third parties since November, with the goal of studying them and selling data and technical insights to Tesla competitors—for upward of \$500,000.

2,000

Total number of Model 3s Tesla delivered the past two quarters

reservations for the Model 3, but the wait for a car is projected at 12 to 18 months if it is ordered now.

Investors and competitors are devouring any morsel of information. Tesla shares shot up more than 6% earlier this month after automotive website The Drive published a lengthy Model 3 review.

Caresoft said it has been buying Model 3s from early buyers, paying about \$100,000 a vehicle. The firm takes CT scans to create digital designs for companies that plan to run virtual simulations to understand the Model 3's design.

This month Caresoft brought one to the CES trade show in Las Vegas and again to the Detroit auto show.

Around the red Model 3 skeleton in Detroit, a Ford Motor Co. employee measured the windows, while men with European accents crawled underneath for a closer view. "Everybody is dying to actually see one and experience one," said Mike VanNieuwuyk, a senior vice president at research firm Ipsos.

Car teardowns are nothing new. In May, UBS released a teardown of General Motors Co.'s all-electric Chevrolet Bolt, a competitor to the Model 3. The report estimated GM was losing \$7,400 on each vehicle sold, largely because of a lack of scale. From this, UBS estimated that Tesla would lose \$2,800 on the base version of the Model 3 and might break even on versions that sell for \$41,000 or more.

For clients, Caresoft quietly offered test drives around Detroit in a black Model 3. After meetings with auto executives, Caresoft Chief Executive Mathew Vachaparampil said 10 auto makers are customers.

"They're very excited" for the data, he said.



The driverless ride-hailing service of Google parent Alphabet faces rising pressure from auto makers to commercialize its technology.

Waymo to Build Up Taxi Bot Fleet

Alphabet unit reaches deal with Fiat Chrysler as it gears up to offer driverless service

By TIM HIGGINS

Waymo LLC on Tuesday signaled a large expansion of its robot taxi fleet as the company prepares to open its driverless ride-hailing service to the general public.

The self-driving tech unit of Google-parent **Alphabet Inc.** disclosed an agreement to acquire thousands of minivans from **Fiat Chrysler Automot-**

biles NV for delivery beginning later this year. The auto maker had previously provided 600 Pacifica minivans to Waymo, which has equipped cars with its driverless technology in 25 U.S. cities, including most recently in Atlanta, for testing.

Since October, Waymo has tested the minivans without people behind the steering wheel in suburban Phoenix, where the weather is generally sunny and in a state receptive to the technology. The company announced in November plans to begin giving rides to select residents as part of a public trial.

On Tuesday, Waymo said it expects to open the ride-hailing service to the general public in the Phoenix area this year as a commercial service.

During a demonstration in October, the minivans had screens welcoming customers aboard and instructing them to push a blue "start ride" button on the ceiling. The vans otherwise seem like any other, except for its empty front seats.

"With the world's first fleet of fully self-driving vehicles on the road, we've moved from research and development, to operations and de-

ployment," John Krafcik, Waymo's chief executive, said in a statement.

Waymo is facing increasing competitive pressure from auto makers and other tech companies to commercialize the fast-developing technology.

General Motors Co., the largest U.S. auto maker by sales, has said it aims to run a large-scale fleet of driverless cars in big cities in 2019 while **Volvo Cars** said in November it has an agreement to supply ride-hailing firm **Uber Technologies Inc.** with a fleet of 24,000 self-driving vehicles beginning in 2019.

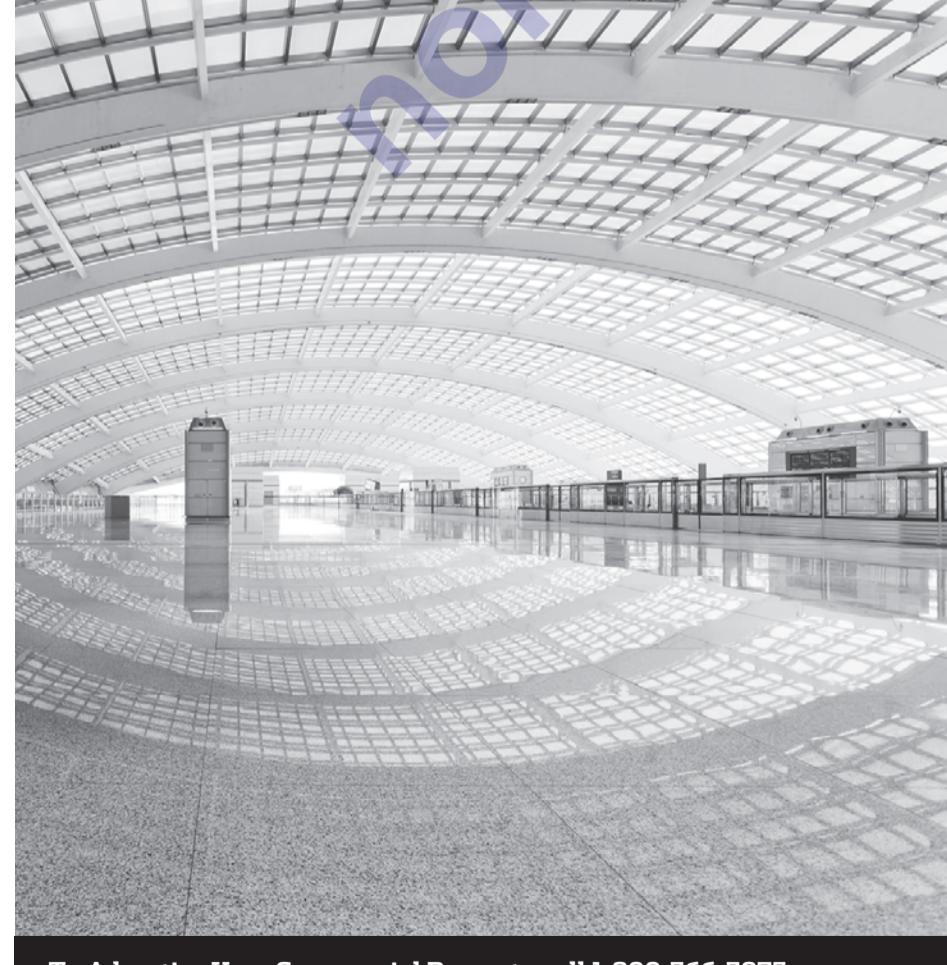
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BUSINESS NEWS

Harley to Close Plant in Missouri

Slumping motorcycle sales lead to cuts, including 800 jobs; share price falls 8%

BY ANDREW TANGEL

Harley-Davidson Inc. plans to close one of its four U.S. factories amid a protracted sales slide that the motorcycle maker expects to continue into 2018.

The Milwaukee-based company said Tuesday that motorcycle-related revenue fell 6.8% in 2017 to \$4.92 billion. Including a decline in the U.S., retail sales of its hogs fell 7% world-wide, the third consecutive year of unit declines.

As part of a cost-cutting plan, Harley-Davidson said it would close its assembly plant in Kansas City, Mo., and lay off about 800 workers.

"This decision was extremely difficult but necessary under the circumstances," Chief Executive Matt Levatich said.

Harley plans to move the plant's operations to its York, Pa., facility, which would eventually add about 450 jobs as part of the consolidation.

Mr. Levatich said in an interview that the company plans to make upgrades to the York factory, but that the new tax law's benefits for such investments didn't affect the decision.

Harley is often used by politicians as a backdrop for discussing U.S. manufacturing or



Harley-Davidson has four factories in the U.S., including one in Menomonee Falls, Wis.

economic policy. Harley executives and union officials visited the White House last year, and the company was mentioned in President Donald Trump's post-inauguration address to Congress.

Mr. Levatich said the manufacturing cuts didn't undermine Harley's focus on keeping most of its operations in the U.S., its biggest market. "Nothing has changed in the sense of our commitment to U.S. manufacturing," he said.

Union officials slammed Harley, blaming the company for failing to gain U.S. market share and producing overseas.

Mr. Levatich said a new Harley assembly plant in Thailand, like those the company has opened in India and Brazil, is aimed at getting around steep trade barriers that would make its bikes prohibitively expensive there. "It is an inappropriate leap to say that the assembly would have come from Kansas City if we hadn't built

that plant," he said.

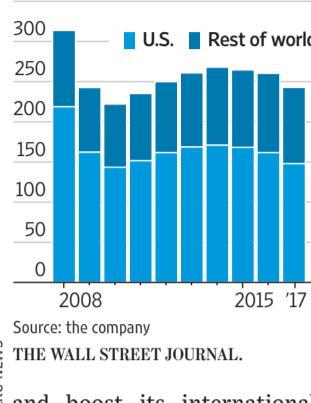
Harley forecasts continued challenges this year, including soft U.S. retail sales. It expects to ship up to 236,000 motorcycles globally, a decline from the 241,498 motorcycles it shipped last year.

Shares of the company fell 8% to \$50.84 on Tuesday.

Harley executives said the company had made progress in its long-term goal of adding two million new riders in the U.S. over the coming decade

Down Cycle

Harley-Davidson's motorcycle sales have dropped in the U.S. and abroad.



Source: the company

THE WALL STREET JOURNAL.

and boost its international business to 50% of its total annual volume from around 38%.

The company has also been working to expand its appeal to women, minorities, young adults and city dwellers. As part of that effort, Harley-Davidson said it is on target to launch its first electric motorcycle within 18 months.

For its fourth quarter, Harley earned \$8.3 million, or 5 cents a share, down from \$47.2 million, or 27 cents a share, a year earlier. Results were hurt by a \$53.1 million charge related to the new U.S. tax law and a \$29.4 million charge for a product recall. Motorcycle revenue grew 12% to \$1.05 billion.

—Austen Hufford
contributed to this article.

Aetna's Premium Income Declines

BY ALLISON PRANG

Aetna Inc. reported a 76% increase in fourth-quarter earnings because of lower restructuring costs, but revenue fell as income from premiums declined.

Aetna, which is in line to be bought by **CVS Health** Corp. if the deal is approved by regulators, said it earned \$244 million, or 74 cents a share, in the latest quarter compared with \$139 million, or 39 cents a share, a year earlier.

On an adjusted basis, earnings fell to \$411 million, or \$1.25 a share, from \$578 million, or \$1.63 per share.

Analysts polled by Thomson Reuters were expecting adjusted per-share earnings of \$1.20.

Revenue fell 5.6% to \$14.85 billion from \$15.73 billion in the year-earlier quarter, but last quarter's figure was still slightly above analysts' predictions.

The company said that the revenue drop was primarily due to a decline in membership in Affordable Care Act-related and Medicaid products and the temporary suspension of a fee that health insurers were required to pay under the ACA.

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Low-Price Menu Gives McDonald's a Lift

BY JULIE JARGON

McDonald's Corp. gained sales again by luring core customers to its cheapest meals and drinks.

The burger giant attributed U.S. sales growth in the fourth quarter to a "McPick 2" meal deal and low-price beverages, as well as to higher-price Buttermilk Crispy Tenders.

The company recorded its

first full year of increasing same-store traffic in five years. Comparable-store sales rose for the 10th consecutive quarter.

But some franchisees worry the strategy isn't sustainable.

In a recent anonymous survey conducted by Instinct, many McDonald's franchisees in the U.S. said they fear low-price items will eat into profits.

To help protect margins, the company said it has raised

menu prices outside the Dollar Menu.

For the fourth quarter, McDonald's reported a profit of \$698.7 million, or 87 cents a share, compared with \$1.19 billion, or \$1.44 a share, a year ago. Excluding charges related to the new U.S. tax law, the company earned \$1.71 a share, up from \$1.43. Analysts had expected adjusted earnings per share of \$1.59.

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EQUITIES

Dow Jones Industrial Average

26076.89 ▼362.59, or 1.37%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 27.50 20.10
P/E estimate * 19.09 17.50
Dividend yield 2.01 2.41
All-time high 26616.71, 01/26/18

Current divisor 0.14523396877348



Bars measure the point change from session's open
Oct. Nov. Dec. Jan. 21500

Weekly P/E data based on as-reported earnings from Birinvi Associates Inc.

S&P 500 Index

2822.43 ▼31.10, or 1.09%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.34 24.74
P/E estimate * 18.67 17.52
Dividend yield 1.79 2.12
All-time high 2872.87, 01/26/18



Oct. Nov. Dec. Jan. 2450

Nasdaq Composite Index

7402.48 ▼64.02, or 0.86%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 27.82 20.10
P/E estimate * 21.25 19.15
Dividend yield 0.98 1.16
All-time high 7505.77, 01/26/18



Oct. Nov. Dec. Jan. 6300

Major U.S. Stock-Market Indexes

| | Latest | | | 52-Week | | | YTD | | |
|----------------------------|----------|----------|-----------------|---------|-------|----------|----------|-------|------------|
| | High | Low | Close | Net chg | % chg | High | Low | % chg | 3-yr. ann. |
| Dow Jones | | | | | | | | | |
| Industrial Average | 26256.99 | 26028.42 | 26076.89 | -362.59 | -1.37 | 26616.71 | 19864.09 | 31.3 | 5.5 15.0 |
| Transportation Avg | 11088.81 | 10956.73 | 10965.41 | -148.82 | -1.34 | 11373.38 | 8783.74 | 19.3 | 3.3 8.2 |
| Utility Average | 694.60 | 689.98 | 691.71 | 0.60 | 0.09 | 774.47 | 656.08 | 3.4 | -4.4 2.8 |
| Total Stock Market | 29259.84 | 29074.41 | 29114.81 | -315.02 | -1.07 | 29630.47 | 23706.14 | 22.8 | 5.2 11.8 |
| Barron's 400 | 747.58 | 742.63 | 743.74 | -8.02 | -1.07 | 757.37 | 606.11 | 22.1 | 4.6 12.3 |
| Nasdaq Stock Market | | | | | | | | | |
| Nasdaq Composite | 7433.65 | 7373.99 | 7402.48 | -64.02 | -0.86 | 7505.77 | 5614.79 | 31.8 | 7.2 16.9 |
| Nasdaq 100 | 6958.79 | 6894.63 | 6930.73 | -57.59 | -0.82 | 7022.97 | 5116.77 | 35.5 | 8.4 18.7 |
| S&P | | | | | | | | | |
| 500 Index | 2837.75 | 2818.27 | 2822.43 | -31.10 | -1.09 | 2872.87 | 2278.87 | 23.9 | 5.6 12.3 |
| MidCap 400 | 1978.60 | 1954.80 | 1957.46 | -21.14 | -1.07 | 1995.23 | 1681.04 | 16.0 | 3.0 10.9 |
| SmallCap 600 | 970.29 | 962.19 | 964.61 | -9.73 | -1.00 | 979.57 | 815.62 | 15.6 | 3.0 12.9 |
| Other Indexes | | | | | | | | | |
| Russell 2000 | 1595.64 | 1579.49 | 1582.82 | -15.29 | -0.96 | 1610.71 | 1345.24 | 16.2 | 3.1 10.7 |
| NYSE Composite | 13458.54 | 13369.42 | 13375.51 | -149.14 | -1.10 | 13637.02 | 11207.24 | 19.2 | 4.4 8.3 |
| Value Line | 585.07 | 577.64 | 578.76 | -6.31 | -1.08 | 589.69 | 503.24 | 12.8 | 2.9 6.0 |
| NYSE Arca Biotech | 4939.86 | 4861.08 | 4861.69 | -78.17 | -1.58 | 4939.86 | 3250.57 | 49.6 | 15.1 9.5 |
| NYSE Arca Pharma | 589.20 | 577.45 | 578.01 | -11.20 | -1.90 | 593.12 | 479.87 | 20.5 | 6.1 2.2 |
| KBW Bank | 116.37 | 115.12 | 115.12 | -1.10 | -0.95 | 116.41 | 88.02 | 25.9 | 7.9 19.9 |
| PHLX® Gold/Silver | 88.45 | 86.17 | 86.56 | -0.90 | -1.03 | 96.72 | 76.42 | -5.7 | 1.5 2.9 |
| PHLX® Oil Service | 157.50 | 154.75 | 156.83 | -2.78 | -1.74 | 183.12 | 117.79 | -13.0 | 4.9 -5.7 |
| PHLX® Semiconductor | 1366.28 | 1348.94 | 1350.44 | -27.97 | -2.03 | 1392.86 | 944.28 | 43.0 | 7.8 27.4 |
| Cboe Volatility | 15.42 | 13.88 | 14.79 | 0.95 | 6.86 | 16.04 | 9.14 | 23.4 | 34.0 -11.0 |

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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 | 15,861.3 | 281.80 | 0.04 | 0.01 | 282.61 | 281.45 |
| iShares MSCI Emg Markets | EEM | 12,058.9 | 50.57 | -0.02 | -0.04 | 50.76 | 50.57 |
| Microsoft | MSFT | 7,523.5 | 92.88 | 0.14 | 0.15 | 93.31 | 92.73 |
| Energy Transfer Partners | ETP | 6,247.4 | 19.74 | ... | unch. | 19.82 | 19.71 |
| AT&T | T | 4,699.3 | 37.45 | 0.01 | 0.03 | 37.61 | 37.41 |
| Energy Transfer Equity | ETE | 4,447.1 | 18.19 | ... | unch. | 18.19 | 18.16 |
| First Trust Select Sector SPDR | XLF | 4,394.2 | 29.66 | ... | unch. | 29.69 | 29.61 |
| FirstEnergy | FE | 3,525.9 | 32.32 | ... | unch. | 32.38 | 32.22 |

Percentage gainers...

| | | | | | | | |
|---------------------------|------|---------|--------|--------|--------|--------|--------|
| Shutterfly | SFLY | 365.1 | 62.10 | 8.78 | 16.47 | 63.45 | 53.32 |
| Immersion | IMMR | 130.9 | 11.55 | 0.81 | 7.54 | 12.15 | 10.74 |
| Electronic Arts | EA | 1,371.6 | 125.66 | 6.96 | 5.86 | 127.50 | 112.00 |
| CA Inc | CA | 143.7 | 37.00 | 1.45 | 4.08 | 38.70 | 35.00 |
| Gold Field ADR | GFI | 16.8 | 4.27 | 0.14 | 3.39 | 4.27 | 4.13 |
| ...And losers | | | | | | | |
| Bellucium Pharmaceuticals | BLCM | 301.9 | 5.26 | -2.94 | -35.85 | 8.37 | 4.26 |
| Super Micro Computer | SMCI | 30.7 | 21.00 | -3.65 | -14.81 | 26.70 | 21.00 |
| Juniper Networks | JNPR | 892.1 | 25.73 | -2.59 | -9.15 | 28.35 | 25.50 |
| Cerus | CERS | 39.1 | 4.37 | -0.39 | -8.19 | 4.76 | 4.22 |
| Align Technology | ALGN | 239.4 | 258.60 | -11.48 | -4.25 | 298.40 | 255.21 |

Trading Diary

Volume, Advancers, Decliners

NYSE NYSE Amer.

Total volume* 913,054,026 16,108,304

Adv. volume* 152,199,742 6,227,436

Decl. volume* 751,982,665 9,443,422

Issues traded 3,078 341

Advances 586 79

Declines 2,420 240

Unchanged 72 22

New highs 46 1

New lows 251 33

Closing tick 133 24

Closing Arms* 1.20 0.38

Block trades* 7,276 143</p

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

| | Contract | | Open | | Contract | | Open | |
|---|----------|------|-------|-----|----------|-----|----------|--|
| | Open | High | hi lo | Low | Settle | Chg | interest | |
| Copper-High (CMX)-25,000 lbs.; \$ per lb. | | | | | | | | |
| Feb 3.1600 3.1865 3.1500 3.1770 -0.0040 4.147 | | | | | | | | |
| March 3.1985 3.2110 3.1520 3.1890 -0.0050 140.166 | | | | | | | | |
| Gold (CMX)-100 troy oz.; \$ per troy oz. | | | | | | | | |
| Feb 1338.70 1347.80 1332.80 1335.40 -4.90 32,327 | | | | | | | | |
| April 1344.00 1352.50 1337.50 1340.00 -5.10 377,973 | | | | | | | | |
| June 1349.60 1357.40 1342.90 1345.20 -5.20 71,884 | | | | | | | | |
| Aug 1353.00 1362.30 1348.40 1350.70 -5.20 24,166 | | | | | | | | |
| Oct 1355.30 1365.60 1355.30 1356.00 -5.30 4,932 | | | | | | | | |
| Dec 1367.00 1373.30 1359.60 1361.80 -5.10 34,281 | | | | | | | | |
| Palladium (NYM)-50 troy oz.; \$ per troy oz. | | | | | | | | |
| March 1082.45 1086.60 1045.00 1052.45 -30.95 33,260 | | | | | | | | |
| June 1073.50 1079.35 1039.15 1046.40 -31.10 3,801 | | | | | | | | |
| Sept 1066.30 1066.30 1040.70 -31.80 321 | | | | | | | | |
| Platinum (NYM)-50 troy oz.; \$ per troy oz. | | | | | | | | |
| Feb 1010.00 1012.60 995.20 1001.80 -10.90 85,542 | | | | | | | | |
| Silver (CMX)-5,000 troy oz.; \$ per troy oz. | | | | | | | | |
| Feb 17,055 17,185 17,025 17,013 -0.062 136 | | | | | | | | |
| March 17,114 17,310 17,040 17,058 -0.069 132,960 | | | | | | | | |
| Crude Oil, Light Sweet (NYM)-100 bbls.; \$ per bbl. | | | | | | | | |
| March 65.53 65.56 63.89 64.50 -1.06 600,810 | | | | | | | | |
| April 65.39 65.39 63.78 64.35 -1.04 246,738 | | | | | | | | |
| May 65.08 65.12 63.57 64.11 -0.99 185,119 | | | | | | | | |
| June 64.66 64.73 63.24 63.77 -0.94 292,369 | | | | | | | | |
| July 64.09 64.09 62.87 63.34 -0.90 120,680 | | | | | | | | |
| Dec 61.70 61.70 60.44 60.83 -0.82 255,332 | | | | | | | | |
| NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal. | | | | | | | | |
| Feb 2,1012 2,1035 2,0607 2,0717 -0.0331 17,258 | | | | | | | | |
| March 2,0967 2,0977 2,0569 2,0671 -0.0307 178,988 | | | | | | | | |
| Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal. | | | | | | | | |
| Feb 1,9363 1,9530 ▲ 1,878 1,8954 -0.0395 11,967 | | | | | | | | |
| March 1,9150 1,9184 1,8537 1,8707 -0.0453 176,500 | | | | | | | | |
| Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu. | | | | | | | | |
| March 3,187 3,259 ▲ 3,161 3,195 .028 359,238 | | | | | | | | |
| April 2,949 2,983 ▲ 2,941 2,965 .026 169,592 | | | | | | | | |
| May 2,918 2,951 ▲ 2,911 2,939 .025 176,872 | | | | | | | | |
| June 2,944 2,975 ▲ 2,941 2,966 .024 65,552 | | | | | | | | |
| July 2,980 3,010 ▲ 2,980 3,003 .024 92,907 | | | | | | | | |
| Oct 2,975 2,999 ▲ 2,960 2,994 .025 112,866 | | | | | | | | |

Agriculture Futures

| | Corn (CBT)-5,000 bu.; cents per bu. | | Oats (CBT)-5,000 bu.; cents per bu. | | Soybeans (CBT)-5,000 bu.; cents per bu. | | Wheat (CBT)-5,000 bu.; cents per bu. | |
|--|-------------------------------------|--|-------------------------------------|--|---|--|--------------------------------------|--|
| March 359.50 362.25 ▲ 359.00 361.50 2.75 783,132 | | | | | | | | |
| May 367.25 370.25 ▲ 367.25 369.75 2.75 296,695 | | | | | | | | |
| June 269.75 272.75 268.75 270.00 50 3,483 | | | | | | | | |
| May 263.00 266.50 262.00 264.50 2.00 2,392 | | | | | | | | |
| Soybeans (CBT)-5,000 bu.; cents per bu. | | | | | | | | |
| March 994.50 1004.75 ▲ 988.25 1000.25 8.75 337,345 | | | | | | | | |
| May 1005.00 1016.00 ▲ 999.75 1011.25 8.50 193,132 | | | | | | | | |

Cash Prices | WSJ.com/commodities

Tuesday, January 30, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Tuesday

Tuesday

Tuesday

| Energy | (U.S. equivalent) | 17,2950 | | | | | | |
|---------------------------------|---------------------|---------|--|--|--|--|--|--|
| Propane,tet,Mont Belvieu-g | 0.8554 | | | | | | | |
| Butane,normal,Mont Belvieu-g | 0.9598 | | | | | | | |
| NaturalGas,HenryHub-i | 3,600 | | | | | | | |
| NaturalGas,TranscoZone3-i | 3,640 | | | | | | | |
| NaturalGas,TranscoZone6NY-i | 5,330 | | | | | | | |
| NaturalGas,PanhandleEast-i | 2,590 | | | | | | | |
| NaturalGas,Opal-i | 2,590 | | | | | | | |
| NaturalGas,MarcellusNE PA-i | 2,960 | | | | | | | |
| NaturalGas,HaynesvilleNLA-i | 3,360 | | | | | | | |
| Coal,CApic,12500Btu,1.2SO2-r,w | 60,100 | | | | | | | |
| Coal,PwdrRvBn,880Btu,0.8SO2-r,w | 12,250 | | | | | | | |
| Metals | Fibers and Textiles | | | | | | | |
| Gold, per troy oz. | | | | | | | | |
| Engelhard industrial | 1350.94 | | | | | | | |
| Engelhard fabricated | 1452.26 | | | | | | | |
| Handy & Harman base | 1344.90 | | | | | | | |
| Handy & Harman fabricated | 1492.83 | | | | | | | |
| LBMA Gold Price AM | *1348.40 | | | | | | | |
| LBMA Gold Price PM | *1343.85 | | | | | | | |
| Krugerrand,wholesale-e | 1390.48 | | | | | | | |
| Maple Leaf-e | 1403.85 | | | | | | | |
| American Eagle-e | 1403.85 | | | | | | | |
| Mexican peso-e | 1620.02 | | | | | | | |
| Austria crown-e | 1313.53 | | | | | | | |
| Austria phil-e | 1403.85 | | | | | | | |
| Silver, troy oz. | | | | | | | | |
| Engelhard industrial | 17,3500 | | | | | | | |
| Engelhard fabricated | 20,8200 | | | | | | | |
| Handy & Harman base | 17,0950 | | | | | | | |
| Handy & Harman fabricated | 21,3690 | | | | | | | |
| LBMA spot price | £12,2400 | | | | | | | |

Borrowing Benchmarks | WSJ.com/bonds

January 30, 2018

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation

U.S. government rates

Other short-term rates

Discount

Week

ago

High

Low

Latest

Week

ago

High

Low

Federal funds

2.00

2.00

2.00

1.25

Latest

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices as of 4 p.m. the previous day.

Tuesday, January 30, 2018

| Stock | Symbol | Close | Net Chg | Stock | Symbol | Close | Net Chg |
|-----------------|--------|---------|---------|-----------------|--------|---------------|---------|
| AABB | ABB | 27.96 | -0.10 | BerkHathywy | BRKA | 323000-499.99 | |
| AECOM | ACM | 39.05 | -0.07 | BerkHathywy | BRKB | 214.41 | -1.05 |
| AES | AES | 11.61 | -0.20 | Ctrip.com | CTRP | 46.90 | -0.11 |
| Aflac | AFL | 85.57 | -0.98 | Cullen/Frost | CFR | 106.61 | -0.70 |
| AGNC Inv | AGNC | 19.10 | 0.09 | Hanesbrands | HBI | 21.75 | -0.84 |
| ANGI Homesvc | ANGI | 13.59 | 0.05 | HarsleyDavidson | HOG | 50.84 | -4.45 |
| Ansys | ANSL | 161.66 | -1.07 | Harris | HRS | 1561.93 | 1.21 |
| ASML | ASML | 200.23 | -0.79 | HartfordFinl | HIF | 525.59 | -0.89 |
| AT&T | T | 37.44 | 0.18 | DISH Network | DISH | 47.26 | -0.04 |
| AbbottLabs | ABT | 62.46 | -0.87 | DTE Energy | DTE | 104.24 | -0.15 |
| AbbVie | ABBV | 115.86 | -6.43 | DXC Tech | DXC | 99.00 | -1.24 |
| Abiomed | ABMD | 235.06 | -1.59 | I Danner | DHR | 101.60 | -2.09 |
| Accenture | ACN | 159.70 | -1.49 | BlackKnight | BKI | 51.00 | 0.55 |
| ActvisionBliz | ATVI | 71.61 | -0.84 | BlackBerry | BB | 12.58 | -0.42 |
| AcuityBrands | ABY | 158.34 | -5.24 | BellHutson | BHL | 54.14 | -0.66 |
| Audent | ADNT | 66.99 | -0.48 | Bendix | BEN | 30.30 | -0.03 |
| AdobeSystems | ADBE | 169.69 | -1.33 | Bentley | BENY | 76.29 | -0.30 |
| AdvanceAuto | AAAC | 119.27 | -3.62 | Bethpage | BEP | 58.75 | -0.23 |
| AdmicoDevices | AMD | 127.80 | -0.45 | Bethpage | BEP | 58.75 | -0.23 |
| AdvSemiEngg | ASX | 7.18 | -0.02 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Aegon | AEG | 6.87 | -0.11 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AerCap | AER | 54.17 | -0.78 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Aetna | AET | 187.89 | -5.85 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AffiliatedMtrs | AMG | 203.22 | -5.99 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AigleTechs | A | 729.15 | -1.24 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AgnicoEagle | AEM | 47.35 | -0.32 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AlairProducts | AP | 168.33 | -1.63 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AlakmaTech | AKAM | 65.50 | -0.69 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AlaskaAir | ALK | 64.20 | -1.28 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Albermarle | ALB | 111.37 | -0.31 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Alcoa | AA | 52.52 | -1.97 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AlexandriaRIest | ALD | 125.75 | 1.24 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AlexionPharm | ALXN | 122.36 | -4.43 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Alibaba | BABA | 199.66 | -3.35 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AlignTech | ALGN | 270.06 | -6.69 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Alkerimes | ALKS | 57.29 | -1.50 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Alleghany | Y | 620.22 | -2.44 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Alliogen | ALLE | 85.45 | -1.24 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Allergan | AGN | 184.38 | -2.92 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AllianceData | ADS | 254.55 | -1.92 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AlliantEnergy | LNT | 39.26 | -0.01 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AllisonTransm | ALSN | 44.73 | -0.39 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Allstate | ALL | 98.45 | 0.41 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AllyFinancial | ALLY | 30.83 | 0.54 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Amazon.com | AMZN | 1472.82 | 20.14 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Ambev | ABEV | 6.84 | 0.02 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Amdocs | DOX | 69.26 | -0.38 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Amero | UHAL | 370.63 | -3.63 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Ameren | AEE | 56.00 | 0.21 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AmericaMovil | AMX | 186.00 | -0.04 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AmericaMails | AAMV | 18.42 | -0.03 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AmerisourceBrgn | ABC | 102.44 | -2.63 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Ametek | AME | 76.55 | -0.94 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Amgen | AMGN | 191.27 | -6.73 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Amphenol | API | 92.50 | 0.42 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AnadarkoPetrol | APC | 57.55 | -1.21 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AnalogDevices | ADI | 91.55 | -2.23 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AnalogDevices | ADI | 91.55 | -2.23 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Andeavor | ANDV | 108.87 | -1.89 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AndeavorLog | ANDX | 51.68 | -0.48 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| ANB | ANB | 112.99 | -0.58 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AnnalyCap | NLY | 10.61 | 0.10 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AnterResources | AR | 19.49 | 0.03 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Antenn | ANTM | 243.44 | -13.58 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Apache | APA | 44.57 | -0.28 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Apertiva | APX | 97.81 | -0.70 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AmericanFin | AFG | 112.20 | -0.63 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AT&T | AIG | 63.35 | -0.91 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AmerTowerREIT | AMT | 415.05 | 0.82 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AmerWaterWorks | AWK | 83.11 | -0.63 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Ameriprise | AMR | 172.00 | -5.44 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AmurisBrng | ABC | 102.44 | -2.63 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| ArcherDaniels | ADM | 42.68 | -0.63 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Arconic | ARCN | 29.22 | -0.34 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AristaNetworks | ANET | 275.23 | -2.76 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| ArrowElec | ARW | 82.42 | -0.94 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AstraZeneca | AZT | 35.75 | -0.47 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Athen | ATH | 50.35 | -0.98 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Atlassian | TEAM | 53.39 | -1.35 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AtmosEnergy | ATO | 42.84 | 0.11 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Autodesk | ADSK | 115.02 | -1.36 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Autohome | AHOM | 42.86 | -2.16 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Autoliv | ALV | 149.48 | 11.16 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AVP | AVP | 166.87 | -1.38 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| Avangrid | AGR | 48.47 | -0.47 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AveryDennison | ADDV | 117.73 | -1.34 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| AxaCoating | AXTA | 31.23 | -0.36 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| BB&T | BBT | 55.03 | -0.36 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| BCE | BCE | 46.38 | -0.20 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| BHPBilliton | BHP | 48.41 | -0.57 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| BHPBilliton | BBL | 44.28 | -0.52 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| BOK Fin | BOKF | 96.86 | -1.35 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| BP | BP | 42.81 | -0.54 | BioMarinPharm | BRMR | 90.13 | -2.10 |
| BRF | BRFS | 11.41 | -0.14</ | | | | |

BANKING & FINANCE

Hedge Fund Och-Ziff Names CEO

Shafir will succeed founder, capping a high-profile battle over leadership

BY GREGORY ZUCKERMAN

Hedge fund **Och-Ziff Capital Management Group** LLC named a Wall Street veteran to succeed founder Daniel Och as chief executive officer after a high-profile battle for the firm's future that pitted Mr. Och against his onetime chosen successor.

Och-Ziff, the largest U.S. publicly traded hedge fund, said Robert Shafir would become CEO effective Feb. 5.

Mr. Och will remain chairman for the next year but will give up the chairman position on March 31, 2019, "after which time he expects to remain involved with the firm," the company said in a news release.

Mr. Shafir, 59 years old, previously served as chief executive of Credit Suisse Americas and co-head of private banking and wealth management at the firm. He also worked at Lehman Brothers for 17 years.

In recent months, Mr. Och, 57, has clashed with his top investor, Jimmy Levin, as well as the company's independent board, about the firm's future. Last February, Mr. Och selected Mr. Levin, 34, to be his heir apparent, while also awarding him a pay package of nearly \$300 million in cash and stock to remain at the hedge fund.

But late last year, Mr. Och, the company's largest shareholder, soured on Mr. Levin, shocking Mr. Levin, board members and senior executives at the hedge fund.

Over Christmas weekend, Och-Ziff rushed out a letter to investors revealing that Mr. Och had changed his mind on



ARDI WIEGMANN/REUTERS

Robert Shafir previously was CEO of Credit Suisse Americas.

the succession, overruling others in the process.

Mr. Och never explained his decision and the firm has struggled to explain it to customers.

Wall Street has been focused on the Och-Ziff drama, partly because the firm manages \$33 billion and remains one of the largest hedge funds in the world, even though cli-

ents have pulled money in recent years.

In recent days, investors have raised questions about whether Mr. Levin would depart due to the conflict with Mr. Och.

On Monday, Och-Ziff said a director, former U.S. Attorney General William Barr, would leave the firm's board, saying that "the resignation relates to a disagreement over CEO succession, as well as business and governance plans for the company."

For now, at least, Mr. Levin, the firm's current co-chief investment officer, is sticking around. In the news release, he said: "I am excited about the future and look forward to welcoming Rob."

Mr. Shafir, who will join the board, will help run the business but won't focus on investing.

"Rob is a world-class executive who will be a great asset to Oz," Mr. Och said in the release.

Shares of MetLife Plunge on Big Charge

BY JOANN S. LUBLIN

Shares of **MetLife** Inc. dropped nearly 9% Tuesday following a decision to boost reserves for missing pension payments, focusing new scrutiny on MetLife management and internal controls at the insurance giant.

MetLife lost track of possibly tens of thousands of retirees owed monthly pension benefits and reduced reserves tied to these pension obligations. In effect, it increased its profits from a failure to more aggressively track down the recipients.

The insurer said Monday it would increase reserves by \$525 million to \$575 million on a pretax basis. Federal securities and state regulators have inquired about the mix-up. Shares ended Tuesday down \$4.67, or 8.6%, at \$49.73. It was MetLife's largest one-day percentage decrease since a 9.5% drop in August 2016.

Analysts said the events raise new questions among investors about confidence in the company and management. "There will be greater investor pressure to consider management changes, including external candidates," according to a note from Evercore ISI.

Some MetLife executives could be removed from their positions because of the pension snafu, said a person familiar with the situation. "Some people involved in the problem are already gone," this person said.

MetLife Chief Executive Officer Steven Kandarian was in favor of disclosing the extent of the mistake, said the person familiar with the situation. The problem, this person said, originated with "decisions made long ago."

"He has spent his career as CEO cleaning up the mess of the past," the person said.

A MetLife spokesman declined to comment.

The board already is grooming internal candidates to succeed Mr. Kandarian, according to this person.

MetLife said Monday that an earlier decision to release reserves that had been set aside for customers owed the pension benefits was the result of a "material weakness in internal control over financial reporting." That means the company had a flaw in its policies or procedures that are intended to ensure its financial statements are accurate.

MetLife didn't elaborate on exactly why it had released the reserves, or in what years the reserves were released. Some analysts have said the problematic accounting could have begun well over a decade ago.

The company said it is "not aware of any intentional wrongdoing in connection with this matter."

Insurers gauge their proper level of reserves for such obligations by taking the total amount they expect to have to pay and then discounting it back to present value and adjusting it for other factors.

Releasing those reserves would generally have boosted MetLife's earnings. The company recorded \$1.6 billion in net income in the first nine months of 2017.

"The magnitude of the charge was significantly larger than we expected, and will likely be heavily scrutinized by regulators," Morgan Stanley analysts said in a research note.

—Michael Rapoport contributed to this article.

SEC Moves to Stop Digital Coin Offering

BY DAVE MICHAELS
AND PAUL VIGNA

WASHINGTON—The latest caper in the fast-moving world of initial coin offerings comes from a company that aimed to raise \$1 billion and claimed to raise \$600 million.

In reality, it may not have raised much more than \$1 million.

The Securities and Exchange Commission moved to halt the coin offering of Dallas-based **AriseBank**, in one of the biggest U.S. interventions yet into the world of raising money by issuing digital tokens.

Initial coin offerings have been an investing fad over the past year, attracting cash from technology investors and speculators drawn to the idea that the tokens will give them a profitable piece of the open-ledger "blockchain" technology that backs bitcoin and other virtual currencies.

Regulators, though, have warned of increasingly blatant fraud in the coin offerings, and

Facebook Inc. Tuesday said it would ban ads on its site for products including coin offerings and cryptocurrencies because they are "frequently associated with misleading or deceptive" practices.

On Tuesday, the SEC separately said it obtained a court order, unsealed late Monday, that permits a receiver to seize cryptocurrencies held by AriseBank, which allegedly marketed and received the proceeds from the coin offering. The SEC called the deal a "scam" and alleges the company and its executives misled investors about buying a federally insured bank and its ability to offer a Visa card backed by "any of 700-plus cryptocurrencies."

AriseBank's ICO featured some of the hallmarks of suspicious deals that the SEC has repeatedly warned about. The company signed up a celebrity endorser—retired boxer Evander Holyfield—and made heady claims about the scope of its business, claiming to be

"one of the largest cryptocurrency platforms ever built" and the world's first "decentralized bank," according to an SEC complaint filed in federal court in Dallas. A spokesman for Mr. Holyfield declined to comment.

AriseBank apparently ran its offering on a network

Facebook is banning ads for products including digital coin offerings.

called BitShares, a popular cryptocurrency platform. A check of public records there shows that the bank's initial coin "wallet" collected about \$1.1 million, according to Galen Moore, publisher of a research firm called Token Report.

Lawyers secured a "couple million" dollars worth of cryptocurrencies from the com-

pany, according to people familiar with the matter. On Jan. 18, the company issued a news release saying it had raised \$600 million and expected to raise more than \$1 billion when it was finished.

The SEC said the people behind AriseBank, including Jared Rice Sr. and Stanley Ford, committed fraud. The hagiography on Mr. Rice's personal website portrayed him as somebody who fought against extreme odds, with a "sad but inspiring" personal story. He lists himself as chief executive of a firm called Dotoji and explains his purported work as an entrepreneur and activist.

Mr. Rice, 29 years old, told a radio interviewer last week that agents from the Federal Bureau of Investigation on Friday raided a location where he had been sleeping. "I got woken up that morning with guns pointed at me," he said on Coast to Coast AM, a late-night radio talk show that says it delivers "the latest paranor-

mal news."

The FBI executed a search warrant at the location, according to people familiar with the matter. Neither Mr. Rice nor Mr. Ford were available for comment.

In its complaint, the SEC faulted AriseBank for failing to tell investors that Mr. Rice is on probation for felony theft and tampering with government records. Texas state records show Mr. Rice was arrested in July 2015 on those charges, pleaded guilty and received a four-year probationary sentence.

The offering lasted from November until January, when Texas state regulators ordered the company to stop calling itself a bank. The company didn't comply with the order and issued a news release on Jan. 18 that it had acquired a federally insured bank, KFMC Bank Holding Company. The SEC's complaint says the bank was never federally insured.

—Aaron Lucchetti contributed to this article.

Pension Fund Raises Bet on Low-Carbon Firms

BY SARAH KROUSE

One of the largest state pension funds in the country has doubled its investment in a low-carbon-emissions index, the latest high-profile endorsement of sustainable investing strategies.

The **New York State Common Retirement Fund** will now invest \$4 billion in a so-called low-emissions index designed by **Goldman Sachs Asset Management**. The index is less exposed to companies such as **Exxon Mobil Corp.** and **Chevron Corp.** and has a heavier bent toward stocks including **Apple Inc.** and **Microsoft Corp.**

Money managers have launched a bevy of new investment strategies in recent years that they say reward companies with strong environmental, social and governance practices and punish those without them. But some of those strategies are nascent and their ability to deliver strong returns over the long term is largely unproven.

State Comptroller Thomas DiNapoli, who oversees the pension fund's investment lineup, said the Goldman-designed index has delivered returns that are comparable to the Russell 1000, a widely followed stock-market index, since its inception in 2016.



AGATON STROM FOR THE WALL STREET JOURNAL

New York state Comptroller Thomas DiNapoli ties investment to reducing 'our carbon footprint.'

The investment has returned an estimated 19.93% from its inception Jan. 1, 2016, to Jan. 26, 2018, compared with 20.14% for the Russell 1000, a spokesman for the comptroller said.

"We get the benefit of a strong positive return with the added plus of having the opportunity to significantly reduce our carbon footprint with the investment," Mr. DiNapoli said.

The additional investment represents a small part of the pension fund's more than \$200 billion in assets. The fund has committed \$7 billion to sustainable investing strategies in stocks, real estate and private equity across its portfolio.

The New York State Common Retirement Fund manages assets for more than one million state and local public-sector employees. The fund's

average five-year return is 10.17%.

The fund's leaders have long worked with organizations such as the CDP, an international nonprofit organization that pressures companies to disclose their environmental impact. It has also demanded greater climate risk disclosures from the companies in which it invests.

"If we can get companies to

move and be part of the transition to a low-carbon economy even if they are energy companies, that is a good thing," Mr. DiNapoli said.

The diversity of socially and environmentally responsible strategies on offer can at times pose a challenge for asset owners and stewards grappling with how best to invest according to their political, religious or social beliefs while achieving the best possible returns for their constituents. New York state officials and fund leaders, for example, have debated the merits of divesting from fossil-fuel companies altogether versus trimming exposure to them.

"Divestment is simple—sell your Exxon Mobil and that's going to change the world. Our perspective is it's a little more complicated than that," Mr. DiNapoli said.

The new \$2 billion investment shifts money into the strategy that was previously tracking the Russell 1000. Mr. DiNapoli said the fund could invest more in the strategy over time if it continues to perform well relative to the broad benchmark.

The fund paid Goldman Sachs Asset Management \$610,000 in fees in the year to the end of March for its work on the low-emissions strategy, the spokesman said.

Divisions Plague Proposal to Ease Money-Fund Regulations

BY ANDREW ACKERMAN

WASHINGTON—A legislative effort to relax postcrisis money-fund rules has hit a snag and is unlikely to come to the House floor in its current form, according to GOP aides.

The bill, which passed the House Financial Services Committee in a 34-21 vote this month, won't advance to the floor without alterations designed to attract more support, the aides said. "The bill is not in a form where it can

pass through the House," according to one aide.

The legislation aims to scrap a 2014 Securities and Exchange Commission requirement that forced certain money-fund shares to fluctuate in value, rather than always remaining at \$1. The SEC rule covers a subsection of money-market mutual funds: those whose shares are held by institutions and that purchase corporate debt or municipal bonds.

Money-market funds are investments designed to be a

safe place to park cash temporarily with little risk of taking a loss. The expectation that the shares would stay at \$1 led to a stampede out of some funds catering to large institutions during the 2008 financial crisis when it became clear investors might get less than a dollar back, called "breaking the buck." The bill would allow such funds to return to offering investments with stable, \$1 share prices.

The measure has drawn behind-the-scenes pushback from large fund managers

such as **BlackRock Inc.** and **Fidelity Investments**. It is backed by **Federated Investors Inc.**, a midsize Pittsburgh-based company with nearly 70% of its assets in money funds. Spokesmen for Federated didn't respond to a request to comment.

Opponents say the market has already adjusted to the 2014 requirement and are reluctant to force the SEC to revise it, worried about reopening a bruising fight over the funds' structure that could take years.

The proposed legislation had racked up an unusual amount of bipartisan support—more than 60 co-sponsors—fueled by lobbying from municipal officers and treasurers who said the rule has increased short-term borrowing costs, crimped investment options and clashed with state requirements that governments park cash in funds that aren't at risk of losing their principal value.

Despite enough bipartisan support to advance the bill out of the financial-services panel,

five Republicans voted against it, including Reps. Bill Huizenga of Michigan and Sean Duffy of Wisconsin, who head two of the panel's subcommittees. The panel's chairman, Rep. Jeb Hensarling (R., Texas), voted for the measure but said he had reservations about it.

House aides said lawmakers are working on making changes to aspects of the bill and might take up a modified version later this year, though they declined to say how it might be altered.

MARKETS

Treasurys Extend Their Price Decline

BY AKANE OTANI

Investors sold government bonds again, sending the yield on the benchmark 10-year U.S. Treasury note to a fresh 52-week high.

The yield on **CREDIT MARKETS** at 2.725%, up from 2.695% Monday, remaining at its highest level since April 22, 2014.

Yields, which rise as bond prices fall, have climbed for eight of the past 10 trading days as investors have bet on a pickup in growth and inflation following the passage of the U.S. corporate tax cuts.

The combination of factors has pressured government bonds, whose fixed payments are worth less when inflation rises.

A more upbeat economic environment can also weigh on bond prices by pushing investors into riskier assets such as stocks.

Some investors and analysts have also worried that the recently passed tax-overhaul package will lead to a jump in the budget deficit, pushing the government to potentially issue more debt than investors demand.

Still, others say they are skeptical the bond selloff will continue unabated. Treasury yields remain high relative to yields on bonds issued by other governments, making them attractive to foreigners.

"There's likely to be continued strong global demand for the deepest, most liquid fixed-income market in the world," said Bill Northey, chief investment officer at the private client group of U.S. Bank. He added that government bonds issued elsewhere, such as in Germany, still carry comparatively low yields.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

| | \$69,957,178,300 |
|---|----------------------|
| Applications | \$25,000,098,300 |
| Accepted bids | \$551,530,300 |
| "noncompetitively | \$0 |
| "foreign noncompetitively | \$0 |
| Auction price (rate) | 99.888000 (1.40%) |
| Coupon equivalent | 1.462% |
| Bids at clearing yield accepted | 15.76% |
| Cusip number | 912796L7 |
| The bills, dated Feb. 1, 2018, mature on March 1, 2018. | |

52-WEEK BILLS

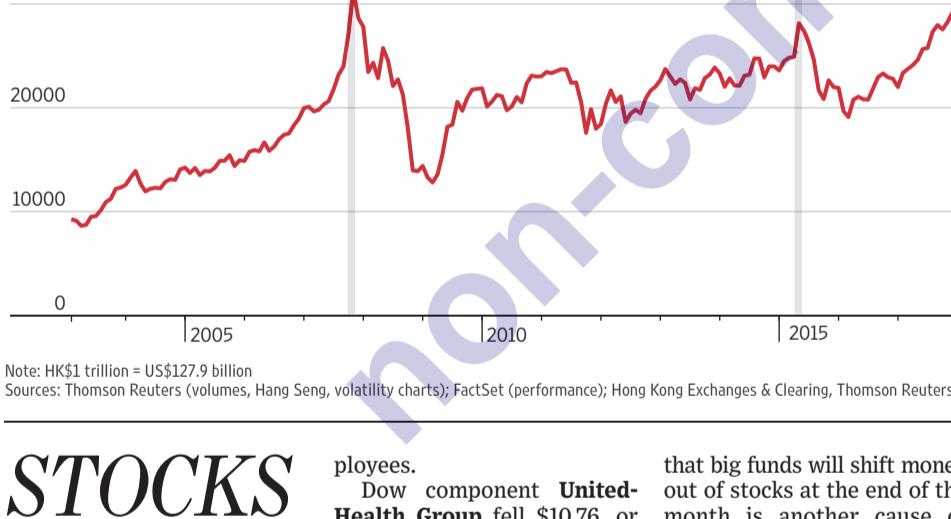
| | \$67,163,450,600 |
|---|----------------------|
| Applications | \$20,000,333,600 |
| Accepted bids | \$451,850,600 |
| "noncompetitively | \$0 |
| "foreign noncompetitively | \$0 |
| Auction price (rate) | 98.149667 (1.83%) |
| Coupon equivalent | 1.882% |
| Bids at clearing yield accepted | 61.09% |
| Cusip number | 912796PP8 |
| The bills, dated Feb. 1, 2018, mature on Jan. 31, 2019. | |

Hot Stocks in Hong Kong Threaten to Scorch Investors

Share-trading volume on the Hong Kong stock exchange has exceeded recent levels only twice...

Trading volumes, monthly

...and in both cases, prices fell sharply afterward.

Hang Seng Index, monthly

Note: HK\$1 trillion = US\$127.9 billion

Sources: Thomson Reuters (volumes, Hang Seng, volatility charts); FactSet (performance); Hong Kong Exchanges & Clearing, Thomson Reuters (holdings)

STOCKS

Continued from page B1

The 10-year Treasury yield rose to 2.725%, the highest level in nearly four years, up from 2.695% Monday.

Mohit Bajaj, director of ETF trading solutions at brokerage WallachBeth Capital, said he still expects corporate earnings to drive markets higher.

"Whenever you see a leg down in the market, just think stocks are on sale at that moment," he said. "I still think earnings are going to be great. It's just part of the course."

Corporate earnings have helped boost stock indexes to fresh highs in the past year, and the latest quarter is off to a strong start. With 31% of the companies in the S&P 500 reporting fourth-quarter results, earnings are on track to rise more than 12% from a year earlier, according to research firm FactSet, an improvement from the single-digit-percentage growth in the third quarter.

Among the S&P 500's sectors, health-care stocks were the worst performers on Tuesday, falling 2.1% after **Amazon.com**, **Berkshire Hathaway** and **JPMorgan Chase** unveiled plans to form a company to figure out how to reduce health-care costs for their hundreds of thousands of U.S. em-

ployees.

Dow component **United Health Group** fell \$10.76, or 4.4%, to \$236.65, shaving 74 points off the index, while **Cigna** dropped 16.01, or 7.2%, to 207.89 and **Humana** declined 8.94, or 3.1%, to 282.29.

Elsewhere, declining oil prices weighed on energy stocks, which dropped 2% in the S&P 500 as U.S. crude for March delivery fell 1.6%, to \$64.50 a barrel. Oil prices had hit three-year highs this

that big funds will shift money out of stocks at the end of the month is another cause of Tuesday's declines, some traders said. Many large banks are predicting billions of dollars to move from stocks to other asset classes at the end of the month. **Credit Suisse Group** last week estimated that more than \$12 billion in U.S. stocks could be sold by pension funds at the end of January.

Meanwhile, a measure of expected stock volatility has begun pushing higher in recent sessions, suggesting investors are betting on increased swings in the market. After recording its lowest yearly average ever in 2017, the Cboe Volatility Index, a measure of expected swings in the S&P 500 over the next 30 days, touched its highest level of the year this week.

Overseas, the Stoxx Europe 600 index dropped 0.9%. Japan's Nikkei Stock Average closed down 1.4%, marking its first five-day losing streak since November. At midday Wednesday, the Nikkei was down 0.1%. The Shanghai Composite Index lost 1% Tuesday, while Hong Kong's Hang Seng Index fell 1.1%. Early Wednesday, the Hang Seng was down 0.7%, and the Shanghai index was down 0.6%.

—Corrie Driebusch and Akane Otani contributed to this article.

month on the back of strong demand and efforts by the Organization of the Petroleum Exporting Countries to curb supply. But the higher prices have motivated U.S. shale producers to increase production, a move analysts say could keep the gains in check.

The U.S. dollar edged lower as investors opted to put money into regions with more growth potential. The WSJ Dollar Index, which measures the currency against a basket of 16 others, dropped 0.1%.

Meanwhile, expectations

for a 2.1% drop in the S&P 500 health-care sector, index's worst performer

Investor Pullback Hits Oil

BY ALISON SIDER AND CHRISTOPHER ALESSI

Oil prices tumbled Tuesday as investors became more cautious and fled from risky assets, and rising U.S. production threatened to undercut oil's recent rally.

U.S. crude futures fell \$1.06, or 1.62%, to \$64.50 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, fell 44 cents, or 0.63%, to \$69.02 a barrel on ICE Futures Europe.

Tuesday's losses extended a slide that began Monday. Both benchmarks posted their largest two-day losses since December.

Oil prices have hit three-year highs this month on the back of strong demand, geopolitical risks, a weaker dollar and efforts by the Organization of the Petroleum Exporting Countries to curb supply. But the higher prices have motivated U.S. shale producers to increase production, a move analysts say could limit the price upside.

Investor enthusiasm for oil also has led to lopsided bets that may have made the market vulnerable to sharp sell-offs. Hedge funds, pensions



Renewed concerns about mounting U.S. crude production are weighing on oil prices.

and other speculative investors have amassed their largest net bullish positions in U.S. crude futures on record.

"It's gone up too far, too fast and was due for a correction," said Michael Hiley, head of over-the-counter energy trading at LPS Futures LLC. "It's a similar feeling to the stock market—both are running hard and both the stock market and oil are correcting."

U.S. stocks dropped sharply Tuesday, extending Monday's losses.

Analysts at TAC Energy said

trading this week could point

to renewed ties between oil and other financial markets.

"Energy prices are selling off for a second day as fundamental and financial fears seem to have temporarily gripped markets around the globe," the analysts said. "If the old correlations come back into play, we'll probably have to watch moves in stocks and interest rates for daily direction—as we did from 2009-2014, rather than waiting on every OPEC announcement as we've been doing the past few years."

At the same time, renewed

concerns about mounting U.S. crude production are also weighing on oil prices.

Brokerage PVM Oil Associates Ltd. anticipates that output could approach the symbolic 10 million barrels a day this week when the U.S. Energy Information Administration reports production data. The number of rigs drilling for oil in the U.S., a proxy for activity, ramped up again last week.

"U.S. oil production is rising and forecasts have moved up," said Ehsan Ul-Haq, director for crude oil and refined products at Resource Economist Ltd.

By GREGOR STUART HUNTER

Hong Kong's stock market is having one of its best Januaries: The Hang Seng Index finally broke through the old record set in 2007 and trading volumes are higher than at any point since April 2015.

But some analysts note that the earlier period was two months before a crash began in China's stock market, which spilled into Hong Kong.

Now, like then, mainland Chinese buyers are flooding the Hong Kong market with capital through the Stock Connect trading link.

Large numbers of Chinese investment funds have been set up in the past few months for the specific purpose of buying Hong Kong stocks, especially financials, said Robert Gillam, chief executive at Anchorage, Alaska-based McKinley Capital Management, which manages \$6.4 billion in assets.

Chinese stocks with listings in both Hong Kong and the domestic market trade at an average premium of 28% in the mainland, according to the Hang Seng China AH Premium Index.

The current trade "is investing in banks and insurance companies" whose H-shares are at a discount and pay dividends, said Mr. Gillam.

McKinley Capital has recently sold down holdings in the **Bank of China** offshore unit and **Agricultural Bank of China** Ltd. Mr. Gillam said their shares have risen too fast. The Hang Seng China H-Financials Index, a

gauge that tracks stocks in the sector trading in Hong Kong, is up 14%, the best sector performer after energy stocks.

"A lot of mutual funds launched recently have a mandate to invest in Hong Kong, and have no limit on how much they can buy," said Hao Hong, head of research and strategy at Bocom International. "And Hong Kong, to many Chinese investors, is still cheap."

Total outbound investment by mainland Chinese mutual funds that can invest in the city, net of inflows, rose from zero at the start of 2016 to 12.4 billion yuan (\$2 billion) at the end of December, according to Wind Information data.

HSBC Holdings PLC, **Industrial & Commercial Bank of China**, **Tencent Holdings** and **China Construction Bank** are the most widely held shares by investors using Stock Connect when measured by dollar value, according to data from Hong Kong's stock exchange.

The Hang Seng volatility index—which measures implicit volatility in Hong Kong stocks based on options trading—is at its highest in more than a year. That shows traders are anticipating market choppiness will pick up.

Hong Kong stocks fell sharply Tuesday, with the Hang Seng China Enterprises Index off 2%. After a 19-day winning streak, which started in late December and ended Thursday, it was the benchmark's first back-to-back decline in almost two months. The Hang Seng Index fell 1.1%.

Dollar Sentiment Turns Bearish

BY SAUMYA VAISHAMPAYAN

The dollar just can't catch a break: Long-term investors have collectively turned negative on the U.S. currency this year for the first time since 2014.

Asset managers

now hold

more bearish

futures

and

options

contracts tied to the ICE U.S. Dollar Index than bullish ones, and they have done so all year, according to data from the U.S. Commodity Futures Trading Commission.

Put another way, these investors, who control hundreds of billions of dollars of investment money, are now betting the dollar will get weaker.

The last time these investors held a negative view on the greenback was nearly four years ago, but it only lasted a week and the net number of bearish contracts they held was negligible.

The market data are the latest sign that strong economic growth around the world, not just in the U.S., has boosted the relative appeal of stocks, bonds and currencies in places like Europe and emerging markets. Big investors' deci-

sion to rotate money out of U.S. markets and into other regions has helped drive the dollar lower over the past year, analysts say.

The bearish view held by asset managers contrasts with the current collective stance of hedge funds and other leveraged investors, who started betting on a stronger dollar after President Donald Trump signed the tax-overhaul bill into law in late December. Hedge funds had been negative on the dollar for much of the second half of 2017.

Mr. Goh estimates these asset managers are the most net bearish on the U.S. dollar on record when measured against the euro, yen and other major currencies.

"Near-term, leveraged fund positioning tends to correlate with price action for currencies, while asset managers' money is more sticky," said Khoon Goh, head of Asia research at Australia & New Zealand Banking Group in Singapore, who tracks CFTC data for both asset managers and hedge funds.

Mr. Goh estimates these asset managers are the most net bearish on the U

MARKETS

Bond Yields Hurt High-Dividend Stocks

Fed's course change is pushing many investors out of shares that benefit from low rates, such as utilities and real-estate firms

By BEN EISEN

Rising bond yields are starting to compete with stocks that pay some of the biggest dividends, leaving these companies behind even as the stock market has rallied to new highs.

The S&P utilities sector is down about 10% since the end of November and the real-estate sector has fallen 4.9%, sharply underperforming the S&P 500's 6.6% rise. Companies in both groupings typically pay out big dividends relative to their stock prices, giving them high dividend yields.

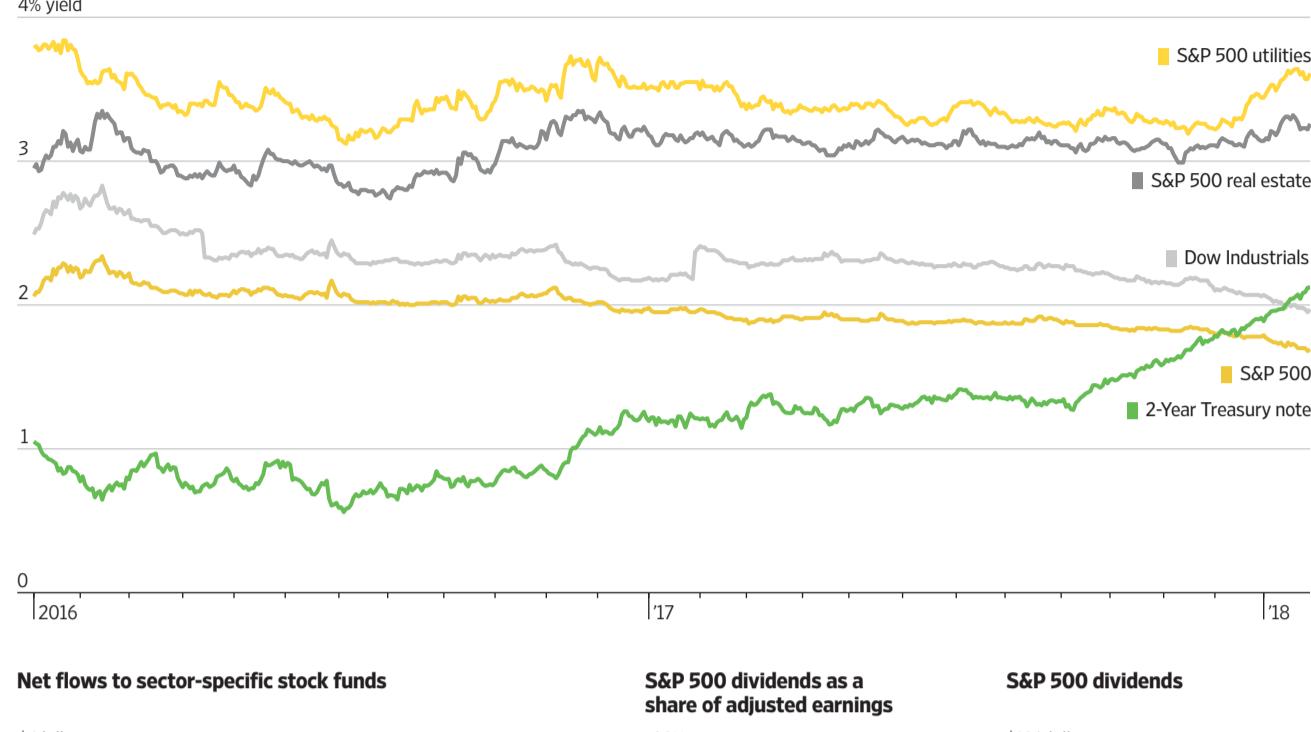
For years, investors poured money into high-dividend stocks as they sought investment income that outpaced superlow yields in the bond market, which were held down by the Federal Reserve's low-rate policy. But the central bank is reversing course, leading to a rise in bond yields that has accelerated in recent days.

The two-year U.S. Treasury note yield, which rose to a nine-year high of 2.124% on Tuesday, now offers more compensation than the S&P 500 dividend yield, which was at 1.69% this week, or the Dow Jones Industrial Average's dividend yield, at 1.97%.

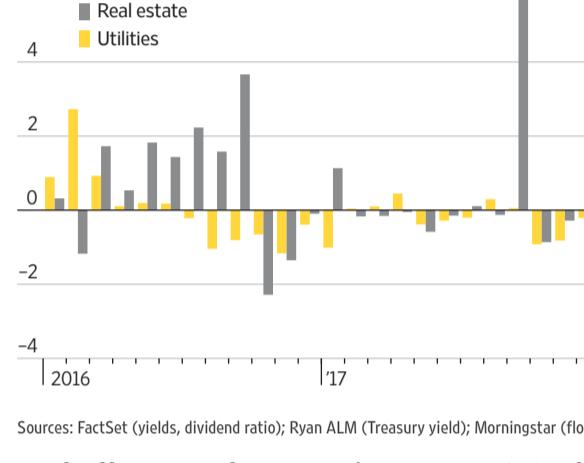
That bond yield, a benchmark for short-term debt, still trails the average dividend yields offered by S&P utilities and real-estate companies, but investors say rising rates are playing a key role in driving money out of riskier income plays and into the bond market.

"A lot of investors would be very content investing in the two-year Treasury given that they're getting over 2% now," said Andrew Pace, a vice president at Performance Trust Capital Partners LLC, a fixed-income trading firm.

Rising yields stand to make it more expensive for a wide



Net flows to sector-specific stock funds

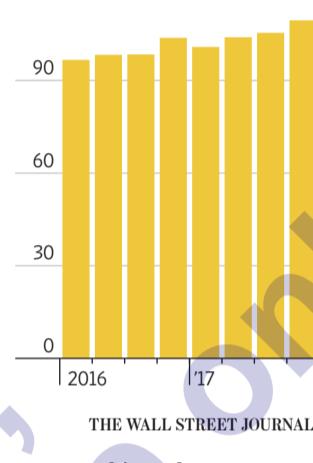


Sources: FactSet (yields, dividend ratio); Ryan ALM (Treasury yield); Morningstar (flows); S&P Capital IQ (dividends)

S&P 500 dividends as a share of adjusted earnings



S&P 500 dividends



THE WALL STREET JOURNAL.

dividend-yielding stocks are likely to underperform," said Anik Sen, global head of equities for PineBridge Investments. The firm has been underweight the broad real-estate and utilities sectors for a few years, though it believes some individual names could continue to perform well.

Meanwhile, investors say they are chasing sectors most likely to see a profit boost from the recent corporate-tax overhaul, which lowers the corporate tax rate to 21% from 35%. Big banks and other financial institutions, for example, have said they expect to become more profitable over time due partly to the lower tax rate. They are also set to bring back cash they currently hold overseas, which they may use, in part, to increase dividends and share repurchases. The S&P 500 financial sector is up 8.2% since the end of November.

While utilities and real estate aren't likely to benefit as much from the new tax law, the shift out of those sectors has been slow. Investors pulled money from mutual funds and exchange-traded funds that invest in utilities stocks for seven out of 12 months last year, with net outflows totaling nearly \$3 billion. They withdrew money from real-estate funds in nine of the months in 2017, but a large inflow in September pushed net flows positive, according to Morningstar data.

Over the past year, Matt Quinlan, portfolio manager of the Franklin Equity Income Fund, has reduced his exposure to some sectors that already offer high dividends while investing in stocks such as industrial and financial companies whose fundamental growth could reward shareholders with higher dividends down the road. "We're focused on companies growing their dividends," he said.

swath of borrowers, from corporations to homeowners, and traders say they were a big reason why stocks fell Tuesday. The Fed has penciled in three increases to its benchmark policy rate this year, but some investors believe the pace could speed up if inflation, long missing from the economic recovery, starts to rise. For much of the past five years, consumer prices have increased at less than 2% a year, the central bank's target, but have recently shown signs of picking up. Now, traders in the federal-funds futures market see a nearly 25% probability of at least four rate increases this year, according to CME Group data. That is pushing many investors out of stocks that benefit from low rates, and into those expected to benefit from faster inflation and economic growth.

Wall Street strategists, including those at Bank of America Merrill Lynch, recently recommended investors have a smaller allocation to utilities and real estate than their benchmarks.

"As a group of companies,

operators and insurers—have benefited from higher prices throughout the system. That has propelled an extended bull market for health-care equities.

That strength has the potential to become a weakness that fresh competition can exploit. With stocks near record highs and at nosebleed valuations, any breakdown in that opaque structure has the potential to sting.

It is also in the public interest. Warren Buffett called spiking health-care costs a "hungry tapeworm on the American economy" in a news release on Tuesday.

There are data to support that vivid claim: A 2015 article in the Harvard Business Review found that "clinical waste, administrative complexity, excessive prices, and fraud and abuse" amounted to 40% of total health-care spending in the U.S.

Meanwhile, an extended round of industry consolidation means that large incumbents are stronger than ever. That complexity has been a major source of the industry's strong profit growth. Every incumbent within the industry—drug manufacturers, wholesalers, pharmacy-benefit managers, hospital

having much to learn. Politicians have targeted perceived greed in the industry for ages with almost nothing to show for it.

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