

# THE WALL STREET JOURNAL.

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★★★★ \$4.00

DJIA 21640.75 ▲ 66.02 0.3% NASDAQ 6385.04 ▲ 0.6% STOXX 600 385.54 ▲ 0.8% 10-YR. TREAS. ▼ 2/32, yield 2.268% OIL \$47.12 ▲ \$0.72 GOLD \$1,241.20 ▲ \$0.10 EURO \$1.1516 YEN 111.97

## What's News

### Business & Finance

Morgan Stanley narrowed the gap in market value with Goldman after posting strong earnings, highlighting postcrisis changes on Wall Street. **A1**

◆ Univision has drawn interest from potential bidders, including cable mogul Malone, after its IPO was delayed. **B1**

◆ Wanda revised its plan to sell hotels and theme parks after credit-ratings firms panned the deal. **B1**

◆ Three major stock-market benchmarks in the U.S., Europe and Asia have avoided pullbacks this year. **B1**

◆ The S&P 500's information-technology sector beat its previous high, set at the dot-com bubble's peak. **B11**

◆ The Dow, S&P 500 and Nasdaq all set records on broad gains. The blue chips rose 66.02 to 21640.75. **B11**

◆ The Fed faces a debate on the future path of rate rises at its meeting next week, amid a deepening inflation puzzle. **A2**

◆ Japan's central bank pushed back its forecast for reaching 2% inflation, while keeping policy on hold. **A18**

◆ McCormick agreed to buy Reckitt's food unit for \$4.2 billion, the latest in a wave of packaged-foods deals. **B1**

◆ Qualcomm's profit fell 40% last quarter, the first in years that didn't include royalties from Apple devices. **B5**

◆ A U.S. appeals court overturned the convictions of two ex-Rabobank traders in the scandal over Libor. **B10**

◆ American Express posted second-quarter results that exceeded expectations. **B10**

### World-Wide

◆ Trump implored Republican senators to revive their bid to repeal and replace the Affordable Care Act, after the effort hit a wall earlier this week. **A1**

◆ The Supreme Court reinstated Trump plans to keep many refugees from entering the U.S., but blocked sweeping travel curbs on extended families of American residents. **A1**

◆ U.S.-China economic talks ended without any concrete agreement or future agenda, leaving Trump's efforts to recast trade ties in limbo. **A8**

◆ Trump called on states to turn over voter records as his election-integrity panel held its first meeting. **A4**

◆ Three Trump campaign aides are set to speak with Senate panels as part of the election-meddling probes. **A4**

◆ GOP Sen. McCain of Arizona has been diagnosed with a type of brain cancer known as a glioblastoma. **A6**

◆ Sessions ordered the Justice Department to resume participating in asset seizures by local police. **A6**

◆ Turkey's news agency released a map purportedly showing where U.S. forces are deployed in Syria. **A8**

◆ Lawmakers are set to overhaul the GI Bill, making benefits more widely available for a longer period. **A3**

◆ France's top general quit in a feud with Macron over military spending. **A9**

◆ Germany rebuked Turkey for jailing a German activist and suggested EU aid to Ankara could be cut. **A9**

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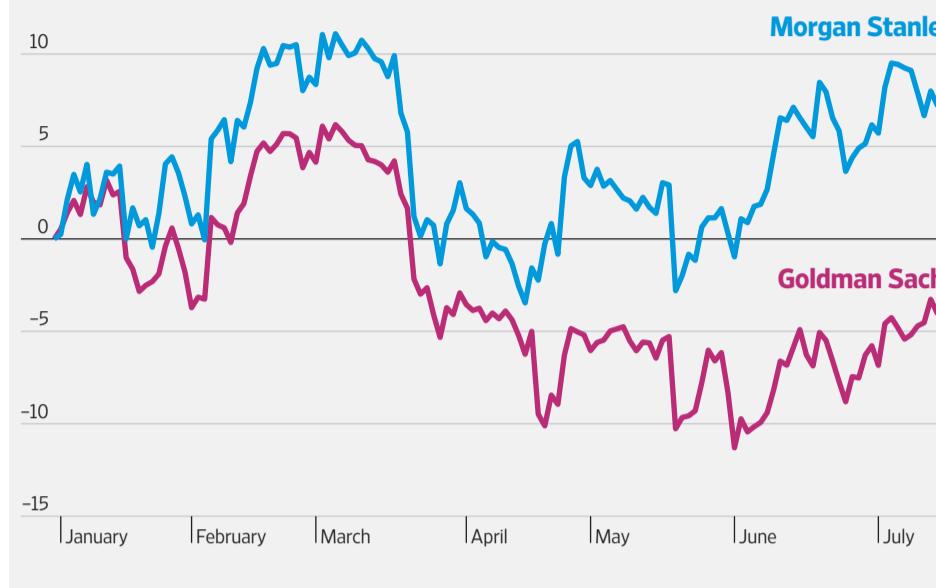


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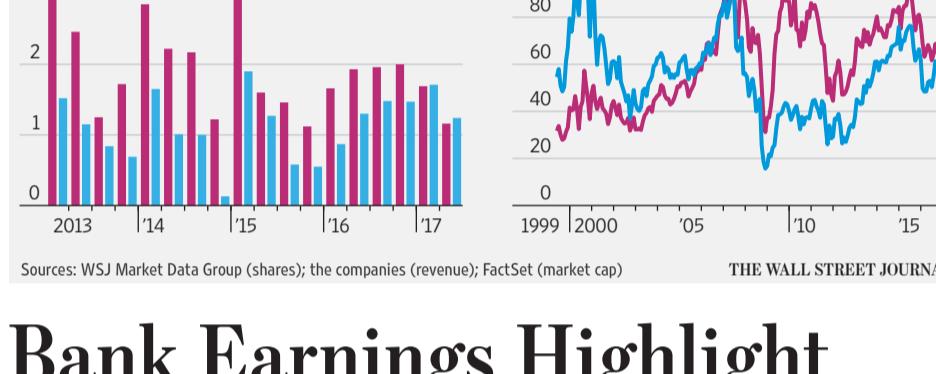
## Standout on Wall Street

Many large banks disappointed investors with their outlooks or core results. But Morgan Stanley shares rallied 3% after its earnings Wednesday, putting its market value near rival Goldman Sachs.

### Year-to-date share performance



### Fixed-income trading revenue



Sources: WSJ Market Data Group (shares); the companies (revenue); FactSet (market cap)

Market cap



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## Bank Earnings Highlight Diverging Paths Since Crisis

By LIZ HOFFMAN

Morgan Stanley in 2009 was worth \$50 billion less than its longtime rival, Goldman Sachs Group Inc. After reporting strong earnings on Wednesday, Morgan Stanley has nearly closed that gap.

The surprising turnaround between the two rivals shows just how much has changed on Wall Street since the financial crisis: Boring is beating swashbuckling.

Goldman's strengths—making market bets and serving hedge funds—have been zapped by new regulations and investors' aversion to risk. Morgan Stanley, meanwhile, has cut traders and trained those who remain to take fewer risks, while adding to businesses that make money reliably and aren't penalized by capital rules.

The quarter was challenging for the industry as trading sputtered and loan growth stalled in spots. All six of the

big banks beat analysts' earnings expectations, but they sometimes required the help of noncore businesses such as private investing. Shares of Bank of America Corp. fell after its earnings release on Tuesday as investors fretted about net interest income falling from the first quarter due in part to lower long-term bond yields. And J.P. Morgan Chase & Co., while reporting record profit, trimmed its out-

Please see BANKS page A2

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# U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## Markets to the Fed: Please Leave Us Alone



Bond yields around the world have surged since the European Central Bank hinted last month that its bond buying was coming to an end, a replay of the "taper tantrum" in 2013 when the Federal Reserve caught markets off guard.

Both episodes are fodder for a view widespread in markets that bonds long ago ceased to be an independent reflection of economic fundamentals and are now just a giant bet on what central banks do with their securities portfolios. According to this view, quantitative easing (QE), as this bond buying is known, as well as zero to negative interest rates and detailed guidance on future monetary policy, amount to market manipulation on a grand scale. Whatever the theoretical benefit, such manipulation muffles market signals, misallocates capital and creates excesses that can come undone.

This critique has been around for years, but

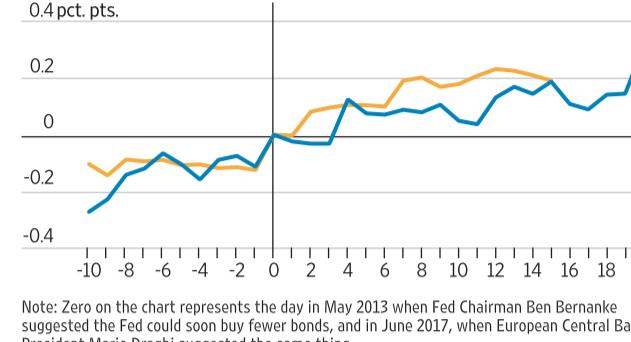
it stands to gain in prominence because it's shared by some of the people who may one day run the Federal Reserve. Janet Yellen's term as chairwoman expires in February, and if President Donald Trump doesn't reappoint her, there's a good chance her successor will come from the financial industry. A banker or trader would not necessarily prefer higher or lower interest rates than an economist, but would be much less trusting of economic models and unwilling to deploy the exotic tools the Fed has used since 2009.

The Fed has been led by economists almost continuously since 1970. Its last two chairmen, Ben Bernanke and Ms. Yellen, are prominent macroeconomists. Their economic training underpinned their use of QE, zero rates and forward guidance.

Economists have broadly praised them for this. On Wall Street, though, opinion has been much more ambivalent. This divide was highlighted by the 2013 taper tantrum, which Mr. Bernanke

### Central Banks Speak and Markets Quake

Bond markets are highly attuned to signals on whether central banks would end bond buying. Percentage-point difference in 10-year bond yields from the date of each announcement:



Note: Zero on the chart represents the day in May 2013 when Fed Chairman Ben Bernanke suggested the Fed could soon buy fewer bonds, and in June 2017, when European Central Bank President Mario Draghi suggested the same thing.

Source: Cornerstone Macro

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later blamed on traders' "unreasonable" belief that QE would go on forever. Traders, by contrast, say the Fed didn't appreciate how QE had forced so many investors into the same trade, who all headed for the door at the first sign of a shift.

Many on Wall Street think central bankers have an exaggerated sense of their power. Last year, just before being named Mr.

Trump's top economic adviser, Gary Cohn, then president of Goldman Sachs Group Inc., said the Fed was undercut by forces beyond U.S. borders: "They're constrained by the rest of the world and...the strength or weakness of your domestic currency." Mr. Cohn, who will lead the search for Ms. Yellen's successor, is widely considered a candidate.

Randal Quarles, a private-

equity executive nominated as Fed vice chairman for regulation, last year claimed "years of near-zero interest rates have led to a rise in speculative positions across a wide range of asset classes."

Kevin Warsh, a former investment banker who served with Mr. Bernanke on the Fed until 2011 and now serves on an outside advisory council to Mr. Trump, is also considered a potential Fed chairman. Mr. Warsh, a scholar at the conservative Hoover Institution, has criticized the Fed for changing course too often in response to noisy economic data and swings in asset prices, for believing it can manage interest rates and the dollar so as to precisely target inflation, unemployment and economic growth, and for treating markets "as a beast to be tamed, a cub to be coddled, or a market to be manipulated."

A Fed under Mr. Warsh would presumably change course less often in response to new data or market movements, nor mind that inflation is a bit below 2% as it is

now, and have a very high bar to engaging in QE or cutting interest rates to zero.

Yet these prescriptions may be at odds with the conditions in which the Fed operates. Donald Kohn, who was Fed vice chairman under Mr. Bernanke, says the Fed needs to operate through markets to achieve its goals of low unemployment and stable inflation and thus it will always have to care about stocks, bonds, and the dollar, which in turn will be driven in part by actual and expected Fed policy.

And the Fed can point to its results. Unemployment is back to prerecession levels. Inflation didn't skyrocket, no new financial crisis has come along, the dollar hasn't collapsed. Nor are Ms. Yellen and her colleagues oblivious to the distortions the Fed's balance sheet may cause. It's one reason they seem determined to start shrinking it in coming months.

Economists at the Fed do try to respect markets. Any financial pro who succeeds Ms. Yellen should have a corresponding appreciation for economics.

## U.S. WATCH

ILLINOIS

### Police Identify Body As a Victim of Gacy

Law enforcement has identified one of the seven remaining unnamed victims of John Wayne Gacy, the Chicago-area community volunteer and clown performer who killed 33 teenage boys and young men from 1972 to 1978.

A body found in 1978 in a crawl space of Gacy's Norwood Park Township home has been identified as James "Jimmie" Byron Haakenson, according to the Cook County Sheriff's Office.

Mr. Haakenson left his hometown of St. Paul, Minn., for Chicago when he was 16 years old. He called his mother on Aug. 5, 1976, the last time his family heard from him.

DNA samples collected from Mr. Haakenson's two siblings, which the University of Northern Texas Center for Human Identification tested against the remains of "Victim #24," aided police in their search.

Gacy was convicted of his crimes in 1980 and executed in 1994.

—Quint Forgey

ECONOMY

### Housing Starts Jumped in June

U.S. housing starts rebounded in June, promising to help ease a national shortage of single-family homes and restrain price growth in the coming months.

Housing starts rose 8.3% in June from May to a seasonally adjusted annual rate of 1.215 million, the Commerce Department said Wednesday. Residential building permits, which can signal how much construction is in the pipeline, increased 7.4% to an annual pace of 1.254 million last month. That was the largest one-month jump since November 2015.

Overall, home construction showed strong momentum in the first half of the year. Housing starts in the first six months of 2017 were up 3.9% from the 2016 period. Permits during this period increased 6% from a year earlier.

—Laura Kusisto and Sarah Chaney

NEVADA

### O.J. Simpson Faces Parole Board

O.J. Simpson will appear as inmate No. 1027820 in a hearing room in a Nevada prison Thursday to plead for his freedom.

The former football star and celebrity, who was acquitted in 1995 of murdering his wife, Nicole Brown Simpson, and her friend Ronald Goldman, has spent more than eight years behind bars for armed robbery and assault with a weapon after trying to take back sports memorabilia in Las Vegas.

—Associated Press

## Inflation Riddle Complicates Rate Policy

BY NICK TIMIRAO

The Federal Reserve is likely to stand pat on policy when it concludes a two-day meeting next week, but it faces a debate about the future path of interest-rate increases because of a deepening puzzle over inflation.

Officials will likely leave short-term rates unchanged and wait until September before announcing plans to slowly shrink their \$4.5 trillion portfolio of bonds and other assets.

They face a dilemma, however, because the two indicators they most closely monitor are sending conflicting signals about the urgency of additional rate increases.

The unemployment rate,

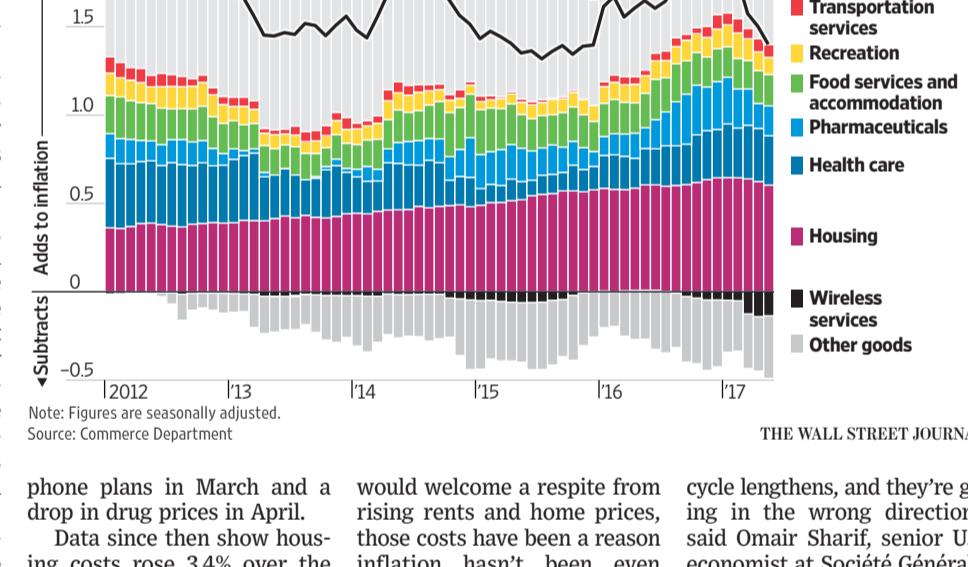
which hit a 16-year low in May, shows labor markets are tightening. That argues for the Fed to keep lifting interest rates to prevent the economy from overheating. But inflation is drifting away from the central bank's 2% target, suggesting borrowing costs should stay low to strengthen price pressures.

Moreover, the recent inflation weakness appears more broadly based than it did when officials met last month and Fed Chairwoman Janet Yellen dismissed it as largely due to one-off price declines for a handful of items. She cited, for example, price discounts for wireless-

### Slowing Down

Service-sector inflation has softened in recent months. Wireless services posted a drop, while housing and medical services have also seen restrained price pressures.

#### Percentage-point contributions to annual core inflation (excluding food and energy), based on the personal-consumption-expenditures price index



phone plans in March and a drop in drug prices in April.

Data since then show housing costs rose 3.4% over the year ended May, but have increased at a 2.7% annualized rate over the past three months, a sign rising inventories of newly built apartments have weakened landlords' pricing power. While consumers

would welcome a respite from rising rents and home prices, those costs have been a reason inflation hasn't been even weaker in recent years.

Likewise, growing inventories of used cars have weighed on their sales prices.

"Many of these things—airfares, apparel, autos—you expect to pick up as the business

cycle lengthens, and they're going in the wrong direction," said Omair Sharif, senior U.S. economist at Société Générale.

Moreover, structural changes at retailers, which face growing competition from online sellers, "mean you're getting a lot of cut-rate pricing by traditional retailers to maintain market share," said

first half has been a validation of Mr. Gorman's reshaping of a firm he joined relatively late in his career. A former management consultant brought over from Merrill Lynch in 2006 to run wealth management, he ascended to the corner office after the crisis humbled Morgan Stanley's trading desks, and then CEO John Mack, a former bond salesman, retired.

In 2009, Mr. Mack and Mr.

Gorman struck the deal to buy

ing chief, fired 25% of fixed-income traders and slashed the capital available to the unit for bets.

Still, that division—which trades everything from corporate bonds to oil to interest-rate swaps—has kept revenue from falling sharply. It has made more than \$1 billion in revenue for five straight quarters, hitting a goal Mr. Gorman set last year.

On Wednesday, Morgan Stanley reported \$1.2 billion in revenue from the division, outperforming Goldman for the second straight quarter thanks to strong trading in currencies and corporate debt.

Including Morgan Stanley's stock traders, the firm reported trading revenue for the quarter of \$3.2 billion compared with Goldman's \$3.1 billion.

During the first half, Morgan Stanley's overall trading revenue surpassed Goldman's for the first time since at least the financial crisis.

Part of the story is that Goldman has stumbled. Its traders, once dominant on Wall Street, are struggling to find their footing amid sweeping market changes since the crisis. Trillions of dollars have shifted to passive funds, and then came a down spell for hedge funds as well as a long stretch of calm in the markets—all of which have reduced demand for the complex products that are Goldman's signature.

*It has been a remarkable run for Morgan Stanley and its chief executive.*

## BANKS

Continued from Page One

look for the second half.

Morgan Stanley's results had no such caveats, with contributions spread evenly among its traders, investment bankers and stockbrokers.

It has been a remarkable run for the bank and its chief executive, James Gorman, who in 2010 took the reins of a firm humbled by the financial crisis and strategically adrift. His decision to de-emphasize trading

and embrace wealth management—a business he once ran for Morgan Stanley—has paid off, producing steady growth and winning over investors who had stayed away after reaped burns.

"These changes don't happen quickly, they happen over many years," Mr. Gorman said Wednesday in an interview. "Much of it came together in this quarter. I wouldn't run a victory lap around it yet, but this is proof of the model."

Morgan Stanley's shares rose 3.3%, bringing the firm's market value to \$86.2 billion,

compared with Goldman's \$87.7 billion. Also contributing to the narrowing gap this week was a sharp drop in trading reported by Goldman on Tuesday.

In some ways, both firms aren't the top players they once were. The two are now eclipsed in trading revenue by J.P. Morgan, Citigroup Inc. and Bank of America, which have used their sheer size to dominate the new high-volume, low-margin trading landscape.

But Goldman and Morgan Stanley are old rivals. They spent decades dueling as private partnerships and came through the financial crisis as the only two large stand-alone investment banks to survive. But Goldman emerged stronger and stuck to the strategy that made it the most envied trader on Wall Street, even while peers like J.P. Morgan and Bank of America balked up.

Morgan Stanley decided it had to evolve, buying Citigroup Inc.'s Smith Barney brokerage and slashing trading businesses. The firm didn't catch up to Goldman quickly, slowly closing the gap first in revenue and then in profitability.

For the quarter, Morgan Stanley reported a profit of \$1.8 billion on revenue of \$9.5 billion, both up from the year-earlier period and better than analysts had expected.

While the second half of the year may prove tougher, the

Smith Barney. The purchase added heft to Morgan Stanley's wealth-management business, which remained hobbled after a tumultuous 1997 merger with Dean Witter. In 2009, the business made a profit of about \$380 million. This year, it is on track for \$4 billion, with remarkably steady revenue. On 98% of trading days in 2015, the unit brought in between \$50 million and \$70 million.

That predictability is an antidote to more-volatile trading business, which the firm has been shrinking. Last year, Mr. Gorman and top lieutenant Colm Kelleher, a former trad-

er, joined the firm's board of directors.

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## U.S. NEWS

# New England's Country Stores Go Dark

More general stores close as owners age, and online shopping, dollar outlets compete

BY JENNIFER LEVITZ

For 203 years, the Francesstown Village Store served its tiny New Hampshire town, selling everything from fresh-baked bread and live fishing bait to winter hats and groceries while offering a place where residents could gather and gossip.

But the institution, formerly known as the Long Store, closed this month and will be auctioned Thursday by the bank that holds the mortgage on it.

The most recent proprietors, who owned the general store since 2013, say they struggled to make ends meet, hit by changing consumer habits such as online shopping and residents who commute out of the town of 1,600 for work and shop at large grocery stores on their way home.

"The loss of our store has definitely been a devastating time for this community," said Jamie Pike, town administrator of Francesstown, where the yellow clapboard store was the primary business on Main Street, serving as a meeting spot and key resource given that the closest supermarket is a half-hour drive away.

The scenario is becoming more common across New England, where classic rural general stores are on the decline amid new competition, especially from online shopping and chain dollar stores such as Dollar General Corp., which has 32 locations in Vermont and 23 in New Hampshire.

Dollar General considers itself "today's general store," offering everyday essentials, from food to household clean-



Left, a historical society bought and now operates the Putney, Vt., general store. Right, the Francesstown Village Store in New Hampshire closed July 6 after 203 years.

ers to seasonal décor, company spokeswoman Crystal Ghassemi said.

That worries town officials in New England, who say quaint village centers anchored by general stores provide their communities an old-time atmosphere not easily found elsewhere in the country—a trait crucial to the region's big tourism industry.

"What's at stake here is the essential character of Vermont," said Paul Bruhn, executive director of the Preservation Trust of Vermont, which has been trying to help village stores stay viable. "If we look like Anywhere, U.S.A., we will have destroyed one of our greatest economic advantages."

General stores began thriving in rural America in the 19th century as incomes and population grew, according to the New England Historical So-

### Towns Seek Ways To Keep Stores

Rather than see old country stores close, some communities and citizens in New England are trying to save them.

In Putney, Vt., the local historical society raised money to buy the embattled Putney General Store and in May took over day-to-day operations there.

society. What distinguishes them from modern convenience stores is the breadth of goods offered.

Designed to provide everything rural residents might need, general stores often are packed to the gills with items ranging from tools and electrical supplies to fly swatters, newspapers, meat and other



Right, the Francesstown Village Store in New Hampshire closed July 6 after 203 years.

In Bath, N.H., Scott and Becky Mitchell jumped into an auction last year and bought the historic Brick Store, which is so old that the sides of its counter are angled to allow women in hoop skirts to get closer to the merchandise.

Mr. Mitchell, who had grown up nearby, "didn't want the store to go to someone who was going to make condos of it," said Ms. Mitchell. The couple, who had run a sporting-

goods store and other businesses, reopened the general store July 4. Customers come in to say "thank you for saving it," said Ms. Mitchell. "The town really needed it."

In Francesstown, N.H., residents are brainstorming for how a store could replace one that closed this month. One resident is researching business models and strategies used by general stores that do well.

—Jennifer Levitz

more," said Maureen Troy, a local schoolteacher who would walk to the Francesstown Village Store for morning coffee and homemade cinnamon-sugar doughnuts or at night to grab an ingredient for dinner.

During her recent pregnancy, Ms. Troy loved running into other regulars who would share their own parenting ex-

periences. "In rural towns, people live far apart and it can be lonely almost if you don't have that social interaction," she said.

Vermont is losing three or four general stores a year, and is down to about 80 from more than 100 a decade ago, said Jack Garvin, chairman of the Vermont Alliance of Independent Country Stores. Along with more competition, aging owners who retire is another factor in the decline, he said.

Vermont Business Brokers, a commercial real-estate agency in Burlington, Vt., currently has four general stores for sale versus a typical one or two listings, said Johnny Beal, a broker there.

But Mr. Beal said some general stores are thriving by expanding offerings to goods such as craft beer or prepared foods. Successful ones also market themselves to tourists.

## Dallas Police to Get a New Leader

BY ZUSHA ELINSON

A year after five Dallas police officers were killed in an ambush that captured the nation's attention, the city named a new chief to lead the bruised department.

U. Renee Hall, a deputy chief in Detroit, will become the first female chief in Dallas history, city manager T.C. Broadnax said Wednesday.

Ms. Hall will take over a department still recovering from the last July's sniper attack.

The chief at the time of the attack, David Brown, became a national figure noted for his calm leadership in the tense days that followed. The popular chief retired in October and the city has been without a permanent chief since that time.

Ms. Hall said she was honored to be chosen at what she called a critical time in the department's history and looks forward to building on the successes of the past, preserving community trust and ensuring the safety of our officers and the entire Dallas community."

Ms. Hall inherits a department that has seen a stream of police officers depart the force because of problems with the city's police pension system. Last year alone, 336 police officers left the department, which has about



Dallas police earlier this month commemorated five officers killed in an ambush last year.

3,200 officers.

She will also have to contend with a murder rate in Dallas that has risen over the past two years from a historically low level in 2014. Twenty-seven of the 35 largest cities, including Dallas, have seen increases since 2014, according to an analysis by The Wall Street Journal.

"She's got a lot of challenges facing her," said Frederick Frazier, first vice president of the Dallas Police Association, which represents

rank-and-file officers. "The biggest challenge she's going to face is the recruiting and retention right off the bat."

Mr. Frazier said that she was at the top of the association's list of preferred candidates along with a few others. "I think the department is ready for the fresh start," he said.

Ms. Hall's father was a Detroit police officer who was killed in the line of duty when she was 6 months old, according to media reports.

In Detroit, she directed neighborhood policing efforts and oversaw 720 department employees. She is expected to start as Dallas chief in September.

"Chief Hall is a proven leader with a stellar background and a passion for public service," said Mr. Broadnax, the city manager. "These are qualities I believe are critical as we tackle crime to make our city safer while addressing organizational and policy issues within the department."

## More U.S. Colleges Are Dropping Out

BY DOUGLAS BELKIN

The number of colleges in the U.S. declined by nearly 6% between the past academic year and the year before, according to a new count by the federal government, and the rate of closings is accelerating.

The decline has been driven largely by closings of for-profit colleges that had low graduation and high student-loan default rates. A regulatory crackdown under the Obama administration drove many out of business.

Still, the broad decline lends credence to those who have long argued that higher education is ripe for a period of intense change.

"In the next 10 to 15 years, we'll see many fewer traditional colleges serving many more students," said Michael Horn, the co-founder of Clayton Christensen Institute, which champions so-called disruptive innovation, change that creates new markets and upends existing ones. "And an increased number of upstart educational programs serving students with online learning in shorter bursts throughout people's lives," he added.

There were 6,760 colleges—four-year, two-year and shorter-term programs—that were eligible to award federal financial aid in 2016-17, down from 7,416 in 2012-13, a nearly 9% drop, according to an annual survey by the National Center for Education Statistics.

The decrease was particularly sharp—5.9%—between 2015-16 and 2016-17.

The number of universities increased for decades in the U.S. as the population and demand for higher education grew. After World War II, the GI Bill paid for millions of returning soldiers to attend college. Then schools opened their doors more widely to women and minorities. The baby-boomer generation packed universities through the 1960s and '70s and their children fueled growth in the '90s.

During the recession that started in 2007, Americans flooded back to school to get retrained or escape the soft job market. But in recent years, stagnant wages, fewer high-school graduates and

more tech-driven alternatives have made it harder for universities to fill classes.

That drop in demand has led to a loss of pricing power among some private institutions.

Schools across the country have cut staff, closed departments, merged with other institutions or closed altogether.

States have also cut funding to public universities, prompting schools to raise tuition. As student debt has risen, many Americans have begun to question the wisdom of borrowing heavily to attend university.

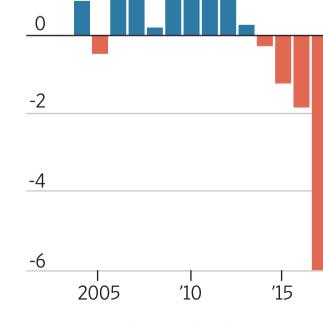
To date, the vast majority of the schools that have closed have been for-profit colleges, which were the focus of much scrutiny by the Obama administration.

In March, the Trump administration announced it would delay enforcing some of those rules and the stock price of many of those schools rebounded.

This week, the Duluth Business University, a for-profit college in Minnesota that offers programs in business administration and health-care management, among others, announced it would close next summer after a nearly 130-year run. On Wednesday, a spokeswoman said declining enrollment was to blame.

### Declining by Degrees

U.S. colleges and universities that award federal student aid, change from a year earlier



Source: National Center for Education Statistics

THE WALL STREET JOURNAL

## Lawmakers Are Set to Enhance GI Bill

BY BEN KESLING

WASHINGTON—Lawmakers are poised to take up and pass the most sweeping package of changes to the GI Bill in years, making the program's benefits more widely available for a longer period.

The House Committee on Veterans' Affairs greenlighted a measure Wednesday to overhaul the GI Bill, with the legislation expected to be introduced and passed in the House within days, according to Republican leaders.

The proposed revamp and expansion consolidates more than a dozen smaller initiatives into a comprehensive package that has garnered support from both Republi-

cans and Democrats, as well as top veterans-advocacy groups.

"This isn't a package that comes along every day," said Rep. Phil Roe (R., Tenn.), chairman of the committee, who called the multifaceted bill "a shining example of how well Congress can and should work together."

A House Veterans' Affairs Committee hearing this week underscored the support behind the measure. The majority of lawmakers declined to ask questions of witnesses or to make closing statements and instead praised the cooperation behind the bill.

"You've seen a lot of praise and bipartisan consensus on this," said Will Hubbard, vice president of government af-

fairs for Student Veterans of America, an advocacy group.

The legislation, known as the "Forever GI Bill," still must win approval in both the full House and Senate. No formal estimate has been made of its price tag, but Dr. Roe said its provisions would be cost-neutral.

One clause in the legislation would eliminate the expiration date for GI Bill benefits. Under the current program, veterans have 15 years after they separate from the military to use their benefits.

"This has the potential to greatly increase GI Bill usage rates, and give service members greater flexibility while pursuing educational opportunities," said the American Legion, one of the leading veter-

ans-advocacy groups in the country, in a statement.

The original "GI Bill of Rights," officially called the Servicemen's Readjustment Act of 1944, came about as a response to complaints that many veterans were discharged from duty during World War II with only a \$60 payment and a train ticket home. The bill provided home loans, unemployment insurance and educational benefits.

The program has been updated through the years, getting its most recent overhaul in 2008.

The Senate Committee on Veterans' Affairs is working on companion legislation, said Amanda Maddox, spokeswoman for committee Chairman Johnny Isakson (R., Ga.).

## U.S. NEWS

# Democrats Test 2018 Strategy in Virginia

Party takes aim at GOP state lawmakers in districts Clinton won in presidential election

BY REID J. EPSTEIN

MANASSAS, Va.—Democrats want to take back control of the U.S. House by winning Republican-held seats where voters backed Hillary Clinton in last year's election.

This fall, they will be conducting a test run in Virginia, including determining whether success comes by focusing on President Donald Trump or not when wooing voters who didn't support him.

"Virginia is a good proving ground and petri dish for our politics, because the state has a little bit of every type of congressional district that will be a battleground in 2018," said Jesse Ferguson, a long-time Virginia operative who also worked for the House Democratic campaign arm.

Mrs. Clinton won 17 Virginia House of Delegates districts where voters backed GOP leg-

islators in the state's last election in 2015. Democrats must flip 16 seats to win a state House majority for the first time since 1999.

Like the congressional map, Virginia's House district map was drawn after the 2010 Census by Republicans to favor the GOP, making the push to a majority a steep climb for the state's Democrats. Parts of the state where Democrats have won federal races have reliably sent Republicans to the state capital in Richmond.

Republicans have a nearly 3-to-1 cash-on-hand advantage over their Democratic challengers statewide.

Delegate Tim Hugo, who represents a Fairfax County district Mrs. Clinton won 53%-42%, said there was little evidence Democrats can translate opposition to the president into votes in local races.

With little media attention paid to their races, Democratic challengers in Virginia are trying an array of messages against the GOP incumbents.

Danica Roem, a former local newspaper reporter who would be the first openly



Democrat Danica Roem, canvassing in Manassas, is focused on traffic problems in northern Virginia.

STEVE HELBER/ASSOCIATED PRESS

transgender person elected to any state legislature, is devoting her campaign in Prince William County to a single issue: fixing the traffic bottlenecks on Route 28, a major north-south thoroughfare through northern Virginia.

Although Mrs. Clinton beat

Mr. Trump 54% to 40% in the district, Ms. Roem doesn't mention the president in her campaign literature.

She is banking on opposition to the state GOP's push to implement socially conservative policies to propel her campaign against 25-year incum-

bent Bob Marshall, who introduced legislation that would regulate transgender people's use of bathrooms in government buildings.

Delegate Bob Marshall is more concerned with where I go to the bathroom than with how his constituents get to

work," Ms. Roem said in an interview in her campaign office.

Mr. Marshall said the traffic problems should first be addressed by the county government, not the state, and he stands by his legislation. "Acknowledging laws of biology is not bigotry," he said.

In Mr. Hugo's Fairfax County district, Democrat Donte Tanner is trying to appeal to voters who recently stopped being GOP supporters.

Mr. Tanner, a 37-year-old small business owner from Centreville, said he hopes his district's voters will embrace Democratic proposals to improve education, transportation and redistricting.

His opponent, Mr. Tanner said, is part of the "swamp" Mr. Trump pledged to drain during his campaign. "We don't try to tie him directly to Trump, but we say what the party has done to hold people back," Mr. Tanner said.

Mr. Hugo, a 14-year incumbent, said few constituents are talking about the president. "All our guys say we're not hearing it," Mr. Hugo said. "It's not permeating yet."

## States Urged to Give Voter Records to Commission

BY REBECCA BALLHAUS

WASHINGTON—President Donald Trump called on states to turn over voter records sought by his recently formed election-integrity commission at the panel's first official meeting on Wednesday.

"If any state does not want to share this information, one has to wonder what they're worried about," Mr. Trump said.

The panel, chaired by Vice President Mike Pence and for-

mally called the Presidential Advisory Commission on Election Integrity, has run into early legal entanglements in recent weeks.

Vice Chairman Kris Kobach, who also serves as Kansas secretary of state, late last month sent a letter to all 50 states requesting personal details on every registered voter—including birth dates, political party affiliations and the last four digits of Social Security numbers—as well as the elections they participated in since 2006,

as permitted by state law.

Several states said the request seeks information they consider sensitive and beyond their legal power to turn over. They said they also objected to what they perceived to be an attempt to interfere in their operation of elections.

Mr. Trump has made unsubstantiated claims that voter fraud tainted the 2016 election, giving his Democratic opponent Hillary Clinton here victory in the popular vote. Independent experts say there is

no evidence to back up Mr. Trump's assertions.

Republican congressional leaders also have said there is nothing to support Mr. Trump's claims. Voter registration and voting systems are run and maintained by the states.

Democratic lawmakers criticized the commission following the meeting.

"I have told both President Trump and Vice President Pence that a credible investigation on 'election integrity'

cannot be conducted without also investigating voter suppression and Russian interference in the 2016 election," said Rep. Elijah Cummings of Maryland, the top Democrat on the House Oversight Committee, in a statement.

In recent interviews with The Wall Street Journal, members of the commission said the group would focus on ensuring the integrity of elections and not simply on rooting out voter fraud.

"This commission has no preconceived notions or preordained results," Mr. Pence said as he opened the meeting on Wednesday.

Earlier this month, U.S. District Judge Colleen Kollar-Kotelly in Washington, D.C., heard arguments on whether to block the commission's request, in a lawsuit filed by the Electronic Privacy Information Center. The Washington privacy advocacy group alleged that compiling a national voter database would create "staggering" issues of privacy.



The Supreme Court said the Trump administration couldn't bar entry for extended family members of U.S. residents.

## BAN

Continued from Page One entry by refugees, the president has sought to bar travelers from Iran, Libya, Somalia, Sudan, Syria and Yemen.

Mr. Trump has said the ban, which he signed in a March executive order, is needed to help protect the U.S. from terrorist threats.

The justices on June 26 allowed the president to temporarily bar travel to the U.S. by people from the countries if they had no connection to the U.S., but it said travelers with close connections to people or organizations in the U.S. couldn't be barred while the court considers the case more fully.

When the Trump administration began implementing the Supreme Court's guidance a few days later, the state of Hawaii, which had sued the president, argued that he was imposing the ban more strictly than the justices allowed.

Trump officials said extended family members weren't close enough relatives to be exempt from the ban. The administration also said only a limited pool of refugees qualified for travel under the Supreme Court's terms. The administration argued Ha-

waii's interpretation of the high-court ruling would render the ban largely meaningless.

The Supreme Court will give a full review of the travel ban on Oct. 10.

Court rulings so far on Mr. Trump's travel restrictions haven't been final decisions on whether they are legal. Judges instead have been considering whether the ban could go into effect while the litigation continued on the underlying merits of the executive order.

U.S. District Judge Derrick Watson in Honolulu, who has been presiding over travel ban litigation since March, ruled recently that the White House implementation plans contradicted last month's Supreme Court ruling. The judge said the administration must allow travel by a broader group of family members and refugees.

The Justice Department filed an emergency appeal with the Supreme Court, saying Judge Watson had gutted the ban and upended the balance the high court was seeking to strike.

The court's order blocked Judge Watson's instruction that refugees aren't subject to the ban if they are covered by a formal admissions agreement between the U.S. government and a refugee reset-

tlement agency. About 24,000 refugees covered by such agreements potentially stood to benefit from the Hawaii judge's ruling but now will not, at least in the short term.

But the Supreme Court declined the Trump administration's request to clarify its ruling from last month and thus didn't allow the president to enforce plans to bar travel by extended family members.

The court in its brief order didn't explain its reasoning.

**The Supreme Court is expected to give a full review of the travel ban on Oct. 10.**

No justice registered a dissent to the court's action on refugees.

However, three conservative justices—Clarence Thomas, Samuel Alito and Neil Gorsuch—said they would have allowed the president to bar travel by extended family members. Those same justices registered similar objections last month, saying they would have sided more broadly with the president.

The American Civil Liberties Union, which has been

challenging the Trump ban in court, expressed ambivalence about the latest outcome.

"We are glad that the order requiring the government to recognize grandparents and other close family remains in place, but are deeply concerned about the effect of today's ruling on thousands of refugees who seek to escape dangerous situations, who have been fully vetted by the United States, and whose arrival communities, congregations, and organizations in the United States have been preparing for and anticipating," said Omar Jadwat, an attorney at the ACLU.

The Supreme Court is on summer break with several justices traveling. The court, however, still can consider emergency appeals even when it isn't in session.

On the broader issues in the case, one appeals court said the president likely disfavored Muslims in a way that violated the Constitution. Another said Mr. Trump didn't adequately justify that the ban was needed. The Justice Department argues that both courts were wrong, saying the president has broad powers over U.S. borders, especially when national security is a consideration.

The Supreme Court will review those rulings when it returns in October.

## Senate Panels to Hear Closest Trump Aides

BY REBECCA BALLHAUS

opportunity to assist in putting this matter to rest."

President Donald Trump has expressed skepticism about U.S. intelligence agencies' conclusion that Moscow sought to intervene during the campaign. Russian officials have denied doing so. Mr. Trump and his campaign aides have denied any collusion with Moscow.

The Senate Judiciary Committee said the younger Mr. Trump and Mr. Manafort would appear next Wednesday in an open hearing.

Jason Maloni, a spokesman for Mr. Manafort, said he had received the request for Mr. Manafort to testify "in the last 25 minutes" and said, "We're looking it over."

A spokesman for the president's eldest son didn't immediately respond to a request for comment.

While members of the Trump administration, including Attorney General Jeff Sessions, have testified before Senate panels as part of the Russia probe, next week's planned interviews show the inquiry is extending to some people closest to the president, including two family members.

## WASHINGTON WIRE

### CONGRESS

#### Labor Board Picks Advance in Senate

The Senate's labor committee approved two Republicans whom President Donald Trump nominated for vacant spots on the National Labor Relations Board on a party-line vote Wednesday.

Attorneys Marvin Kaplan and William Emanuel were both advanced on 12-11 votes for seats on the five-member board that referees disputes between unions and employers. Both men still face a confirmation vote in the full Senate, but the committee vote suggests they will face little resistance in the Republican-controlled Senate.

Democrats, who hold two of the three currently filled seats on the board, still control the body. Mr. Trump has elevated the sole Republican, Philip Miscimarra, to chairman. That move slowed issuance of agency decisions because Mr. Miscimarra can control which cases are decided but lacks the votes to win rulings.

—Eric Morath

### TRADE

#### Veteran U.S. Official To Lead Nafta Talks

The Trump administration tapped a veteran trade official involved in the original North American Free Trade Agreement to lead new talks with Canada and Mexico on an overhaul of the accord.

John Melle, the current assistant U.S. trade representative for the Western Hemisphere, will serve as chief negotiator for the Nafta talks. U.S. trade representative Robert Lighthizer said Wednesday.

The first round of negotiations is scheduled for Aug. 16-20 in Washington.

Mr. Melle is expected to lead a team that works with foreign counterparts to hash out the details on the revised agreement.

Congress has given Mr. Lighthizer authority to handle the trade talks, but Commerce Secretary Wilbur Ross and President Donald Trump himself are expected to play a role.

—William Mauldin



# Standing Up for American Jobs

## Our Pledge

Pratt Industries  
Executive Chairman  
Anthony Pratt recently  
pledged \$2 billion  
to create 5,000  
high-paying  
manufacturing jobs.



*President Trump applauds Anthony Pratt's pledge announcement.*

## The Latest Installment on That Pledge - Rockwall, Texas



This new \$100 million box making factory brings  
our total American workforce to 7,300 employees.

U.S. NEWS

# McCain Is Diagnosed With Brain Cancer

BY SIOBHAN HUGHES

WASHINGTON—Sen. John McCain (R., Ariz.), who has been out this week recovering from surgery, has been diagnosed with a type of brain cancer known as a glioblastoma, his office disclosed on Wednesday.

His office said the timing of his return to the Senate will depend upon further consultations with his medical team.

Mr. McCain, 80 years old, had surgery last Friday to remove a blood clot above his left eye following a physical at the Mayo Clinic Hospital in Phoenix. The hospital said that subsequent tests revealed that a glioblastoma was associated with the blood clot.

"The Senator and his family

are reviewing further treatment options with his Mayo Clinic Care team," the hospital said in a statement distributed by Mr. McCain's office. "Treatment options may include a combination of chemotherapy and radiation."

A glioblastoma is an aggressive type of cancerous tumor that can be difficult to treat and a cure is often not possible, according to the Mayo Clinic. Treatments may slow the progression of the cancer and reduce signs and symptoms.

"Tough diagnosis, but even tougher man," Sen. Jeff Flake (R., Ariz.) said on Twitter in a post in which he said he had spoken with Mr. McCain.

Senate Majority Leader Mitch McConnell (R., Ky.) is-

## Senator's Tumor Called Aggressive

A glioblastoma, the type of brain tumor Sen. John McCain (R., Ariz.) has been diagnosed with, is extremely aggressive, spreading into normal brain tissue "almost like tiny tentacles...beyond what we can see in an MRI or surgery," according to Dr. Gabriel Zada, a neurosur-

sued a brief statement late Wednesday calling Mr. McCain, who was a POW during the Vietnam War, a hero to Senate Republicans and to the country.

"He has never shied from a fight and I know that he will

geon at the University of Southern California's Keck School of Medicine.

Standard treatment includes surgery and a combination of radiation and chemotherapy. Surgery alone isn't enough because of the way these tumors grow.

Mr. McCain's tumor was discovered by doctors following surgery for a blood clot that doctors found above his left eye, according to his office. It is customary for clinicians to test

removed tissue after such kinds of surgery.

Glioblastomas are the most common form of primary brain cancers, meaning the tumors originate within the brain itself, according to neurologists. They can grow anywhere in the brain or spinal cord, but are most commonly found in the cerebral hemispheres, according to the American Brain Tumor Association.

—Daniela Hernandez

face this challenge with the same extraordinary courage that has characterized his life," Mr. McConnell said. "We all look forward to seeing this American hero again soon."

Without Mr. McCain, Senate

Republicans would have an even slimmer majority in the chamber. The GOP currently holds 52 seats, and needs 50 votes plus a tiebreaking vote from Vice President Mike Pence to pass a major health bill that

is struggling to gain traction.

A large group of Senate Republicans learned of Mr. McCain's diagnosis while meeting Wednesday night about the health-care bill, leading to a moment of stunned silence, said Sen. John Hoeven (R., N.D.). Sen. James Lankford (R., Okla.) led the group in prayer, Mr. Hoeven said.

President Donald Trump said in a statement that Mr. McCain "has always been a fighter," and expressed hope that he would get well soon.

Former President Barack Obama, who defeated Mr. McCain for the presidency in 2008, offered encouragement on Twitter.

"Cancer doesn't know what it's up against," Mr. Obama said. "Give it hell, John."

Medicaid programs, including more support for low-income people. Sen. Roy Blunt (R., Mo.) said Wednesday senators had discussed the idea at lunch.

Ms. Murkowski has similar concerns as well as a broader worry about her state's fragile insurance market. Mr. Trump cited the current struggles of Alaska's insurance markets as a reason for her to take action.

Another holdout, Sen. Mike Lee (R., Utah), spoke with the president Tuesday, and Mr. Trump appeared open to the changes the senator wants, a spokesman for Mr. Lee said. A White House aide said the administration is open to any provision that increases GOP support for the bill.

Mr. Lee has been especially concerned about alterations that were made to a provision of the GOP bill written by Sen. Ted Cruz (R., Texas), which was designed to lower premiums by allowing insurers to sell cheaper, less-comprehensive plans than allowed under current law.

Similarly, GOP leaders have said they could address some of the concerns of Sen. Jerry Moran (R., Kan.) that the bill could negatively affect his state.

Before this week, the president had been less active in the negotiations in the Senate than he was in helping pass health-care legislation in the House.

The question is whether his late intervention can turn the tide. Some Republicans have been quietly skeptical of the president's arm's-length approach to Senate negotiations, though others have said he has been smart to hold back.

—Byron Tau, Siobhan Hughes and Janet Hook contributed to this article.



KEVIN LAMARQUE/REUTERS

President Donald Trump at a meeting with Republican senators at the White House on Wednesday to discuss health-care legislation.

Mr. McConnell said.

GOP leaders hope once debate begins and senators offer a variety of amendments, a majority will emerge for some version. Earlier this week, three Republicans—Sens. Susan Collins of Maine, Lisa Murkowski of Alaska and Shelley Moore Capito of West Virginia—said they would oppose the motion to proceed

on a repeal-only bill. Unless one of them changes her mind, debate can't begin because Democrats are uniformly opposed.

Among the amendments may be one to largely repeal the 2010 law without an immediate replacement. An estimate released Wednesday by the Congressional Budget Office found such a move would

leave 32 million more people uninsured and would double premiums by 2026, compared with current law. The measure would reduce federal deficits by \$473 billion over the coming decade, the CBO estimated.

About 20 GOP senators huddled for more than two hours Wednesday night, but it wasn't clear if they had gotten any closer to securing the needed 50 votes. "Hard to say," Mr. Toomey said upon leaving the meeting.

White House Chief of Staff Reince Priebus came to the meeting but was asked to stay in a room separate from the one where senators held their discussion because some lawmakers wanted to speak privately, an aide said.

"We're at our best when we're among ourselves," said Sen. John Kennedy (R., La.)

Sen. Lisa Murkowski (R., Alaska), an opponent of the repeal-only plan, was non-

committal on her stance after the meeting. Ms. Capito, also an opponent of that approach, declined to comment on the meeting.

The GOP holds 52 seats in the Senate, leaving it vulnerable to defections from conservatives, centrists or any senator with a home-state concern. Democrats have remained unified in their desire to preserve Mr. Obama's signature domestic policy achievement.

GOP leaders are faced with finding ways to lure back at least some GOP senators who have said in recent days they couldn't support the latest version of a bill aimed at overhauling the nation's health-care system.

Ms. Capito is among those who have protested the bill's cuts to Medicaid, the federal-state health program for the poor. The administration is pushing the notion of waivers for states to redesign their

## U.S. to Resume Aiding Local Police in Seizures of Assets

BY ARUNA VISWANATHA

Attorney General Jeff Sessions ordered the Justice Department to resume participating in asset seizures by local police, one of several Obama-era policies the agency has reversed.

Officials said the move was part of an effort to combat recent increases in drug abuse and violent crime. The Justice Department in 2015 largely ended the property-seizure program after critics said it allowed local law-enforcement officials to take cash and other assets from individuals without proving they had done anything wrong.

On Wednesday, Deputy Attorney General Rod Rosenstein said the agency was reinstating the practice with additional safeguards. Mr. Rosenstein said this would "empower police and prosecutors" with an "important tool that can be used to combat crime."

The program had allowed local law enforcement to retain a greater portion of any seized assets—such as cash or other valuables—than under many state laws. Local officials have argued that ending it removed a key source of funding that helped them pay for necessary equipment and upgrades.

While asset seizures were meant to target drug traffickers and other criminals, they became increasingly controversial as people complained that their money, cars and other property were seized

without evidence that they had committed any crime. Conviction of a crime requires proof beyond a reasonable doubt, but officials could take an individual's goods after showing only that a "preponderance of the evidence" suggested they were ill-gotten.

The Justice Department's 2015 decision to end the practice met with bipartisan praise, and at least one Republican lawmaker questioned Mr. Sessions' decision to reinstate it.

"This is a troubling decision for the due-process protections afforded to us...as well as the growing consensus we've seen nationwide on this issue," Rep. Darrell Issa of California said.

Civil-liberties groups also attacked the change. "Civil asset forfeiture is tantamount to policing for profit, generating millions of dollars annually

that the agencies get to keep," said Kanya Bennett, legislative counsel for the American Civil Liberties Union.

Prosecutors applauded the move. The president of the National Association of Assistant U.S. Attorneys, Lawrence Leiser, said the asset-forfeiture change was "necessary to protect our citizens while depriving criminals of their ill-gotten gains."

Under procedures called "adoptions," local police agencies could seize property in accordance with federal law and ask the federal government to "adopt" the forfeiture. The U.S. would then sell the assets and return about 80% of the proceeds to the state or local agency.

The tools can be used, for example, to seize illicit drugs, bundles of cash or weapons from suspected drug dealers or gang members.

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Attorney General Jeff Sessions acts to reverse Obama-era policy.

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# WORLD NEWS

## U.S.-China Talks End Without Results

Lack of progress raises pressure on Trump to consider confrontational steps

By JACOB M. SCHLESINGER AND IAN TALLEY

WASHINGTON—High-level economic talks between the U.S. and China ended Wednesday without any concrete agreement or future agenda, leaving the Trump administration's efforts to recast trade ties with Beijing in limbo.

After a day of bilateral meetings, the U.S. side issued a terse statement saying that "China acknowledged our shared objective to reduce the trade deficit which both sides will work cooperatively to achieve."

The statement from Commerce Secretary Wilbur Ross and Treasury Secretary Steven Mnuchin didn't provide further details on just how much the

two sides could agree on, or when they would resume talks. China's commerce and foreign ministries didn't immediately comment on the outcome of the dialogue.

The failure to take specific steps to close America's \$347 billion trade deficit with China—70% of the U.S. global imbalance—raises pressure on the Trump administration to consider shifting from its embrace of cooperation with Beijing toward more confrontation.

Trump aides have been weighing tougher trade policies toward China, from new import barriers on steel and solar panels, to tighter restrictions on investments, but have so far chosen not to implement them.

People familiar with Wednesday's talks said that American negotiators tried, unsuccessfully, to use the threat of new steel tariffs to force the Chinese to commit to specific benchmarks for cutting the country's mammoth production overcap-



YURI GRIPAS/REUTERS

U.S. Treasury Secretary Steven Mnuchin, left, arrived at Wednesday's meeting with Chinese Vice Premier Wang Yang.

pacity in that sector.

The meetings were held to mark the end of a 100-day period that President Donald Trump and Chinese President Xi Jinping had set to come up with a comprehensive plan to reset commercial ties between the world's two largest economies. The lack of any announced plan

means they failed to meet that self-imposed deadline.

The decision to issue a statement from just the U.S. side was a break with past practices. It was also a contrast with the more amicable statement given by Mr. Trump and Mr. Xi during an April Florida summit where they agreed to launch a "Com-

prehensive Economic Dialogue."

People familiar with the talks said a major sticking point was a demand from American negotiators to craft a concrete plan for reducing China's trade surplus with the U.S.

More than his predecessors, Mr. Trump has focused not just on removing barriers to American exports, but on trying to curb America's trade deficit, which he has said is a concrete sign of flawed policies. Many economists say Mr. Trump's focus on trade deficits with individual countries is ill-conceived because deficits are driven in large part by macroeconomics.

Chinese Vice Premier Wang Yang, who headed his delegation, opened Wednesday's talks by saying that the economic teams from both countries "have worked around the clock and have held over 60 rounds of working consultations" since the Florida summit to prepare for this week's session.

The stall in economic talks

mirrors a rough patch in the administration's diplomatic ties with Beijing. In the weeks since the Mar-a-Lago summit, Mr. Trump rebuffed Chinese objections in approving news arms sales to Taiwan, which Beijing considers a renegade province, and sent bombers and naval patrols this month to the South China Sea to assert American freedom to navigate those contested waters. Mr. Trump also tightened economic sanctions against companies and banks allegedly doing business aiding North Korea's nuclear program.

The North Korea issue in particular may affect Mr. Trump's economic approach to China. The president said earlier that he would give China some leeway on trade in return for Beijing's help curbing Pyongyang's nuclear ambitions. He has since said he was disappointed with China's efforts, which may make him feel freer to yield the trade club.

## India's Truckers Benefit From Tax-Regime Revamp

MUMBAI—Until recently, truck driver K Shaji often waited for hours at various checkpoints to pay state taxes on his cargo as he journeyed from India's south to the country's financial capital, Mumbai. No more.

By Corinne Abrams, Debi Prasad Nayak and Anant Vijay Kala

Such dragnets disappeared this month after the government overhauled its tax system, allowing Mr. Shaji and millions of truck drivers to motor past what used to delay their trips by hours. The delays and tax fees—plus widespread bribes—drove up costs and added to inefficiencies in the economy.

The result is an early success for a major economic initiative by Prime Minister Narendra Modi: replacing a tangle of state and federal levies with a new goods and services tax—a type of value-added tax. Some economists say the so-called GST, which kicked off July 1, may add nearly 1 percentage point to GDP growth.

Still, the new system has teething pains.

Many of India's millions of small-business owners say they haven't had enough time to prepare. They don't know which of the many rates to pay or understand how to file their invoices. Many lack the internet connection needed to file.

The textile industry, India's second-largest employer after agriculture, has had disruptions as traders adjust. It and other industries have organized strikes and protests against the



Protesters in New Delhi on Tuesday objected to the introduction of the goods-and-services tax.

plan, saying they weren't ready.

The big test comes on Sept. 5 when businesses are required to file their first tax returns. It will then also become clear whether the government tax portal vital to the plan is ready to upload and process them.

But many experts are encouraged by the process so far, the culmination of a decade of wrangling between states and the central government.

"Generally things have gone smoother than expected," said Sachin Menon, KPMG partner and national indirect tax head.

Almost seven million of the eight million VAT and service-tax taxpayers under the old system have registered for GST, before GST was imple-

mented, it would take 11 days for a container to travel from Shanghai to Mumbai, but almost double that to get from Mumbai to Delhi, the World Bank said in a report. Up to a quarter of journey time was spent at checkpoints.

By eliminating those, logistics costs could fall by as much as 20%, CRISIL Research, the Indian Unit of Standard & Poor's, said in a report.

The industry contributes about 13% to the country's GDP but is still underdeveloped, according to financial-services provider Avendus Capital Pvt. Ltd. Before GST was imple-

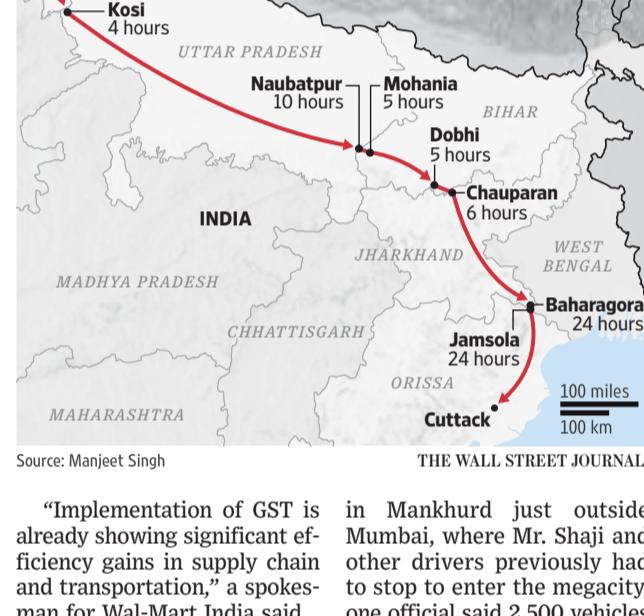
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Trucking companies say while shipping orders are down as companies get used to GST, the elimination of border tax posts in most Indian states has expedited the movement of goods and cut fuel and labor costs.

### Sailing Through

Recently, an Indian truck driver going from New Delhi to Cuttack was stopped at seven checkpoints to pay taxes. A new national levy just ended those dragnets, paring travel times. Former maximum waits:



Source: Manjeet Singh

"Implementation of GST is already showing significant efficiency gains in supply chain and transportation," a spokesman for Wal-Mart India said.

Experts say Indian economic growth may be lifted by reduced transportation times and increased compliance that will boost revenue the government could spend on infrastructure, sanitation and education.

One unwelcome holdover: Groups of officials known as "flying squads" who carry out spot checks to examine paperwork still demand bribes, said Navin Gupta, secretary-general of industry lobby the All India Motor Transport Congress.

At the deserted checkpoint

in Mankurd just outside Mumbai, where Mr. Shaji and other drivers previously had to stop to enter the megacity, one official said 2,500 vehicles would pass through daily to be assessed for taxes.

The 43-year-old Mr. Shaji, who has been driving for 25 years, said that before the GST he would have to wait for hours as hundreds of items were checked and the tax calculated at three tax points along the route. "Now we can pre-calculate our travel time," he said, relaxing with a cigarette after a long drive. "I am free of tension and I can spend more time with my family and friends."

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U.S. armored vehicles driving near a village outside the northern Syrian city of Manbij in March.

## Ankara Rebuked Over Syria Map

By DION NISSENBAUM

WASHINGTON—A detailed map purportedly showing where U.S. forces are deployed in northern Syria was published by Turkey's state-run news agency, drawing a sharp retort and a warning from the Pentagon that the move could undermine the battle against Islamic State.

The U.S. government on Wednesday expressed its concerns to Turkish officials after Anadolu Agency released a lengthy article and a map it said showed the locations of 10 bases used by hundreds of U.S. forces in northern Syria battling Islamic State, also

known as ISIS.

"The release of sensitive military information exposes coalition forces to unnecessary risk and has the potential to disrupt ongoing operations to defeat ISIS," the U.S. military said in a statement. "ISIS is the greatest threat to regional stability and it is critical that all parties operating in Syria remain focused on what is most important—the annihilation of ISIS."

Release of the map angered some U.S. officials, who privately expressed frustration that Turkey, a North Atlantic Treaty Organization ally, would threaten its relationship with Washington by allowing

its state-run news agency to publish sensitive information.

"While we cannot independently verify the sources that contributed to this article, we would be very concerned if officials from a NATO ally would purposefully endanger our forces by releasing sensitive information," the Pentagon said. "We have conveyed these concerns to the government of Turkey."

Turkish officials didn't respond to requests to comment about the release of the information, which comes as the U.S. military is stepping up its efforts to push Islamic State out of Raqqqa, its de facto capital in Syria.

## WORLD NEWS

# Germany Says Aid To Turkey at Risk As Activist Is Held

BY ANDREA THOMAS

Germany lashed out at Turkey for jailing a German national and suggested the latest escalation in a growing feud between the two countries could cost Turkey billions of euros in European assistance.

Wednesday's threat came hours after Berlin summoned Turkey's ambassador to protest this month's arrest of German human-rights activist Peter Steudtner under Ankara's controversial antiterror laws.

The latest development in a lengthening string of disputes between Germany and Turkey, both members of the North Atlantic Treaty Organization, is putting pressure on German Chancellor Angela Merkel to put a stop to what critics of Turkey see as increasing provocations.

German Foreign Ministry spokesman Martin Schäfer said the Turkish ambassador was "told very clearly that the arrest of Peter Steudtner and other human-rights activists is neither understandable nor acceptable."

The spat broke out on July 5, when Turkish police arrested 10 Amnesty International activists, including Mr. Steudtner, who had gathered in

Turkey for what the organization called a routine workshop.

Six of the rights activists, including Amnesty's Turkey director, have been jailed on charges of aiding a terror group. Prosecutors alleged that the director was linked to three unrelated terror organizations.

"These activists are innocent. The decision to proceed shows that truth and justice have become total strangers in Turkey," said Amnesty International's secretary-general, Salil Shetty.

"We firmly believe that this arrest is absolutely unjustified," Ms. Merkel said late Tuesday. "We declare our solidarity with him and the other detainees and the German government, at all levels, will do everything we can to secure his release."

Ms. Merkel's spokesman said the European Union was due to re-examine this year its €4.5 billion (\$5.2 billion) in aid to Turkey earmarked for measures to strengthen democracy, the rule of law, economic growth and competitiveness as part of the country's longstanding bid for EU membership.

A spokesman for Turkey's Ministry of Foreign Affairs didn't respond to a request to comment.



President Emmanuel Macron, right, talking in May with Gen. Pierre de Villiers, who quit after a dispute over cuts to military spending.

# Top French General Resigns

BY WILLIAM HOROBIN

PARIS—France's top military officer resigned in a public feud with President Emmanuel Macron over military spending, posing the first major test of the new leader's drive to invest his office with more authority.

The resignation of Gen. Pierre de Villiers on Wednesday marked the first time any chief of the country's armed forces has resigned since the post was created in the 1960s, historians said. It was the culmination of rising tensions between the general and the 39-year-old president, who refused to back down on plans to slash military spending by €850 million (\$982 million) this year to plug holes in France's public finances.

"In the current circumstances, I consider I am no lon-

ger able to ensure the durability of the model of the army that I believe in to guarantee the protection of France and French people, today and in the future," Gen. de Villiers said.

Mr. Macron swiftly named Gen. François Lecointre, head of his prime minister's defense cabinet, to succeed Gen. de Villiers.

The spat with Gen. de Villiers illustrates the high stakes of what Mr. Macron has described as his "Jupiterian" approach to his office, a reference to the king of the gods in Roman mythology. Since coming to power in May, Mr. Macron has announced plans to use special constitutional powers to make changes to labor laws by decree, and has repeatedly used the Palace of Versailles, favored by French kings, as a backdrop for meetings.

Mr. Macron's opponents as-

sailed him on Wednesday for confronting the military's top brass while France conducts operations in Iraq, Mali and other parts of Africa.

National Front leader Marine Le Pen, Mr. Macron's main challenger for the presidency in May's election, said the resignation showed "the very worrying limits of Mr. Macron's attitude and policies."

Lawmakers from the center-right Groupe Les Républicains—which is in a loose alliance with Mr. Macron's party in Parliament—called on the president to abandon or rethink his planned cuts to the defense budget, saying they endangered national security.

"Of course France should reduce its deficit, but France is also a country at war against Islamist terrorism," the lawmakers said.

The dispute began last week when Gen. de Villiers criticized the cuts in a closed-door hearing at the National Assembly that leaked to the media, telling lawmakers he wouldn't let himself "get f—"

by Mr. Macron's government.

After learning of the general's remarks, Mr. Macron delivered a speech to senior military leaders, saying a public debate on military finances wasn't dignified and that he wouldn't tolerate dissent.

"I am your boss," Mr. Macron told the military chiefs.

The clash over military spending comes as the president attempts to reconcile competing election promises. Mr. Macron said he would raise military spending to 2% of economic output by 2025, but would also cut overall spending by €60 billion to bring down France's deficit.



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## IN DEPTH

# SAUDIS

*Continued from Page One*  
bin Nayef disappeared from public view. He has been at his Jeddah palace with his movements restricted, say those people, overseen by guards loyal to Mohammed bin Salman.

A royal-court official, in a written response to questions about the shuffle, said Mohammed bin Nayef was "deposed."

"The reasons of his deposition are very confidential and no one has the right to disclose them," he said, adding that the decision to do so "was for the sake of the national interest." The former crown prince has daily visitors, he said, "and has visited the king and the crown prince more than once."

The younger prince's ascent marks a reordering of power with profound implications for one of the world's wealthiest and most secretive countries. With King Salman ailing, the new crown prince could soon be in charge of one of the world's last remaining absolute monarchies, a kingdom that ranks among the planet's largest oil producers and importers of arms, and that uses its vast resources to boost its sway in the Middle East.

Saudi Arabian succession is governed by a malleable set of rules and family customs, and involves input from a council of about 35 top princes representing descendants of the kingdom's founder. The June 21 move amounted to one faction's deposing of another, in the most jolting succession fight since King Saud was forced from the throne by his brothers 53 years ago.

That has left some royal-court insiders concerned about further upheaval, worrying another group could plot a move, say some of the people familiar with the royal court. "Now it's the precedent," one of them says.

The royal-court official de-



SAUDI PRESS AGENCY/EUROPEAN PRESSPHOTO AGENCY

Saudi princes gather at the Mecca palace to pledge allegiance to Mohammed bin Salman as the new crown prince on June 21.

on antiterrorism initiatives, he had longstanding relationships with career U.S. security officials who have sometimes been at odds with the current White House.

Some Saudis and Saudi watchers have expressed hope that economic liberalization will lead to more political and cultural liberalization, and that Mohammed bin Salman will emerge as a force for such change. His planned economic overhaul includes a push to bring more women into the workforce and improve education levels.

Discord between the two princes stretched back to 2015, in the early part of King Salman's reign, when he made Mohammed bin Nayef crown prince and installed his own son, Mohammed bin Salman, as deputy crown prince. King Salman's later moves to give his son power over foreign affairs, the military and the economy fueled speculation the king could move him up in the succession order.

### The Qatar rift

A debate over how to handle the confrontation with Qatar that began in June, over accusations by Saudi Arabia and other Arab countries that the Persian Gulf neighbor supported terrorism, among other factors, heightened the sense of urgency over the rift between the princes, say several of the people familiar with the royal court. The older wanted a diplomatic solution rather than economic coercion and threats of violence, say some of the people familiar with the royal court. The younger adopted a more hawkish stance, supporting the economic blockade of Qatar that prevailed and remains in place.

"Mohammed bin Nayef did not oppose any measures taken against Qatar," the royal-court official said. King Salman's deteriorating health fed concerns in Mohammed bin Salman's camp that time was growing short, say some of the people familiar with the royal court. The young prince began to lobby his father to choose him as successor.

"The King's health is excel-

### Road to Power

**April 2014** Mohammed bin Salman, son of then-Crown Prince **Salman**, is appointed state minister and a member of the Saudi cabinet.

**January 2015** Salman becomes king and puts Mohammed bin Salman in charge of the economy and defense. The king appoints his nephew, **Mohammed bin Nayef**, crown prince and makes Mohammed bin Salman deputy crown prince. Mohammed bin Nayef remains minister of interior and in charge of domestic security.

**September 2015** King Salman removes Mohammed bin Nayef's closest adviser after the adviser meets with a former CIA director but doesn't report the meeting to the king.

**April 2016** Mohammed bin Salman announces ambitious

plans to take the Saudi state-owned oil company public and use proceeds as part of a strategy to diversify the country's economy and reduce its dependence on oil.

**April 2017** Mohammed bin Salman meets President Donald Trump at the White House.

**April 2017** King Salman creates a national-security center that doesn't fall under the purview of Mohammed bin Nayef, who was head of domestic security. The king names a new national-security adviser, Mohammed bin Salih Alghafli, who is linked with Mohammed bin Salman.

**June 2017** Mohammed bin Salman champions a campaign to economically isolate Qatar, a strategy to which Mohammed bin Nayef objected. Later that month, King Salman removes Mohammed bin Nayef from the role of crown prince and replaces him with Mohammed bin Salman, putting Mohammed bin Salman next in line for the throne.

lent," the royal-court official said of the 81-year-old monarch. "He performs his daily, varied routines in an active and energetic manner. In the Kingdom of Saudi Arabia, the King is a King until death."

The royal court recorded a video in recent weeks in which the king says it is time for Mohammed bin Salman to become king, say several of the people familiar with the royal court. They say the unpublished video could be used upon the king's death or as a public abdication announcement.

The royal-court official, without directly addressing the video, said: "Any country that abandons its leader in his last days for a critical health condition is a country with no dignity and prestige."

As the young prince laid his plan, he notified the Trump administration. The week before the power shuffle, say

several of the people familiar with the royal court, Mohammed bin Salman dispatched a young official named Turki al Sheikh to Washington.

President Donald Trump had met Mohammed bin Salman in Riyadh and Washington in recent months. Mr. al Sheikh, a poet and writer of patriotic songs with no foreign-policy experience, had been moved by Mohammed bin Salman recently to a prominent role in the royal court.

On his June trip to Washington, Mr. al Sheikh notified the White House that Mohammed bin Salman was ready to oust his older cousin, say these people.

A White House official, referring to the Saudi leadership change, said the U.S. government "sought not to intervene or to be seen as intervening in such a sensitive internal matter," and "we consistently

stressed our desire to maintain cooperation" with Saudi leadership.

The royal-court official said: "With regard to Minister Turki Al-Sheikh, he did not meet any U.S. official at all. Neither the U.S. nor any other country has been directly or indirectly informed about the matter, for this is an absolute sovereign matter."

Mohammed bin Salman's plan began playing out soon after Mr. al Sheikh returned to Saudi Arabia, in a drama described to The Wall Street Journal by people familiar with the royal court.

On June 20, Mohammed bin Nayef was getting ready for a relaxed Eid, the big celebration at the end of the Muslim holy month of Ramadan. He headed that night to the palace in Mecca for a routine gathering of senior officials.

### Palace intrigue

For months, he had known his cousin could move against him. Within the three weeks leading up to Eid, people close to Mohammed bin Nayef warned him that Mohammed bin Salman was likely preparing to oust him. But, Mohammed bin Nayef dismissed their concerns as conspiracy theories.

Mohammed bin Nayef "thought why do it now, because it was the last three days before Eid," says one of the people familiar with the royal court.

Guards loyal to Mohammed bin Nayef were replaced by others loyal to Mohammed bin Salman. The royal-court official said this was normal procedure and that additional royal guards have been assigned to the older prince, adding that they don't control his movements.

Mecca's black-and-white Al Safa palace looms about 10 stories over the Kabaa, Islam's holiest site. Videos show that when the king and his entourage are present, as they were June 20, its carpeted meeting rooms buzz with ministers, staffers and servers carrying trays of coffee to dignitaries in green velvet armchairs.

The crown prince wasn't set to arrive at the palace un-

till nighttime, after Tarwih prayers—an hour when many gatherings of high-level officials happen in the scorching Saudi summer. After dark, Mohammed bin Nayef's motorcade set out for the palace through Mecca's busy streets.

### Ushered to lounge

When he arrived at the palace that evening, he was told to proceed alone, without his security detail.

"Once he went from one room to another they took the weapons, the phones, everything from everyone" in his entourage, says one of the people familiar with the royal court.

Guards ushered Mohammed bin Nayef upstairs, through the palace's flower-patterned hallways to a small lounge. They closed the doors, leaving him alone. It was close to midnight by then, and the crown prince wouldn't leave until morning.

While Mohammed bin Nayef waited, Mohammed bin Salman had calls put out to members of the Allegiance Council, the group of about 35 sons and grandsons of the kingdom's founder who weigh in on leadership structure. They were told the king wanted Mohammed bin Salman to be crown prince and asked for their support. The Saudi government says 31 members approved.

In that room, Mohammed bin Nayef was told of his fate: The kingdom's senior princes wanted his cousin as crown prince.

Mohammed bin Nayef "was horrified," says one of the people familiar with the royal court. He was asked to sign a resignation letter and a pledge of loyalty to Mohammed bin Salman, this person says. The crown prince resisted.

Over the next several hours, royal-court officials visited him, urging him to reconsider. An emissary from the king told him to sign the resignation letter or face serious consequences.

Mohammed bin Nayef held firm. But by dawn he was exhausted. He knew there was no way out. He made the only compromise he could—he agreed to give an oral pledge of allegiance.

The royal-court official said: "The pledge of allegiance made to the Crown Prince was made willingly."

It was about 7 a.m. when Mohammed bin Salman's men let the crown prince out. Mohammed bin Nayef didn't expect to confront the man taking over his title immediately.

After exiting the room, though, he was surprised to hear a crowd. He walked from the corridor to the marble-walled room and saw video cameras and photographers. A guard—not one of his—stood with his hand on a holstered gun, in what people familiar with the royal court's traditions say is a violation of protocol around the crown prince.

Then he saw Mohammed bin Salman coming quickly toward him. There was the kiss and muttered pledge of allegiance.

It took about 15 seconds. Then a guard wrapped a black cloak around Mohammed bin Nayef's shoulders and led him off to his Jeddah palace.

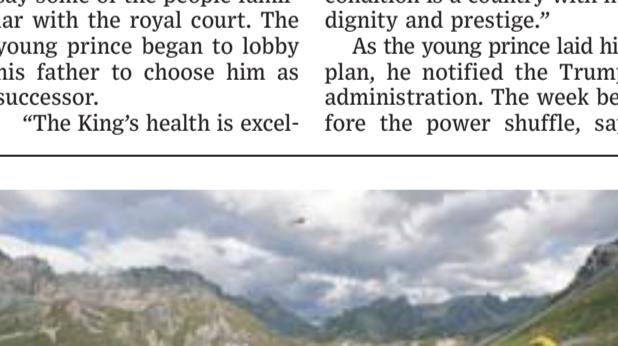
# TOUR

### Continued from Page One

For the vast majority, the Tour's third week is no longer about winning but making sure everyone survives till the finish line on the Champs-Élysées on Sunday. This is where team doctors and chefs earn their money, applying everything from preventive strategies inspired by hospitals to home-spun remedies to keep their pedaling germaphobes healthy.

"After two weeks of racing your body gets tired," said Team Lotto-Soudal rider Jurgen Roelandts, who is in the late stages of a bronchitis-related cough, and was also quarantined for a few days. "Every little thing, in a team of 40 or 50 people, can be contagious. And it spreads quite quickly."

His older cousin is a low-key official who has made relatively few public appearances and has followed a slow-moving approach to governance over the years. He had widespread support among older Saudi princes who have backed his more conservative approach to foreign affairs. Through his years of working



CHRISTOPHE ENA/ASSOCIATED PRESS

Staying healthy is a challenge for riders in the Tour de France.

clined to make Mohammed bin Salman available for comment and said Mohammed bin Nayef declined to comment.

Mohammed bin Salman in recent years has made bold promises of change, pledging to modernize and open Saudi Arabia's economy and culture. His plan focuses on listing shares in the state-owned oil company on a public exchange and investing the proceeds to diversify the economy. He has also taken an aggressive approach to foreign policy and has worked to form close ties with the Trump White House.

King Salman's deteriorating health fed concerns in Mohammed bin Salman's camp that time was growing short, say some of the people familiar with the royal court. The young prince began to lobby his father to choose him as successor.

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said, "So it's not for everyone."

Mr. Fowler stirs all manner of herbal remedies into his riders' food. Rose hip is a special favorite for vitamin C. Dried thyme goes in the food most days for its anti-bacterial and anti-inflammatory properties. And for those with respiratory troubles, Mr. Fowler turns to pine syrup, which he calls a "natural expectorant."

Team Sunweb's doctor, Anko Boelens, likes to play his team with multivitamins, fish oil and other natural supplements before they get sick, because treatment options are limited. Many common cold and flu drugs contain substances, such as steroids, that are banned in competition. If his riders do catch something, Dr. Boelens's approach is simple: Just double the dosage on the vitamins.

"A lot of those things are not terribly scientific," he said. "The most important thing is, if you get a virus, let your body do the work. It's perhaps also a little bit a Dutch thing where we are pretty conservative with handing out antibiotics."

One thing Sunweb isn't conservative about, however, is quarantine. When rider Roy Curvers felt poorly earlier in

the Tour, Dr. Boelens immediately conducted a physical and sent him to serve a few nights in bike-racing solitary. "We have a single room anyway," Dr. Boelens said. So, right now, "anyone even with a blocked nose goes in quarantine."

Riders can request special dispensation from race officials to use stronger prescription drugs, which must be approved by an independent doctor. But "therapeutic use exemptions" are a source of intense controversy in the sport. Over the weekend, Mr. Roelandts's Lotto-Soudal teammate Tim Wellens preferred to drop out with his throat problem rather than ask for permission to use an otherwise banned substance.

Messrs. Roelandts and Roland considered doing the same. In fact, if this hadn't been the Tour, Mr. Roland said he would certainly be in bed, because racing without the use of his nose is too brutal.

"As soon as I have to pick up speed, I've got no oxygen going to my muscles and that's the ultimate suffering," he said, before his bronchitis improved. "But this is the Tour de France and you don't quit the Tour de France."

# GREATER NEW YORK

## City Calls For More Access to The Arts

BY CHARLES PASSY

New York's cultural institutions need to better reflect the city in all its racial and socio-economic diversity or they risk alienating too many people who call the five boroughs home, according to a report released Wednesday.

Dubbed CreateNYC, the 180-page report, produced in an effort led by the city's Department of Cultural Affairs, is the city's first-ever cultural plan.

Though the report asserts New York's status as a haven for the arts, it points to numerous issues. Key among them: Seventy-two percent of New Yorkers say they would participate more in the city's cultural life if activities were closer to home.

"We are proud to be known as the world capital of arts and culture, and if we are going to continue to live up to that title, we must use every available tool...to ensure that every resident, in every neighborhood, has the same access to cultural

## \$300M

New York City funds disbursed to cultural groups annually

opportunities," said Mayor Bill de Blasio in a written introduction to the report.

The plan notes the city's cultural institutions don't reflect the diversity of New York in their staffing. Thirty-eight percent of their employees are people of color, while 67% of New Yorkers identify themselves as such.

CreateNYC makes a number of recommendations, with a focus on rethinking the \$300 million-plus in city funds that are disbursed annually to cultural groups through subsidies and capital grants. Recipients include such institutions as the Metropolitan Museum of Art and Carnegie Hall, along with dozens of smaller organizations.

The report calls for increasing city funds to institutions in low-income communities.

Department of Cultural Affairs Commissioner Tom Finkelpearl said his agency regularly would survey institutions as to the racial makeup of their staffing and boards. "We want to double-down on this idea that [institutions] need to represent diversity," he said.

Mr. Finkelpearl and others connected to the report said that larger, more traditional-oriented institutions in the tourist-rich, central parts of New York City wouldn't necessarily see their funding cut at the expense of smaller, neighborhood-based ones. Mr. Finkelpearl noted that the city already has allocated more than \$50 million in additional cultural funding to avoid this issue.

Cathy Hung, executive director of the city-funded Jamaica Center for Arts and Learning in Queens, said the report's emphasis on diversity and looking beyond the city's geographic core is welcome.

But Ms. Hung said for the plan to have a long-term impact, the additional money would have to keep coming for many years. "It has to be something that's not a one-time deal," she added.

## Newark Fares Fall as Choices Rise

Port Authority credits greater competition, but United says FAA's move increased delays

BY PAUL BERGER

Ticket prices are tumbling at Newark Liberty International Airport as the choice of airlines and destinations increases.

The Port Authority of New York and New Jersey says passengers should thank the Federal Aviation Administration for breaking United Continental Holdings Inc.'s lock on the airport.

United says passengers should thank the FAA—for rising delays and cancellations.

"When the FAA took this action, they knew it was going to be worse and in fact it is," said Tracy Lee, United's vice president of network operations. The FAA didn't provide comment Wednesday.

United controlled 73% of the takeoff and landing slots at Newark until October 2016. That is when the FAA relaxed federally imposed slot restrictions, opening the airport up to greater competition. United remains the largest carrier at Newark.

The Port Authority said the cost of an average round-trip domestic ticket at Newark in the fourth quarter of 2016 was \$400—6.5% lower than the fourth quarter of 2015.

Ticket prices were already falling at the airport before the FAA took action. In the third quarter of 2016, while slot restrictions were in place, prices fell 6.3% from the same period a year earlier, according to agency figures.

But the Port Authority points out that routes where low-cost airlines such as Allegiant and Spirit have broken in to Newark's schedule have seen double-digit price reductions.



A United Airlines plane takes off from Newark Liberty International Airport. The FAA relaxed slot restrictions at the airport last October.

The agency said the average cost of a round-trip ticket from Newark to North Carolina's Asheville Regional Airport fell to \$273 in the fourth quarter of 2016, a 28.7% drop from the same period in 2015.

Tickets to Cincinnati-Northern Kentucky International Airport and to Savannah/Hilton Head International Airport fell 19.2% over the same period.

Susan and Bryan Carr, who fly to New Jersey from Georgia several times a year, on Wednesday took Allegiant's low-cost flight from Savannah.

"It gives us more variety and more choices," Mr. Carr said.

The Newark airport is also

benefiting from the arrival of new international carriers such as Emirates, the Polish airline LOT and Norwegian Air.

"We've always talked about the need to provide competitive pricing for our customers," said Huntley Lawrence, the Port Authority's director of aviation.

The FAA imposed slot restrictions in 2008 at Newark, John F. Kennedy International Airport and LaGuardia Airport to reduce cancellations and delays. The three airports, which share the most congested air space in the country, consistently score among the worst nationally for on-time performance.

The FAA lifted the restric-

tions at Newark, saying it was the only airport of the three that significantly underutilized its slots.

In a 2015 lawsuit, which was subsequently dropped, the U.S. Department of Justice accused United of deliberately holding slots at Newark and keeping them unfilled to stifle competition and drive up prices.

United's Mr. Lee called the allegations "absolutely untrue." United didn't use all of its slots, he said, because Newark couldn't cope with the volume of air traffic.

Since the slot restrictions were relaxed, delays and cancellations have risen significantly, he said.

When airports become con-

gested or during periods of bad weather, the FAA implements a ground delay program that reduces flight arrivals.

Newark had 27 ground delay programs in June, Mr. Lee said. "When you are delayed 27 out of 30 days, I question whether or not that is a good thing."

The Port Authority acknowledges delays have increased at Newark since October. Mr. Lawrence attributed that primarily to weather conditions.

He also cited runway construction at JFK, which has a knock-on effect in an interconnected airport system such as New York's.

—Mariana Alfaro contributed to this article.

## New Charges Target MS-13

BY JOSEPH DE AVILA

CENTRAL ISLIP, N.Y.—Eight alleged members and associates of the Central American gang MS-13 have been charged in a widening racketeering case connected to five Long Island murders.

Federal prosecutors said Wednesday the charges are tied to a January fatal shooting of a rival gang member in a Central Islip deli, and the April ambush and slaying of four young men with machetes and clubs in a park in the same city.

"We won't tolerate this violence in our schools, in our parks or our neighborhood," said Bridget Rohde, acting U.S. Attorney for the Eastern District of New York.

Federal prosecutors said 10 other individuals who had been previously charged in a racketeering case aimed at dismantling the gang on Long Island now face new charges related to the January deli murder and the four murders in the park from April. In addition, six juveniles have been charged in connection to the park murders, law-enforcement officials said.

The defendants were arraigned on Thursday and Monday. All have pleaded not guilty.

Timothy Sini, commissioner of the Suffolk County Police Department, said the arrests are a big blow for MS-13 on Long Island. About 175 individuals connected to MS-13 have been ar-

rested since Sept. 13, 2016, he said.

"Nothing will bring those boys back," Mr. Sini said. "But we can take some solace that their murderers are behind bars."

The Suffolk County Police Department said MS-13 is responsible for 17 murders in the county since Jan. 1, 2016, including those of two high-school students killed in Brentwood in September. Federal prosecutors have now brought charges in eight of those 17 cases.

The murders of the high-school students and the four young men who died in the

Central Islip park caught the attention of the Trump administration, which has blamed the rise of MS-13 on lax border enforcement. U.S. Attorney General Jeff Sessions came to Central Islip in April, promising more resources for law-enforcement agencies to take on MS-13.

Ms. Rohde said two female associates of MS-13 lured the four victims and another man to the park, where more than a dozen MS-13 gang members and associates armed with machetes, knives and clubs ambushed the young men, killing four of them while another escaped.

## Judge Stops Auction of Madonna's Personal Items

BY CORINNE RAMEY

A Manhattan state Supreme Court judge halted an auction that was set to begin Wednesday of some of Madonna's personal items, including underwear and love letters.

The superstar on Tuesday sued Gotta Have Rock and Roll, which was running the auction, and Darlene Lutz, her former friend and art consultant, objecting to the auction of 22 specific items.

"The fact that I may have attained celebrity status as a result of success in my career does not obviate my right to maintain my privacy," Madonna said in court documents.

Late Tuesday, Justice Gerald Lebovitz issued a ruling temporarily blocking the auction house from selling or displaying the objects. He ordered the defendants or their lawyers to appear in court on Sept. 6.

On Wednesday, Ms. Lutz's lawyers sought to vacate the temporary restraining order, arguing the applicable statute of limitations had passed. Furthermore, due to a 2004 settlement between the two women, Madonna's current claims don't apply, they said.

"This lawsuit is pretext for Madonna's personal vendetta against Ms. Lutz, whom she already has sued once over a decade ago following a personal falling out," they argued.

The property wasn't stolen, the lawyers contend. The underwear, for example, she sent to a former love interest. "If Madonna truly wanted privacy, then mailing her lingerie was not the way to go," they added.

In the court filing, Madonna said Ms. Lutz was a frequent overnight guest and would have had access to the items on numerous occasions. Among the things she objected to were a hairbrush and "intimate love letters," including from former boyfriend Tupac Shakur, a rapper and actor who died in 1996.

"I had no idea that the Shakur Letter was no longer in my possession," she wrote. The auction house expects the Shakur letter to fetch from \$300,000 to \$400,000, and the underwear lot to net from \$10,000 to \$20,000.

As of Wednesday, the auction house no longer listed the contested items on its website.

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EVAN AGOSTINI/ASSOCIATED PRESS

## GREATER NEW YORK

### PROPERTY WATCH

#### HOME AMENITY

#### New Rental Offers Co-Working Space

A big new rental building in the crowded downtown Brooklyn market is looking to lure stay-at-home tenants with a promise of co-working office space at home.

The new workspace at 33 Bond St., a 25-story building with 714 apartments, is named "HomeWork" and is available to tenants who pay a \$30-a-month fee that includes access to workspace on a private outdoor terrace.

There are two conference rooms with large video screens, two long tables, a series of booths with built-in benches and a coffee bar with a sink.

"We are responding to the amount of entrepreneurs there are," said Zoe Elghanayan, a vice president and principal at developer TF Cornerstone.

Landlords of high-end condo buildings introduced shared office space during the last real-estate boom. For example, One Beacon Court, which opened in 2005 on East 58th Street near Lexington Avenue, included a business center along with more conventional amenities.

Now some rental buildings are adopting the approach as well.

Ms. Elghanayan said competitive prices along with amenities such as 20,000 square feet of outdoor space helped spur leasing at 33 Bond St. when sales were launched a few weeks ago.

#### RENTAL LISTINGS

#### StreetEasy.com Starts Charging Brokers Fees

StreetEasy.com, a real-estate website that has become a dominant player in the New York City market, is abandoning its longstanding practice of providing consumers access to all available broker listings.

StreetEasy on Tuesday began charging agents \$3 a day for each rental listing it shows. The number of rental listings on the site plunged by 55% the first day, although it rebounded somewhat Wednesday as more agents signed up to pay the fee.

When brokers didn't pay, old listings were marked "no longer available." Fees aren't being charged for sale listings.

Brokers said the new fee reflects StreetEasy's commanding position in the online real-estate search industry in New York and its desire to monetize that advantage.

Zillow Inc. purchased StreetEasy in 2013. The new fee also will apply to New York City listings on other Zillow sites, including Zillow.com, Hotpads.com and Trulia.com. It is the first time Zillow.com has charged agents an advertising fee for listing, a spokeswoman said.

—Josh Barbanel



This 19.2-acre development site on the market has a private lagoon and is nearly encircled by Long Island Sound. A home in the area sold for \$120 million in 2014.

## Greenwich Site Asks \$49 Million

By JOSH BARBANEL

At the tip of the gated community of Mead Point in Greenwich, Conn., home to corporate chieftains, investment bankers and private-equity managers, is a wooded hilltop and private lagoon where butterflies take wing, seagulls soar and the croaking of frogs can be heard in the quiet.

This 19.2-acre spot with an 878-foot-long private sandy beach and dock was listed on the market this week as a development site for two 10-bedroom mansions. The asking price: \$49 million.

Brokers say the unusual location, surrounded by the waters of the Long Island Sound on three sides, may be one of the last large stretches of privately owned vacant land along the sound in affluent Greenwich.

ent Greenwich.

The peninsula has a history that dates back to Native American tribes and Colonial farms, but the 9-acre lagoon, a tidal pond that rises and falls with the steep tides in Greenwich, was a plaything created by the New York-based real-estate developer William Zeckendorf during the 1950s.

"This property to me is in a class of its own," said Lyn Stevens, of Douglas Elliman Real Estate, who is listing it along with her business partner, Robin Kencel.

Other mansions along nearby shores include an expansive white house with a pillared portico owned by President Donald Trump in the 1980s. (His first wife, Ivana Trump, got the mansion in a divorce and sold it in 1998 for \$15 million.)

George Lindemann, the investor and former chief exec-

utive of Southern Union Co., a gas pipeline company that merged with Energy Transfer Equities LP in 2012, has a mansion on a 9.5-acre waterfront property next door to the Mead Point listing.

The market for the most expensive properties in Greenwich has been weak in recent years, a decline that some brokers attribute in part to rising state income-tax rates on affluent residents.

Charles Magyar, a broker at William Raveis Real Estate who isn't involved with the Mead Point property, said that while the market for lower-priced houses "has been on fire," only four houses listed for more than \$10 million have sold in the past 12 months, while 38 are on the market. Two homes are now listed in contract, brokers say.

But Mr. Magyar said houses fronting the sound are

selling at a huge premium. Mead Point is near Copper Beach Farm, a 50-acre waterfront spread with a Victorian mansion that sold for \$120 million in 2014, one of the highest prices paid for a home in the U.S.

The Mead Point property was owned for many years by H. Sylvia Wilks, the daughter of Hetty Green, a Wall Street investor known in the Gilded Age for her acumen and miserliness, and as the world's wealthiest woman.

After Ms. Wilks died in 1951, Mr. Zeckendorf purchased the property, and filled in tidal areas with landfill to create the large lagoon with a bridge that allows seawater to flow in and out with the tide.

Mr. Zeckendorf was a master builder and deal maker who assembled the land where the United Nations headquarters is now located.

But he gave up his Greenwich home in the late 1960s, following a series of financial reverses culminating in a personal bankruptcy filing in 1968.

The site remained in the hands of a local Greenwich family until 2015, when it was sold for \$35 million to an investor.

Arthur Zeckendorf, one of William Zeckendorf's grandsons and a Manhattan developer, recalled visiting the pond as a youngster. He said the property was stocked with peacocks and monkeys and the lagoon with oysters.

"We would go and get oysters with Grandpa," he said.

He said his grandfather's modernist one-story house was modest by current Greenwich standards, though he noted there was also a tennis court, a swimming pool, a guesthouse and a "place for the monkeys."

## Man Gets 22 Years for Manhattan Hammer Attacks

By CORINNE RAMÉY

A Bronx man who attacked seemingly random victims with a hammer was sentenced Wednesday to 22 years in prison.

David Baril, 32 years old, pleaded guilty to three counts of second-degree assault and one count of attempted assault

of a police officer in state Supreme Court in Manhattan in May.

"For two full days in 2015, New Yorkers were gripped with fear as a hammer-wielding man was on the loose in Manhattan," said Manhattan District Attorney Cyrus Vance Jr.

A lawyer for Mr. Baril

couldn't be reached for comment.

Prosecutors said that on May 11, 2015, Mr. Baril struck a 20-year-old man in Midtown in the back of the head with a hammer. Several hours later, he hit a 28-year-old woman, in Union Square, on the side of the head with the same hammer, they said. Then, five minutes

later, he approached a 33-year-old woman and struck the back of her head.

Two days later, two police officers recognized Mr. Baril in Midtown and approached him, according to prosecutors. Mr. Baril took the hammer from his pocket and struck one officer repeatedly, until he was shot by the second officer.

Police said at the time that the officer Mr. Baril attacked suffered injuries to the back of her head and neck. The other victims weren't seriously harmed, they said.

  
**David Baril**

BY LESLIE BRODY

New York City Comptroller Scott Stringer demanded the city school system fix the way it keeps track of its computers, saying Wednesday that auditors inspecting a small sample of buildings couldn't find nearly 2,000 desktops, laptops and tablets that were supposed to be there.

The comptroller's charges repeated claims he made against the Department of Education in December 2014. Both times, the department countered that the audit's methodology was deeply flawed.

Even so, on Wednesday school officials said they were exploring ways to upgrade the management of schools' technology purchases.

Mr. Stringer, a Democrat who is running for re-election in November, said his team inspected eight schools and one administrative site. He said the department didn't have accurate records for 4,993 pieces of hardware, so they were at risk of being lost, stolen or wasted. Auditors couldn't find 1,816 of them in the buildings.

"Our kids are paying the price for our jumbled bureaucracy," Mr. Stringer said.

The department signed contracts valued at about \$210 million to buy computer hardware from three companies since July 2014, the audit said.

## School System Faulted For Grip on Computers

Will Mantell, spokesman for the Department of Education, said by email that the agency "will continue to invest in cost-effective solutions that catalog and safeguard technology purchases in the best interests of students, schools and taxpayers."

Department officials said auditors misunderstood its systems for managing assets, didn't always interview the cor-

*'Our kids are paying the price for our jumbled bureaucracy'*

Comptroller Scott Stringer

rect staff and didn't ask appropriate follow-up questions about the equipment.

The comptroller said the department should use a central inventory system to track devices, and should conduct a districtwide count of computers to make sure that all are logged properly. Mr. Stringer said the department should also consider adding tracking software to computer hardware items that could be lost or stolen.

Department officials said they were doing so on Windows devices, and evaluating that idea for products that run other software.



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# LIFE & ARTS

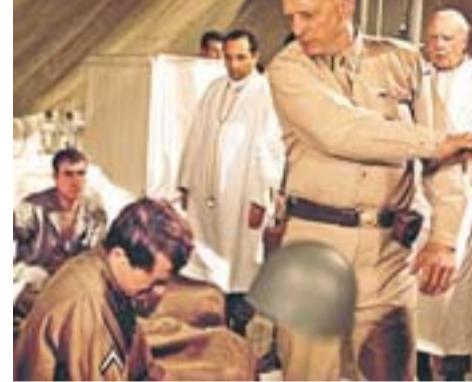


CLOCKWISE FROM TOP LEFT: WARNER BROS. PICTURES; EVERETT COLLECTION (5)

CASABLANCA (1942) was an early film that helped rally American solidarity during wartime.



THE DIRTY DOZEN (1967) was a subversive take on WWII during the Vietnam War.



PATTON (1970) The movie, starring George C. Scott, showed trauma familiar to Vietnam vets.



SCHINDLER'S LIST (1993) The Holocaust became a central focus in the 80s and 90s.

"Great Dictator" about an Adolf Hitler-like figure, delivers a final speech directly into the camera that includes the line: "Let us fight to free the world."

During the war, filmmakers churned out movies in close to real time, going from script to screen as soon as six months, said Mr. Harris.

"Films made about World War II during the war are special because we don't know we're going to win," said Thomas Doherty, a professor of American studies at Brandeis University who wrote "Projections of War: Hollywood, American Culture, and World War II." "I'm always surprised when I look at World War II movies made during the war just how stern the lessons are. The guy you really like is often killed in the film."

Soon, the anxieties of the atomic age be-

Please see WWII page A12

## WAR MOVIES

# How Will 'Dunkirk' Stack Up Against WWII Greats?

Christopher Nolan is the latest director to take on the Second World War; what films say about the times

BY ELLEN GAMERMAN

**CHARLIE CHAPLIN**, Alfred Hitchcock, Roman Polanski, Spike Lee, Clint Eastwood, Angelina Jolie, Steven Spielberg—all have made movies related to World War II.

Now Christopher Nolan joins their ranks with "Dunkirk," the story of the military and civilian evacuation of more than 300,000 Allied troops trapped on the beaches of northern France in 1940. The big-budget Hollywood picture out this week, written and directed by the British-American filmmaker behind "The Dark Knight" trilogy, is not about an Allied victory, but a rescue at a highly precarious moment in history.

Directors who want to test their mettle continue to turn to World War II, the subject of more American movies than any other conflict in U.S. history, film experts say. U.S. wars in Iraq and Afghanistan remain intermittent screen subjects, but World War II, with its sense of moral clarity, is a constant. The war formed the backdrop of several movies last year and returned this year with pictures including the Holocaust film "The Zookeeper's Wife" and the D-Day drama "Churchill," as well as the Winston Churchill biopic "Darkest Hour" coming in the fall.

"Dunkirk" fits into a tradition of historical recreations of the war while bringing the latest camera and sound technology and a major Hollywood budget to bear on its subject—what Mr. Nolan has called "virtual reality without the headset." Sounds of rushing air and whizzing bullets thump the bodies of viewers in their seats, while the wide-screen

speeding aerials of dogfights.

"I knew I didn't want to make a film that could be dismissed as old-fashioned, something that wasn't relevant to today's audiences," Mr. Nolan wrote in a column for the Telegraph earlier this month. "My pitch to Warner Bros was: 'We're going to put the audience into the cockpit of a Spitfire and have them dogfight the Messerschmitts. We're going to put them on the beach, feeling the sand getting everywhere, confronting the waves.'

Many World War II films reveal at least as much about the times in which they are made as they do about the conflict itself. "It's possible that 20 years from now we'll look back at 'Dunkirk' and say, 'That movie was so 2017,' and everyone will know exactly what that means," said film historian Mark Harris, author of "Five Came Back," a book about Hollywood and World War II that was also the subject of a recent Netflix documentary.

Around the beginning of the war, films served a practical purpose, rallying American solidarity behind the conflict. In 1940, Hitchcock's "Foreign Correspondent" featured a reporter calling for action with guns and battleships in a scene of a radio broadcast: "It's as if the lights were out everywhere except in America," he says. Chaplin, who directed and played the lead speaking role in 1940's "The



SAVING PRIVATE RYAN, above, presented the war to a new generation with 'the most important 20 minutes in cinema history.' Top, DUNKIRK.

format is delivered with the help of six IMAX cameras costing \$1 million each. The advanced technology brings out the tiny details of grime on a soldier's ear, foam on the ocean, bootprints in the sand. The end result is a film with hyper-real shots of soldiers getting strafed on beaches, underwater images of men in doomed naval vessels and

though many lives were lost in the process—the rescue of 338,000 of those soldiers by shallow-draft naval vessels plus a large civilian flotilla of fishing boats and yachts.

With sparse dialogue, a minimum of digital simulations and an emphasis on spectacular images, the production follows, among others, a young British enlisted man, Fionn Whitehead's Tommy, from the moment he emerges from the streets of Dunkirk to join vast throngs of other men, most of them young and all of them frightened, on the sands of what was formerly a vacation resort. They have no more idea than he does what's in store for them. All they know is that they're totally vulnerable to German tanks and planes, and unlikely to survive. (The cast includes Harry Styles, of One Direction, making his acting debut.)

"Dunkirk" is hardly the first film to depict the mad chaos of modern war. The champion in that category remains "Apocalypse Now," with "Black Hawk Down" and "Saving Private Ryan" as strong contenders. Still, Mr. Nolan has spoken of his own list of influences being topped by "The Wages of Fear," Henri-Georges Clouzot's peerless thriller, made in 1953, about desperate men in South America driving nitroglycerin-laden trucks over primitive roads.

Please see DUNKIRK page A12

## FILM REVIEW | By Joe Morgenstern

# 'DUNKIRK': FINDING HUMANITY IN CALAMITY



Fionn Whitehead as  
Tommy in Christopher  
Nolan's 'Dunkirk'

IN "DUNKIRK," an astonishing evocation of a crucial event during the first year of World War II, Christopher Nolan has created something new in the annals of war films—an intimate epic. The scale is immense, and all the more so in the IMAX format that shows the action to best advantage. The density of detail is breathtaking; it's as if the camera can barely keep up with what's happening inside and outside the frame. Yet the central concern is steadfastly human. Whether we're watching a huge Allied army encircled by Nazi forces on a beach in France or tracking the progress of their would-be rescuers, the drama turns on individuals and their feelings—of terror, excruciating vulnerability and fragile hope that they will make it back home, only 26 miles across the English Channel.

What the film excludes is historical context. It is not, and wasn't meant to be, an explanation of the circumstances that led, in the spring of 1940, to the entrapment of some 400,000 British, French, Belgian and Canadian troops, including what Prime Minister Winston Churchill called "the whole root and core and brain of the British Army." Instead, "Dunkirk," which Mr. Nolan directed from his own screenplay, is a fictionalized, impressionistic account of a calamity that culminated in a near-miracle, al-

## LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

# A Business-Trip Perk for the Frugal

**TERESA ROEBUCK** booked three business trips in a month and got the flights, hotels—and the \$700 laptop computer—she wanted. By booking through a new site called Upside Travel, the education consultant was rewarded with \$1,000 in gift cards and still figures she saved money for her company.

"I felt like I was cheating," she says.

Upside is the new venture from Priceline founder Jay Walker backed by some big names in finance and travel. It brings basics from vacation-oriented Priceline, such as unpublished discount prices bundled into one package, to higher-dollar business travel. It can benefit well-heeled vacationers looking for bargains on first-class travel or flexible coach tickets, too.

Upside, aimed mostly at self-employed and small-business travelers, gets discounted flexible fares and room rates from airlines and hotels. Individual prices are hidden—buyers see only one Upside package price—so competitors can't match the rates. Discounts get targeted to bargain-hunters without broadly lowering prices.

The package price is lower than published rates, so companies save money on their employees' travel. But those published rates are higher than what Upside is paying the airline and hotel. That lets Upside rebate gift cards to travelers.

Those cards arrive once the trip is completed. Customers select from more than 50 different national retailers and restaurants, or leave the money on account at Upside for future use.

"Interests are aligned. You're getting a share of the savings that you voluntarily make on behalf of your company," Mr. Walker says.

There are drawbacks. Choice of airlines and hotels can be limited and hotels don't award loyalty points on Upside bookings. (Airlines do award miles.) There also may be cheaper airfares and hotel rates out there, but they're likely to carry so many restrictions, Upside figures they're not useful for business travelers.

The arrangement works, Mr. Walker says, because business travelers want flexible bookings, which are more expensive, and airlines and hotels are willing to discount high-dollar rates to land business travelers. Upside has no use for the new category of Basic Economy fares that lack advance seat assignments, for example, or nonrefundable hotel commitments.

"We're not here to save \$22 on the Best Western," he says.

In spot checks, Upside prices often appear to be the lowest alternative. A three-day New York-to-San Francisco trip with Virgin America flights and a room at the Westin St. Francis, for example,

3-day trip from  
**New York to San Francisco**

Fare: Virgin America **\$572**

Hotel: Westin St. Francis  
**\$606 a night**

Total cost: **\$2,390**

**Upside Package:**

Flights and Westin Hotel  
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Company saves **\$210**

Traveler gets a **\$238 gift card**

cost \$2,390 if booked directly with the airline and hotel. Upside's package price was \$2,180. So the business saves \$210, plus the traveler gets a \$238 gift card. Upside's price was also lower than an Expedia package for the same flights and hotel.

Many times cheaper deals can be found. Upside priced a Chicago-

New Orleans trip at \$796 with flights on American, a room at the Hilton Garden Inn near the French Quarter and an \$85 gift card. Yet the flights and hotel booked separately cost \$600, and Expedia had a package price of \$472. The difference: Upside priced only first-class seats on American, ignoring cheaper coach seats with heavy restrictions.

On other days for that route, Upside comes out ahead. Another search for a booking close to departure found the lowest economy fare available, \$612 on United, and total cost of \$1,062. Upside's package price of \$992 was lower than Expedia's package price, saved \$70 off published rates and gave the traveler a \$106 gift card.

Historically, companies have tried to control travel spending by always booking the cheapest coach ticket or only using preferred airlines and hotels. Now some are trying carrots in addition to the sticks by rewarding employees for frugal business trips. Some let employees bank part of the savings on trips to use toward upgrades on future trips, or return some of the savings in bonus cash or time off.

Many booking sites offer their own rewards, such as points or free nights. None has gone as far as gift cards that kick back a sizable portion of the purchase.

Upside, based in Washington, D.C., started selling tickets publicly six months ago. For now, it offers bookings only on flights that originate in the U.S. Not every airline participates; Mr. Walker says the company can't disclose airline arrangements. Browsing the site shows inventory on American, United, Virgin America, JetBlue, Alaska and many international airlines. No trips on Delta showed up in a set of spot searches. Delta didn't respond to questions about Upside.

After a traveler picks flights and a hotel from a limited set of options, Upside offers similar alternatives that can yield bigger savings and gift cards.

Ms. Roebuck, the education consultant from Little Rock, Ark., saw a social media ad for Upside that prompted her to try it. She's received \$4,200 in gift cards for her first 10 trips she booked. She says the biggest drawback is not getting Marriott points.

Chris Lanci, a Philadelphia sales executive for a chemicals company, says he finds Upside often beats Orbitz prices. And he's collected \$1,200 in gift cards. Mr. Lanci says you have to be willing to make concessions at times, since Upside doesn't offer every flight and every hotel. "I'll go earlier or later if I get \$300 in my pocket," he says.

3-day trip from  
**Chicago to New Orleans**

Fare: United Airlines **\$612**

Hotel: Hilton Garden Inn  
**\$150 a night**

Total cost: **\$1,062**

**Upside Package:**

Flights and Hilton Garden Inn  
for **\$992**

Company saves **\$70**

Traveler gets a **\$106 gift card**



**WWII**

Continued from page A11

gin to surface. "In Harm's Way," a 1965 film starring John Wayne as a naval officer in the Pacific after Pearl Harbor, ends with a shot of the ocean that morphs into what looks like a mushroom cloud. Mixed feelings around the Vietnam War enter the picture with movies like 1967's "The Dirty Dozen," a subversive take on conflict told through the story of death-row convicts on a mission to kill Nazis.

Veterans of World War II and Vietnam and civilian Baby Boomers might have taken different messages from 1970's "Patton," at once a portrait of a victorious general and a man driven by ego and ambition. Douglas Cunningham, co-editor of "A Wiley Companion to the War Film" and a teacher of film history at Westminster College in Salt Lake City, Utah, recalled a scene where Patton slaps the helmet of a soldier suffering from shellshock. "By 1970, you would have had plenty of folks returning from Vietnam traumatized in ways that would have been familiar to some members of that audience," he said.

In time the Holocaust became a central part of the screen version of World War II, with movies like 1982's "Sophie's Choice," about an Auschwitz survivor, and Spielberg's 1993 drama "Schindler's List."

Movies have furthered an idea that the Holocaust was known to most American soldiers during the war. A scene hinting at that connection occurs in Spielberg's "Saving Private Ryan," when a Jewish soldier holds up the Star of David on his dog tag and repeats the German word for Jews—"Juden"—to captured enemy soldiers. "This is the way America sees World War II now—that it was all about the Holocaust and the Holocaust was the governing point," said Robert Burgoyne, professor of film studies at the University of St Andrews and author of two books on U.S. history as told through the movies. "The Holocaust was not known to American culture generally. It is simply a kind of rewriting of World War II according to the contemporary generation's perspective."

In 1998, "Saving Private Ryan" presented the war to a new generation, starting with its harrowing opening of Allied troops storming

Omaha Beach on D-Day. "In terms of stoking interest in World War II, these are the most important 20 minutes in cinematic history," said Rob Citino, senior historian at The National World War II Museum in New Orleans.

Within the last decade, films have dug into less-explored angles on the war. "Inglourious Basterds," Quentin Tarantino's 2009 revenge fantasy, is "a thoughtful commentary on the powerful role film itself plays in war," said Mr. Cunningham, recalling a scene where Hitler is shot to death in a blazing movie theater.



'Inglourious Basterds' in 2009, above, was a revenge fantasy. 'The Imitation Game' in 2014, top, explored discrimination.

ater that incinerates its Nazi audience.

Other contemporary films have examined war through the lens of identity politics.

"The Imitation Game" is a 2014 film based on the biography of Alan Turing, the brilliant mathematician who helped crack the German spy code and was later punished for his homosexuality. "Today we're going to tend to focus on issues of race, ethnicity and sexuality, where in the past maybe it would be the Jew, the Irishman and the Italian you'd see in the combat squad," said Mr. Doherty.

All the elements of World War II—weapons, intrigue, fear, bravery, psychological breakdown—make for great storytelling. "If we wrote books and made TV shows and movies about World War II from now until 4,000 AD," said Mr. Citino, "we still wouldn't exhaust it as a source of human drama."

## DUNKIRK

Continued from page A11

tive roads. What's the common denominator? Existential terror, for sure, an awareness that one's life may be snuffed out at any moment, but also classic suspense.

A superlative thriller in its own right, "Dunkirk" yields its power in equal measure through the general (in one memorable overhead shot, hundreds of troops standing defenseless on a breakwater

look up to the sky as Nazi bombers scream in for the kill) and the particular

(countless vignettes of soldiers in extreme peril and anguish suspense). Who will live and who will die as bullets fly, bombs drop, water rises in the hull of a sinking ship? Those are familiar questions in war films.

The difference here is that we care intensely even though no one on

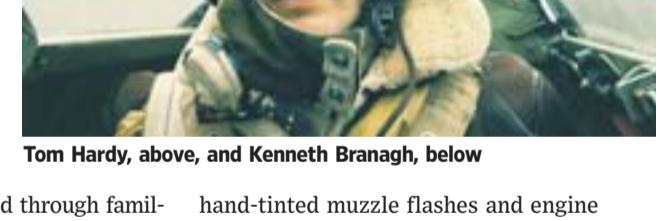
screen has been characterized through familiar speeches about hopes for the future or dreams of girls back home. Long dialogue-free stretches of "Dunkirk" could qualify as silent film if—a big if—it weren't for the shattering sounds of war, and for Hans Zimmer's brilliantly piercing, keening score,

which often merges with those sounds of war. It's the images that tell the essence of the story, and you should try to see the film in the largest format possible, either IMAX or a 70mm print. (The production was designed by Nathan Crowley and photographed by Hoyte Van Hoytema.)

Until now Mr. Nolan's stories—in "Memento," his Batman trilogy, "Inception" and "Interstellar"—have been notable for their intricacy (or, to my taste on occasion, notoriety for their opacity). This time he has dared to keep things simple, except for manipulations of the timeline that heighten narrative urgency without diminishing structural clarity. The structure is tripartite, with more or

less equal attention given to tumultuous events on and around the beach and breakwater (Kenneth Branagh has a small but significant role as a naval commander); in the air, where RAF Spitfire fighters woefully short on fuel struggle to protect the soldiers; and on the Channel, where the little boats of the civilian flotilla make their painfully slow way from Dover to Dunkirk.

The aerial sequences, featuring Tom Hardy as one of the Spitfire pilots, are a marvel. Once again, the form could hardly be more familiar. Dogfights—enhanced by



Tom Hardy, above, and Kenneth Branagh, below

hand-tinted muzzle flashes and engine fires—were an impressive part of the 1927 "Wings," which won the first best-film Oscar, and the first one for special effects.

Here, though, the use of IMAX cameras is transformative. By turns the screen is filled by pilots' faces, Kabuki-like behind goggles and oxygen masks, and skies so capacious that we understand, as never before, the near-impossibility of keeping guns trained on the tiny gyrating dots of enemy fighters.

Simplicity also reigns at sea. Instead of spending time on various boats in the flotilla, as in an affecting 1958 feature about Dunkirk did, Mr. Nolan's film, surprisingly short (especially for him) at 106 minutes, focuses on a single 40-foot wooden yacht, the Moonstone, and its crew of three: the owner, Mr. Dawson (Mark Rylance); his son, Peter (Tom Glynn-Carney); and George (Barry Keoghan), Peter's 17-year-old friend. (They're joined during the Channel crossing by Cillian Murphy as an unnamed survivor of a torpedoed ship.) It's part of the film's distinction that the taciturn Mr. Dawson is played by one of the world's pre-eminent actors, but Mr. Rylance's gifts aren't wasted. When young George asks the yacht owner where they're going, Mr. Dawson replies briskly, "Into war, George." With three words he conveys the audacity of the voyage.



## LIFE &amp; ARTS



The Titanic, deemed 'unsinkable,' sank in April 1912 on its first voyage, left. A bowler hat recovered from the wreckage site in 1993, above.

peditions, but he does have more trips on tap, he says.

The Titanic, deemed "unsinkable" at its launch, sank in April 1912 during its first voyage after striking an iceberg off the coast of Newfoundland. More than 1,500 people died, out of the over 2,200 passengers aboard the ship.

Dr. Bob Ballard, who discovered the wreckage of the Titanic in the north Atlantic 32 years ago, appeared in federal court in Norfolk, Va., last month to voice his concerns about protecting the wreckage site and the artifacts. In court, he said he was speaking on behalf of others such as Mr. Cameron, the National Maritime Museum at Greenwich in London, and the Titanic Belfast public exhibition center.

"My fear, as well as other organizations I just spoke of, is that the artifacts could potentially disappear from public view, be damaged or lost to the world at large," Dr. Ballard told the court.

Dr. Ballard said the group he was a part of, which includes Mr. Cameron and the other entities, "is very interested" in acquiring the entire collection.

Premier acquired the Titanic artifacts in a series of salvaging expeditions spanning more than 30 years. In 1994, a U.S. judge named Premier the "salvor-in-possession" of the wreckage site.

Previously, survivors or rescuers have sold saved or recovered items, according to court papers. Some examples include the sale of two menus for \$140,000 in 2012, or a crew member's violin that fetched \$1.45 million at an auction in 2013.

## AUCTIONS

## The Titanic's Treasures For Sale

BY LILLIAN RIZZO

**THE RMS TITANIC** sank to the bottom of the Atlantic Ocean in 1912, but its treasures are surfacing once again.

Interested parties have until the end of this week to bid on about 5,500 artifacts from the ship, some intellectual property relating to video footage and imagery of the wreck and the rights to explore and salvage the wreckage site for more objects. The auction is the first of its kind for the ship's treasures and goods, and comes more than a year after **Premier Exhibitions Inc.**, the company behind the traveling "Titanic" and "Bodies" exhibitions, filed for bankruptcy.

Potential buyers are bidding on such trinkets as a bronze cherub from the grand staircase used by first-class passengers, a blue sapphire ring surrounded by 14 small diamonds, a steward's jacket and a silver-plated chocolate pot used in the ship's first-class restaurant.

Private-equity firms and other companies have already expressed



The Titanic from above created using several images shot in 2010. The composite shows damage by the ship's impact.

interest in the sale, a person familiar with the matter said. Offers are due Friday, and if more than one is received, an auction is scheduled for November.

Meanwhile, oceanographers and enthusiasts have expressed some concerns during the bankruptcy process about the possibility of the ship's artifacts being pulled away from public view, and the fate of further salvaging from the wreckage site.

A group including James Cameron, the Academy Award-winning director of the blockbuster romance "Titanic," and an enthusiast

known for exploring the site, has turned up as a potential buyer, according to a Virginia District Court transcript. Representatives for Mr. Cameron didn't respond to requests for comment.

The prices Titanic's assets may fetch are still unknown and difficult to predict, as there are no minimum bids set for the auction. Still, court papers show that in 2014, fine arts appraiser Richard Raymond Alsako said the assets had a value of about \$218 million. Since Premier has recovered and conserved some of these objects, the value could be even more.

"These artifacts are powerful, but that's just one leg of the four-legged stool," said Dr. David Gallo, senior adviser for strategic initiatives of RMS Titanic Inc., a part of Premier. "There's still the wreckage 2.5 miles beneath the sea to be explored. There's a bigger story Titanic has to tell, especially for the more than 2,200 people on that ship."

Dr. Gallo, who is an oceanographer by training, co-led a scientific expedition to the doomed ship in 2010. He can't offer details about his plans regarding the Titanic because he signed nondisclosure agreements concerning future ex-

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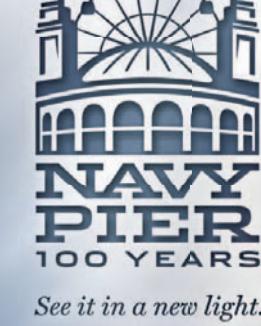
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## CYCLING

# THE TOUR'S FINAL CLIMB

BY JOSHUA ROBINSON

BRIANCON, France—Four days from the finish line in Paris, Tour de France leader Chris Froome has only one job: make the race as boring as possible.

Standing between Froome (pictured) and his fourth Tour win, is the small matter of Friday's 111-mile stage through the high Alps and a pair of rivals trying to generate some craziness on the road.

Froome currently holds a 27-second lead over Cannondale-Drapac's Rigoberto Uran and AG2R La Mondiale's Romain Bardet. In previous years, Froome might have made the gap seem insurmountable. But there have been glimpses of weaknesses, albeit small ones, throughout this Tour, just enough to convince the field that he's vulnerable.

"It's not as big a margin as I've had in other years at this stage," Froome said. "But it's a margin that I'm nonetheless pretty happy with."

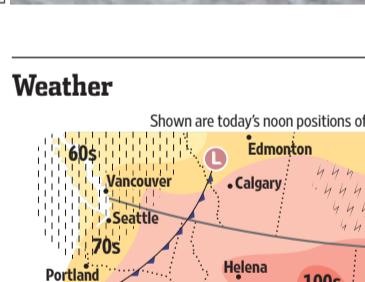
Uran and Bardet don't entirely hate it either and 27 seconds can evaporate in the mountains faster than a spilled beer. To close the rest of that gap, of course, they have to maintain their own form first. (Unlike Team Astana's Fabio Aru, who fell from second overall to fourth on Wednesday by losing 35 seconds here.)

Their problem is that they are running out of time.

Thursday's haul from Briancon to Izoard is the final mountain stage of this race. All that remains beyond it are a flat stage on Friday, a time-trial on Saturday where Froome is expected to be the quickest among the leaders, and the ceremonial roll to the Champs-Élysées on Sunday.

Bardet was keenly aware of this on Wednesday when he launched a pair of late attacks, only to be swallowed up by Froome and his Team Sky helpers.

"This late in the race everyone's on their hands and knees," Froome said about the standings. "We'll see what happens...It's the last battle against the favorites."



BENOIT TESSIER/REUTERS

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# OPINION

## Obama's Last Laugh



WONDER LAND  
By Daniel Henninger

Like pop-up dolls, across the length of Barack Obama's presidency, Republicans voted to "repeal" the law that bears his name—ObamaCare. He laughed at them then, and he's laughing now. No repeal and no replace. They can't even do repeat and punt.

For Democrats, this doesn't quite make up for losing the election to Donald Trump, but it has to help. Schadenfreude can't get much better than watching the Republican Party self-humiliate with an abject inability to win while controlling the House, Senate and White House.

To reimagine the spectacle, it's as if Chuck Schumer, Bernie Sanders, Claire McCaskill and Elizabeth Warren had carved each other up over some Democratic bill. That will . . . never happen.

It was written here in March that the Trump win in 2016 could be either a temporary bubble or produce a Republican governing majority for a generation. What does it look like now? How did so much promise produce this week's dud?

One problem revealed by this episode is the liabilities of a presidency held by a non-ideological figure, a goal of good-government types. Until this moment, the Republican Party had become self-identifiably conservative. We have just learned two things.

The Republicans are not as conservative as they thought. As important, a complex legislative effort like this—Reagan's 1986 tax bill comes to mind—was going to require both ideological discipline and direction from the top, from the president. The unideological Mr. Trump neither conveyed nor enforced idea discipline in his public messaging, other than "get it done."

Lacking an ideological North Star, the Republicans reverted to form: They divided—first with the Freedom Caucus's rebellion from the right in the House and then with the moderate Republicans' 1970s-like spending demands in the Senate. At that point, the Laurel and Hardy act of Sens. Mike Lee and Jerry Moran blowing up the bill was almost comic.

Left undone by this failure is a historic chance to reform the 1965 Medicaid entitlement that now will roll unchecked to the fiscal cliff. Also lost is \$772 billion in savings, which imperils both permanent tax reform's promise of strong economic growth and America's underfunded defense posture.

Republican Party conservatism always seems to be an undone symphony. It started with Goldwater. Then came Reaganomics for a decade, which gave way in the 1990s to the religious right until the tea party displaced them, which gave way to a preoccupation with illegal immigration and the "establishment." It's one Holy Grail after another.

The ObamaCare reform failure has damaged President Trump. He has come a long

way with some undeniable magic, but at the political margin, his can-do reputation has taken a hit.

The Trump White House is right that it has accomplished a lot—energy and financial deregulation, abandoning the Paris climate pact, reversing the Obama pen-and-phone executive orders. But big legislation is the big league of politics. It turns out the American Congress is not Wollman Rink.

Democrats don't indulge defection. After new Democratic National Committee head

### Schadenfreude for Democrats is seeing the Republican Party humiliate itself.

Tom Perez demanded a pro-abortion litmus test for party candidates, even Nancy Pelosi demurred. But make no mistake: Mr. Perez's crude message was heard through the ranks. Income inequality, Medicare for all, choice—keep it simple, stupid.

When new Minority Leader Chuck Schumer expressed early support for a few of the Trump cabinet nominees, thousands of progressives demonstrated in front of his Brooklyn apartment shouting, "Get a spine, Chuck!"

Mr. Schumer hopped back in line fast. Did anything remotely like this public pushback happen to Sen. Shelley Moore Capito of West Virginia, which Mr. Trump won by 42 points? Democrats are in the streets. The Republicans are on Twitter.

The ObamaCare reform failure has damaged President Trump. He has come a long

antidote to this, let me recommend "Free People, Free Markets," an entertaining history of The Wall Street Journal's editorial page, written by my former colleague and long the page's deputy editor, George Melloan, and published by Encounter Books.

The page's first editor was company co-founder Charles Dow, who put the editorials on the front page, calling them, as today, Review & Outlook. His successors, such as William Peter Hamilton and William Henry Grimes, produced decades of consistent conservative opinion. As Mr. Melloan's history and this week's events make clear, the main job requirement for daily opinion writing remains the same: optimism.

Write [henninger@wsj.com](mailto:henninger@wsj.com).

BOOKSHELF | By Matthew Hutson

## It Never Hurts to Ask

### Why? What Makes Us Curious

By Mario Livio  
(Simon & Schuster, 252 pages, \$26)

A friend of mine wants to be cryogenically frozen well before his natural expiration date and (he hopes) reanimated later, when science is more advanced. He doesn't necessarily want more years of life. He just wants a question answered: What explains consciousness? He's willing to risk decades of living for the sake of curiosity.

As any viewer of horror movies will tell you, curiosity can be valued more than life itself ("Don't go in there!"). In "Why?" the astrophysicist Mario Livio explores curiosity and the reasons that, despite its sometimes life-threatening side effects, it has kept us alive and even enabled our evolution to begin with.

Mr. Livio begins with a rough taxonomy of curiosity along two dimensions proposed half a century ago by the psychologist Daniel Berlyne: Curiosity can be *perceptual* (piqued by a sensory anomaly) or *epistemic* (driven by intellectual pursuit), and it can be *specific* (raised by a nagging question) or *diversive* (aimlessly exploratory). Different forms of curiosity can feel very different. Perceptual curiosity is often unpleasant until an ambiguity is resolved, while epistemic curiosity can be enjoyable while on the quest for new terrain.

Two chapters offer portraits of men whose curiosity propelled them to eminence: Leonardo da Vinci and Richard Feynman, the late theoretical physicist and Nobel laureate. They each had broad and deep interests—though, as Mr. Livio concedes, there's no great insight about curiosity to be drawn from their lives. His extracted lesson: "*a necessary condition for keen curiosity appears to be [a superior] information-processing ability*" (italics his). While that may be true, the case cannot be made with a cherry-picking harvest of two. It's an argument that calls for exploration and for an explanation of why it is young children who are the question-asking machines. In another chapter, Mr. Livio describes his conversations with seven men and two women who are contemporary success stories, mostly in the sciences. These interrogations don't dig too deep either ("Would you call yourself curious?"), but we do get this half-serious advice from the dyslexic paleontologist Jack Horner: "If you do it first, you don't have to read anything."

In chapters on the psychology and neuroscience of curiosity, we read that different brain areas underlie different types of curiosity; that people will submit to physical pain to gain information; that we're most curious about that which we know something about but not too much; that novelty-seeking decreases as we age; and that sometimes we choose depth of understanding over variety of experience. A chapter on evolution describes a feedback loop in which information-seeking led to mastery of fire and cooking, which led to better nourishment and larger brains, which led to more information seeking, science, art and the rest.

**Curiosity helped drive human evolution: seeking information led to mastering fire, which in turn led to more nutritious food and bigger brains.**

The ninth and final chapter of "Why?" is the best. Mr. Livio first gives a history of curiosity's suppression and eventual liberation, from the Garden of Eden to the scientific revolution to Malala Yousafzai, who, at age 11, gave a talk titled "How Dare the Taliban Take Away My Basic Right to Education?" (The epilogue notes that not only religious figures but also modern scientists have condemned the pursuit of knowledge, for instance on topics related to genetic manipulation.) "Convincing the masses that what you don't know won't kill you" is an easier way for unscrupulous leaders to maintain power, Mr. Livio writes, "than to actually acquire superior knowledge." He then spends a few pages on what deserves many more: how to cultivate curiosity in oneself and others. For the self: explore new areas and occasionally act unpredictably. For others: ask lots of questions and don't give immediate answers.

Mr. Livio's book is a light read, which might be unfulfilling, depending on your own curiosity about curiosity. There are a number of areas he neglects or barely touches. He only hints at curiosity's relationship to attention and distraction (attention-deficit disorders may be curiosity in overdrive) or meaning and motivation (depression corresponds to a lack of interest in most things).

And what book on curiosity is complete without a meaty course on the nature of explanations? Specifically, what does it take to satisfy curiosity? Here Mr. Livio could perhaps have discussed our biases toward reductionism. For example, explanations for psychological phenomena (such as curiosity) feel more complete when brain regions are name-checked; similarly, biological explanations feel more compelling when reduced to chemistry, and chemistry to physics—even if the added jargon is nonsense. Or he might have mentioned the psychological phenomena of illusory correlation, compensatory control and teleological reasoning. These are all ways in which we replace uncertainty with perceived (and often spurious) order, leading to magical thinking, conspiracy theories or simply unwarranted assumptions.

Approaching curiosity from various angles (biographical, neuroscientific, historical), the book skips along without sustaining any particular argument. There are two sentiments, however, that stand out. The first, as voiced by Feynman: "Science knowledge only adds to the excitement, the mystery and the awe of a flower." Curiosity, in other words, is a sustainable resource, each answer leading to another question.

The second point, as voiced by the Irish novelist James Stephens: "Curiosity will conquer fear even more than bravery will." Horror movie characters will always walk into terrifying houses, and curious students will always walk into terrorized schoolhouses. Whether senseless or studious, we always want to learn something new, even if it kills us.

Mr. Hutson is the author of "The 7 Laws of Magical Thinking: How Irrational Beliefs Keep Us Happy, Healthy, and Sane."

## Is the Republican Congress Hopeless?

By Karl Rove

Rеспubicans began 2017 with impressive advantages. For the first time in a decade, they controlled the White House and both houses of Congress. Republicans had 33 governors to 16 Democrats and one independent, matching a record the GOP set nearly a century ago. With more state legislators than at any time since the 1920s, Republicans controlled both chambers in 32 states while Democrats commanded both in only 13.

The voters who made the GOP America's dominant party expected it to pursue a robust agenda. Angry and marginalized Democrats would complain and obstruct, but the electorate believed Republicans would deliver on their promises, such as repealing ObamaCare and replacing it with what President Trump promised would be a "terrific" new program.

Yet after this week's epic failure on health-care reform, the GOP looks like James Cagney in "White Heat," yelling "Made it, ma. Top of the world!"—just before the oil refinery explodes around him.

Republicans proved incapable of coalescing around any health-care bill. One set of objections was that the proposed legislation would solve only some of ObamaCare's problems, not all of them. Another was that as a matter of

principle not a line of the Affordable Care Act should be left on the statute books.

But dissenting Republican legislators, by opposing either the Senate bill or the House version, would leave all of ObamaCare intact and all of its problems unsolved. The rebels have let the incomplete be the enemy of the good.

**It takes an optimist, but I tell myself that maybe health-care reform isn't dead.**

Some blame this debacle on ineffective leadership from the White House or Capitol Hill. Others say doing tax reform first would have made health care easier to tackle. Still others say Republicans never had a serious plan, didn't hold enough hearings, or failed to include the critic's preferred wing of the party in enough of the negotiations.

These claims may have some truth. But the main reason the GOP failed is that party unity and discipline mean nothing to too many Republicans in Congress. For senators like Rand Paul, Mike Lee and Jerry Moran, it's their way or the highway. House leadership narrowly overcame this sentiment within the Freedom Caucus. The delay and disarray in the House deliberations,

however, dispirited senators. The GOP's narrow majority in the upper chamber also encouraged defections.

Majority Leader Mitch McConnell is now resorting to extreme measures, bringing up a bill to repeal ObamaCare without replacing it. He's calling the vote without knowing if it can pass. In fact, three GOP senators have already announced they will vote against this, which would be enough to kill the measure. Although all but two Republican senators voted for a repeal-only bill in 2015, it didn't matter then: President Barack Obama vetoed the bill as expected.

It is a sign of Republican desperation that some think their best hope is to repeal ObamaCare and then pray something comes together in the next two years to replace it. President Trump even seems to expect that Democrats will help. Good luck with that.

Still, the repeal-only maneuver might provoke a fresh start, perhaps with a new bill drafted by some ad hoc group of legislators. Maybe failing to pass anything now will prompt wavering Republican senators to start supporting incremental, if imperfect, progress. A defeat of repeal on a procedural motion to take up the bill could cause Congress to drop health care now but return to it later, after Republicans make progress on tax reform, infrastructure, the debt ceiling and the budget.

Or maybe this really represents the end of Republican engagement on health care. If so, the GOP will watch as enthusiasm among party activists and donors wanes, prospective candidates decide not to run, and the prospect of holding Congress in the 2018 election dims.

With Republicans in charge of everything in Washington, voters won't blame Democrats when health-insurance premiums continue to rise, the number of providers further dwindles, and Americans in more counties are left with zero options on the ObamaCare exchanges. The public knows Democrats passed the law, but Republicans are still expected to clean up the mess.

As an optimist—and only an optimist can view the situation this way—I'm hoping this plays out like a made-for-TV drama. The protagonist appears near certain death at the commercial break but is miraculously saved when everyone returns with popcorn after the final Geico ad.

In the wake of this crushing political week, believing that the GOP's health-care drama has a few more acts left to play is a thin reed of hope. But it's the only one Republicans have.

*Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).*

## The Child Is Father to the Man

By Bob Brody

Yesterday I played in the park. I had a good time. I am a good boy." So wrote the 7-year-old who would become my father, in a 1932 letter to his parents.

My father told me next to nothing about his childhood before he died in 1997. I knew, of course, that he had been born deaf. I knew, too, that his father had scrounged to send him, at age 5, to the Central Institute for the Deaf in St. Louis, a private school more than 800 miles from home. I knew he lived in a dormitory there for 10 years, seeing his family only on holidays.

Now, because of such letters, I know more than I ever could have expected. My father wrote them while away at school. "Dear Mother. How are you?" the earliest one says. "Dear Daddy. I love you."

In others, he mentions he

train set, and earned a Boy Scout merit badge in photography. He asks his parents to send "the funnies" every Monday and says he hit a home run to win the baseball game.

**Letters from the 7-year-old boy who later became my dad.**

I never knew about these letters until recently, when they arrived in the mail out of the blue. They were sent to my sister by the woman my father had lived with after he and our mother divorced. His girlfriend said in a note that she believed the letters belonged in our family.

I'm thrilled she shared them. For the first time they allowed me to hear my father's sweet, gentle voice speaking across more than 80 years. "I love the spring," he wrote to his parents in May, 1933. "I saw

some violets in the park." A year later: "Yesterday, I found a toad in the park. He was hopping and I caught it. . . . It escaped, but teacher found it."

The same letter describes the garden behind his school. "Vegetables and flowers are planted," he wrote. "They are growing now." So, too, was my father. As the letters go on his handwriting becomes more legible, his vocabulary larger, his sentences longer—all impressive accomplishments for a boy born deaf. Eventually he learned to speak clearly, read lips and function as well as anyone with normal hearing. He graduated from college and became an honored leader in the deaf community.

Our family has letters from my father's teachers as well. "He is quite the favorite lad in the dormitory," one wrote to his mother. Another described him as a "dear little boy" with "cute little habits and sayings." A third reveals that, when my Nana was pregnant,

*Mr. Brody is the author of the memoir "Playing Catch With Strangers: A Family Guy (Reluctantly) Comes of Age" (Heliotrope Books, 2017).*

## OPINION

### REVIEW & OUTLOOK

## A Bad GOP Dream

President Trump sometimes campaigned on deporting every illegal immigrant in the U.S., but in office he has been measured and charitable to those he calls the "incredible kids" who were brought to the U.S. as children. So it's regrettable that Republican state politicians are trying to bully Mr. Trump into deporting tens of thousands of young adults with no criminal record.

Last month 10 state attorneys general wrote to Attorney General Jeff Sessions asking that the Secretary of Homeland Security end an Obama Administration program known as Deferred Action for Childhood Arrivals. DACA currently allows about 750,000 individuals brought to America as kids to stay in the U.S. for two years subject to renewal without the threat of deportation. These are the so-called Dreamers.

The letter asks that the government "rescind the June 15, 2012 DACA memorandum and order that the Executive Branch will not renew or issue any new DACA or Expanded DACA permits in the future," and it threatens to sue if the Administration declines to act. The ringleader seems to be Ken Paxton of Texas and the AG list includes Patrick Morrisey of West Virginia and Derek Schmidt of Kansas.

Earlier this year Homeland Security rolled back the Obama Administration's Deferred Action for Parents of Americans and Lawful Permanent Residents, or DAPA, which usurped Congress's law-writing power and applied prosecutorial discretion to an entire class of individuals. The courts blocked that Obama order.

DACA has similar constitutional deficiencies, but the way to address them is through Congress, not by Republicans suing a GOP President who didn't write the law. There is also the legal question of what to do now that the government has invited individuals to identify themselves. Is it

fair to coax them out of the shadows and then deport them to countries where they have no family and little memory?

### State AGs try to bully Trump into deporting the so-called Dreamers.

Remember: Dreamers were brought here as minors and are not criminals, and those who commit an offense forfeit their legal status under DACA. A January Cato Institute analysis by Ike Brannon says that

Dreamers as employees tend to "be younger, better educated, and more highly paid than the typical immigrant."

The average Dreamer is 22 and holds a job, and many pay tuition for higher education. More than 15% are seeking an advanced degree. Texas and other states rightly claimed that under DAPA the feds commandeered state resources because they had to provide driver's licenses. But the states may be net beneficiaries under DACA due to tuition payments.

Cato's Mr. Bannon adds that deporting the Dreamers would cost \$60 billion and even more to the U.S. economy, as the legal reprieve allows many to enter the labor force. The cost of granting DACA status is de minimis; applicants pay processing fees and are ineligible for food stamps or Medicaid. The federal government routinely claims to lack the funding and personnel to remove convicted criminals from the U.S., yet the state AGs would dedicate scarce enforcement resources to going door-to-door in a University of Texas dorm.

The better solution is for Congress to rewrite national immigration law to recognize reality, including that it isn't a political winner to deport people brought to the country as five-year-olds. A majority in both parties would favor legalizing Dreamers as part of a border enforcement bill. The state AGs have higher priorities than chasing down law-abiding young people contributing to American society, and a lawsuit would be political grandstanding rather than sensible law enforcement.

## Betsy DeVos's Due Process

Education Secretary Betsy DeVos admitted last week that the adjudication of campus sexual assault is "an issue we're not getting right." Before correcting course, Mrs. DeVos is meeting with rape survivors, their advocates, administrators—and even students who say they were wrongly punished under the Title IX law that covers such cases.

Far from seeing the wisdom in this multitude of counsels, progressives are outraged. Pennsylvania Sen. Bob Casey complained that meetings with the latter group constitute a "slap in the face to the victims of campus sexual assault," while Guardian columnist Jessica Valenti accused the secretary of "enabling rape deniers."

But Mrs. DeVos is right to consider the plight of the accused. The Foundation for Individual Rights in Education estimates that more than 170 students have brought legal challenges against universities over Title IX decisions. In more than 50 completed cases, courts have sided with the accused.

Many of these lawsuits hinge on the lack of due process for the accused. The Obama Administration's infamous 2011 Dear Colleague letter mandated that students can be punished based on a "preponderance of evidence," a burden of proof far less rigorous than the earlier "clear and convincing evidence" standard.

That same Dear Colleague letter also "strongly discourages" cross examination, which it says "may be traumatic or intimidating" to alleged victims. The accused frequently lack legal counsel and have often been prevented from presenting exculpatory evidence.

## The Wolves of Long Island

Government prosecutors love to hunt for big cases on Wall Street, which are great for publicity, but an often-neglected duty is to protect small investors on Main Street. So it's noteworthy that the Securities and Exchange Commission recently blew up a Long Island-based boiler-room scheme.

Last week the SEC charged 13 individuals with using high-pressure sales tactics to bilk more than 100 small investors—including many senior citizens—out of some \$10 million in savings. The U.S. Attorney for the Eastern District of New York followed with criminal charges.

According to the SEC, the alleged swindlers—many of whom had been banned from the brokerage industry—set up a sham financial-services company on Long Island. They used this "boiler room" to buy, trade and inflate the price of penny stocks in microcap companies. Penny stocks trade over the counter at less than \$5 a share and are often thinly traded, which makes them easier to manipulate than blue-chip securities on the big exchanges.

The alleged scammers purchased large blocks of shares and then "pumped" them to potential investors with harassing emails and phone calls. One conspirator emailed: "We are not brokers but a financial RESEARCH firm who continues to produce winner after winner in an UP OR DOWN market! I need to speak with you about how this program will impact your portfolio in a POSITIVE way. BUT I can't help you if I can't speak with you." Another said the stocks were "guaranteed win-

Even when students are initially found not guilty, their accusers can appeal the decision. Meanwhile, the Title IX adjudicators who make life-changing determinations sometimes have as little as five hours of training.

Accused students suing their college often invoke Title IX's own protections against gender bias, saying universities discriminated against male students, who account for 99% of those facing allegations of sexual assault, harassment or misconduct. Last week Columbia University settled with Paul Nungesser, the man accused of sexual assault by Emma Sulkowicz, who famously hauled a mattress around campus for months to publicize her charges. The university cleared Mr. Nungesser, but his lawsuit claimed the university abetted her "gender-based harassment" against him.

In higher ed these days, it's taboo to admit that current Title IX tribunals are tipped in favor of the accuser. A recent article in the Yale Journal of Law and the Humanities even argued that demanding due process for accused students is a form of rape-culture propaganda that "exclude[s] victims and their advocates from having a voice in the discussion."

Sexual assault charges deserve to be investigated, but liberal academia is using Title IX to silence ideological opponents, often complaining that peaceful dissent constitutes actionable harassment on the basis of gender or sexual orientation. Mrs. DeVos is right to revisit the Obama-era guidance that has turned the law into an ideological weapon, and part of that is learning from its victims.

ners" and the "buy of a lifetime."

The boiler boys also used "washes"—e.g., buying 100 shares of a stock at \$5 a share with one co-conspirator while selling the same number of shares for the same price to another. This drove up the stock price and created the impression that shares were actively being traded though ownership wasn't changing hands. Once prices hit a certain level, they dumped the stocks, realizing \$14 million in gains while costing victims millions.

When a victim complained about his losses, one con artist allegedly told him: "I am tired of hearing from you. Do you have any rope at home? If so tie a knot and hang yourself or get a gun and blow your head off."

The SEC was established during the New Deal to protect mom-and-pop investors from fraudsters. But the agency has lately become better known for its headline-making prosecutions of Wall Street barons for white-collar crimes like insider trading, though their alleged victims are often other well-heeled and sophisticated investors. The agency also won plaudits from progressives for rules requiring disclosures on executive pay. But the SEC was asleep when Bernie Madoff and Allen Stanford were bilking investors out of their life savings.

New SEC Chairman Jay Clayton told us last week that he plans to make protecting small investors from scams like the Long Island boiler room a priority, and the agency deserves credit for bringing these cases back to the center of SEC enforcement.

## LETTERS TO THE EDITOR

### Amazon and USPS: Not a Jungle Out There

While Josh Sandbulte gets some things right about the U.S. Postal Service in "Why the Post Office Gives Amazon Special Delivery" (op-ed, July 14), he provides an inaccurate and unfair account of the package delivery side of the USPS's business.

By law our competitive package products, including those that we deliver for Amazon, must cover their costs. Our regulator, the Postal Regulatory Commission (PRC), looks carefully at this question every year and has determined that they do. The PRC has also noted that competitive products help fund the infrastructure of the Postal Service. It is that infrastructure that enables us to fulfill our universal service obligation to deliver to each and every address in the U.S. at an affordable rate.

The PRC has also concluded every year that products covered by the letter monopoly do not cross-subsidize the Postal Service's competitive products. The reason we continue to attract e-commerce customers and business partners is because our customers see the value of our predictable service, enhanced visibility and competitive pricing.

Despite our achievements in improving operational efficiency and growing revenue, we cannot overcome systemic financial imbalances caused by legal and other constraints. For instance, the Postal Service's ability to adjust prices of products that produce over 70% of our revenue is restrained by an austere price cap that doesn't take changes in Postal Service volumes and costs into account, and hence is wholly unsuitable to ensuring the Postal Service's continued ability to provide prompt and reliable universal services in a self-sufficient manner.

There is a path forward that depends on the passage of provisions in the H.R. 756 postal service reform bill, combined with a favorable outcome of the PRC's 10-year pricing-system re-

view and continued innovation and aggressive management actions.

With that, the Postal Service can meet all its obligations and continue to provide the service that all Americans, including those "traditional retailers," deserve.

JOSEPH CORBETT  
CFO, U.S. Postal Service  
Washington

I dread the day when we don't have to worry about "struggling" local shops because none will exist; I dread the day when I need a new toilet flapper and there is no store to go to. Soon the only reason to get out of bed will be to go to work to earn money to buy stuff on Amazon. The only question left is: Where will we work?

Perhaps we are all too busy enjoying "one-click ordering" and "free 2-day shipping" to ponder our future where the only place of employment will be Amazon.

In retrospect, Ma Bell wasn't so bad.  
JONATHAN S. LEIBOWITZ  
Brooklyn, N.Y.

If the USPS raises its prices for delivering packages, as recommended by Mr. Sandbulte, because packages now account for a larger share of USPS revenue, Amazon may turn to alternative services, including an in-house or Uber-style network. First-class mail delivery is dying and cannot cover the billions of dollars of legacy costs. Biting the Amazon hand that feeds a revenue-starved Postal Service is more likely to make losses worse, not better. The USPS needs Amazon a lot more than Amazon needs the USPS.

DEAN RICHARDS  
Annapolis, Md.

I just returned an item, and Amazon allowed \$3.99 for return postage. The cheapest USPS rate was \$22.70.

ALAN YENDLE  
Woodway, Texas

### Garrett Is the Right Man to Clean Up Ex-Im

National Association of Manufacturers (NAM) President Jay Timmons's "A Trump Disappointment for Manufacturers" (op-ed, July 12) slamming Scott Garrett, President Trump's nominee for the U.S. Export-Import Bank, leaves readers with more questions than answers. But one issue that is made abundantly clear is the lengths to which Mr. Timmons will go to preserve crony capitalism.

Instead of questioning Mr. Garrett's integrity, the better question is why does NAM so staunchly defend an entity that's become synonymous with corruption and fraud.

Well, the answer to that is easy. It's hard to defend the Ex-Im Bank as it faces roughly 800 fraud claims and nearly 90 criminal indictments as of 2015. So I guess when you're defending that kind of record, it is easier to use scare tactics and hyperbole.

It's worth questioning NAM's

logic further given its claim that the Ex-Im Bank, when fully functioning, is our most effective tool to level the playing field.

Just ask the employees of Delta Air Lines, whose company loses business to Saudi Air, in part because it receives generous Ex-Im subsidies, whether the Americans working for Delta want their tax dollars used to "level" the field and possibly cost them their jobs.

DAVID MCINTOSH  
President, Club for Growth  
Washington

According to Wikipedia, in 2012, 76% of Ex-Im's loan guarantees went to customers of Boeing. Loan guarantees of other large corporations like General Electric bring to mind the term "corporate welfare." It was also instructive to note that Ex-Im backed Solyndra and Enron.

BILL STEPHENSON  
Nichols Hills, Okla.

### Regulatory Takings Never Occurred to Madison, et al.

Gerald A. Fisher is correct in his July 13 letter when he approvingly quotes Lucas v. South Carolina Coastal Council that "early constitutional theorists did not believe the Takings Clause embraced regulations of property at all." However, the early constitutional theorists didn't contemplate that the federal government would engage in economic regulation at all, except in the narrow terms of "interstate commerce." When interstate commerce and general welfare were interpreted to mean almost any economic activity in the 1930s, in the prophetic words of James Madison there was "a metamorphosis of the Constitution into a character, which there is a host of proofs was not contemplated by its creators." But if the Commerce Clause does not authorize the federal government to regulate economic activity within the states, then almost the entire issue of federal "regulatory takings" doesn't arise, and Mr. Fisher loses the substance of his argument.

RICK PARKINSON, M.D.

Provo, Utah

### The Crock Pot of All Sports

Former Major-League baseball Commissioner Fay Vincent's "The Sport That Time Forgot" (op-ed, July 11) evokes a priceless baseball quotation allegedly from early 20th century journalist and curmudgeon H.L. Mencken: "Baseball is the only game that can be intently watched while reading a newspaper."

DAVID P. CARTER

Seminole, Fla.

### CORRECTION

The lawyer who represents Charlie Gard in court runs a charity with ties to an organization that promotes assisted suicide. The July 18 Main Street column incorrectly stated that Charlie's court-appointed guardian runs the charity.

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

### Pepper ... And Salt

THE WALL STREET JOURNAL



"Quit blaming your mother and get your feet off the couch."

## OPINION

# The City Is the Battlefield of the Future

By John Spencer

**T**he battle for Mosul represents the future of warfare—and it wasn't pretty for America's allies. A ragtag army of a few thousand Islamic State fighters managed to hold the city for months against some 100,000 U.S.-backed Iraqi security forces. The ISIS fighters communicated via social media and were armed with crude explosive devices and drones available at Wal-Mart. In the end the rebel fighters were dislodged, but not before an estimated 7,000 people were killed and another 22,000 wounded.

**The Mosul experience shows the difficulties of urban warfare—and the need for better training.**

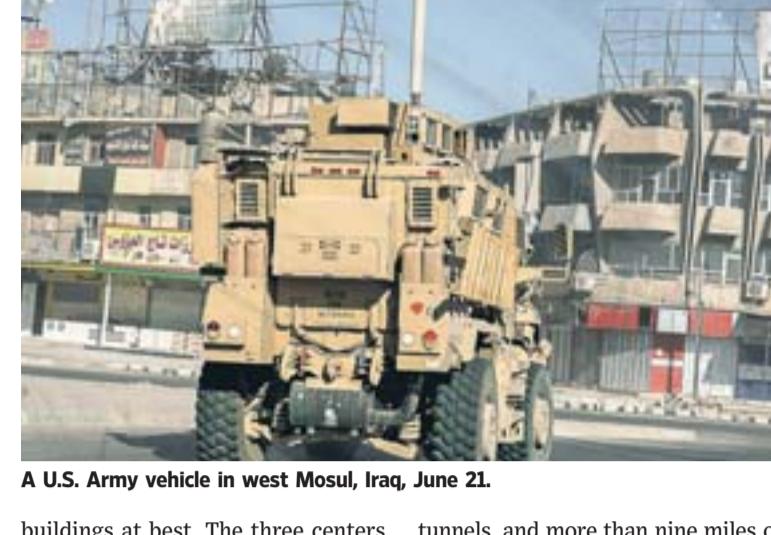
U.S. commanders ought to imagine how they would handle a similar environment. Future American conflicts will not be waged in the caves or craggy mountaintops of Afghanistan, much less the open deserts of Iraq or the jungles of Vietnam. They will be fought in cities—dense, often overpopulated and full of obstacles: labyrinthine apartment blocks, concealed tunnels, panicking civilians. The enemy will

be highly networked and integrated into his surroundings. America's next war will be the 1993 Battle of Mogadishu on steroids.

The U.S. military must wake up to the reality of demographic trends. Over half of the world's population resides in cities, and the United Nations estimates that figure will reach 60% by 2030. By the same year, the number of "megacities," those with more than 10 million residents, will climb from 31 to more than 40. Such urbanization makes less plausible the traditional tactic of coercing civilians out of conflict zones to give the military free rein.

This in turn makes cities increasingly attractive to bands of violent nonstate actors in places like the Middle East and Northern Africa. Dense populations, advances in communication technology, and the often-poor coordination between city and national-security forces can allow terror groups to control urban territory at a fraction of the cost states spend to fight back. No amount of money thrown into the U.S. defense budget will correct this urban disadvantage without a major shift in the way Americans prepare to fight.

Surprisingly, few militaries specifically train for major urban operations. The U.S. military has no location that can adequately replicate a big city. The training sites on Army bases that are generously labeled as "urban" include a few dozen



GETTY IMAGES

A U.S. Army vehicle in west Mosul, Iraq, June 21.

buildings at best. The three centers that certify major units for combat—the National Training Center at Fort Irwin, Calif., the Joint Readiness Training Center at Fort Polk, La., and the Joint Multinational Readiness Center in Hohenfels, Germany—are in rural places. We don't transport sand into the woods to train for desert warfare or build greenhouses to simulate jungles. We train in those environments, and we should train for urban warfare in cities.

The only site available to the Army that comes close to what's needed is the Indiana National Guard's Muscatatuck Urban Training Center. This 1,000-acre facility has 68 buildings, a reservoir, a system of

tunnels, and more than nine miles of roads. But Muscatatuck still lacks the density American and allied forces have repeatedly faced since the beginning of the Iraq war in 2003.

American forces also need to be equipped to operate in large cities with new equipment, formations and doctrine. Nowhere in the U.S. Army's doctrine—the manuals of concepts and operating procedures that guide the action of its forces—does the word "siege" appear. But this oldest form of warfare has become the chosen tactic to end urban fights in Iraq and Syria. Islamic State was able to drag out the conflicts in Mosul and Raqqqa while U.S.-backed

forces struggled to cut off supply routes.

What can be done to level this imbalance on urban terrain? A first step would be to create an authentic, full-scale training site to prepare American troops. I imagine a school in an actual city, analogous to the mountain, desert and jungle operations centers the U.S. currently maintains. Major cities such as Detroit and the outer boroughs of New York have large abandoned areas that could be safely redeveloped as urban training sites.

This is a long-term investment: A new training facility would not prevent quagmires like Mosul overnight. Critics might argue that the U.S. should focus on retaining its advantage against strategic adversaries like Russia, China and North Korea. But strategic deterrence and battlefield readiness are not mutually exclusive. Equipping soldiers to fight in cities is one way to deter enemies—state and nonstate actors alike—from challenging America directly.

The city is the battlefield of the future, whether the U.S. military trains for it or not. Failing to invest in urban warfare only means American soldiers will be sent into combat in environments they have never seen.

*Maj. Spencer is an Army infantryman and deputy director of the Modern War Institute at the U.S. Military Academy in West Point, N.Y.*

## How to Make the Tax System Fairer and Save Social Security

By Martin Feldstein

**T**he U.S. faces two major fiscal problems. Fortunately, there is a simple solution to both that also improves the fairness of the tax system.

The first problem is the size of the overall budget deficit. It is large—2.6% of GDP or \$450 billion this year—and will continue to get larger even if tax reform leads to substantially faster economic growth. This is particularly true if Congress increases the defense budget, as it should, to 4% of gross domestic product and if the revenue-raising border adjustment tax is not fully implemented. Large budget deficits reduce investment and growth and hinder a nation's ability to respond to military and economic crises.

The second fiscal problem is that Social Security is in financial trouble. Current benefits for retirees already exceed the system's payroll-tax receipts. Benefits are therefore payable under current law only by drawing

on the so-called trust fund, an accounting record of previous Social Security surpluses. The Congressional Budget Office estimates that the trust fund's balance is rapidly declining and will be exhausted by 2030. The amount Social Security pays out every year will then exceed what it takes in by more than \$400 billion. The government will face the choice of cutting all individual benefits by about a third, raising the payroll tax by 50% (from 12% to 18%), or using \$400 billion a year of income-tax revenue to supplement the payroll-tax funds.

Both of these problems can be solved by correcting an anomaly in the current tax system. Health insurance that employees receive from their employer is not currently subject to either the income tax or the payroll tax. Sixty percent of American employers collectively spend more than \$1 trillion a year to provide such benefits. If these benefits were subject to the payroll tax like all other forms of employee compensation, the

government would collect an extra \$135 billion this year. That extra revenue would be automatically credited directly to the Social Security trust fund.

**It's time to expand the payroll tax to include health-insurance plans offered by employers.**

These extra payroll-tax receipts would reduce the overall budget deficit over the next decade by as much as \$1.7 trillion and would add that much to the Social Security trust fund. By 2030 the trust fund balance would continue to grow to \$2.7 trillion and the national debt would be \$2.7 trillion smaller than it would otherwise be.

A flush trust fund would allow the Social Security program to be put on firmer financial footing, just as it

was after the 1983 reform gradually raised the age for full retirement benefits from 65 to 67. Since 1983 the average life expectancy of Americans in their 60s has increased by three years, suggesting that the age for full benefits might be raised now from 67 to 70 for those who are currently younger than 50.

The combination of the payroll revenue achieved by the three year delay in retirement eligibility and the 13 years of extra GDP growth by 2030 would raise the payroll-tax revenue in 2030 by about \$260 billion, or 1% of projected GDP, implying a reduction of that year's budget deficit by the same amount.

Taxing employer payments for health insurance would create better incentive effects than increasing personal income-tax rates. Because the tax would be applied to existing benefits, it would not raise marginal rates and therefore would not reduce the incentive to work or to invest.

The direct effect of taxing employer payments for health insurance

would be to make such benefits more expensive to employees, accelerating the trend toward policies with higher deductibles and copayments. That in turn would help limit the rise in spending on health care that pushes up national prices for hospital care and other health services.

Although no one likes to pay more in taxes, it is hard to deny that the existing system of giving large tax benefits to Americans who happen to get health coverage from their employers is unfair to those who pay tax on all of their compensation. Expanding the payroll tax would improve the fairness of the tax system while shrinking the overall budget deficit and strengthening Social Security. It should be part of the tax-reform legislation Congress enacts later this year.

*Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of the Journal's board of contributors.*

## The Latest 'Hate' Smear Target Is a Civil-Rights Group

By Edwin Meese III

**T**he headlines were both inflammatory and untrue: "Attorney General Jeff Sessions Criticized for Speaking to 'Hate Group,'" reported NBC. Reports from ABC and other major news outlets used similar language. Readers might be surprised to learn that the group in question is the Alliance Defending Freedom, a respected civil-rights law firm.

**The media again parrots the Southern Poverty Law Center's scurrilous claims.**

So where did this scurrilous charge originate? With the Southern Poverty Law Center, which labels the ADF a "hate group." The designation had nothing to do with the law firm's policies or behavior. It's just that the SPLC objects to its traditional views on the Constitution, the First Amendment and the meaning of marriage. No responsible media outlet should parrot the SPLC's hate list without seeking to understand not only its motives but also the consequences of spreading false charges.

I have personally known the ADF's

founder, Alan Sears, and its president, Mike Farris, for decades. Each has committed his life to fighting for justice, the rule of law, and a better future for all Americans. When I was attorney general in the 1980s, Alan worked for the Commission on Pornography, fighting for stronger laws against obscenity while protecting the First Amendment. Mike is a pastor, the founder of Patrick Henry College, and an extraordinary litigator. Together they have led the ADF to numerous victories at the Supreme Court, including this year's 7-2 win in *Trinity Lutheran v. Comer*, a landmark case on church-state relations.

I also know Mr. Sessions as a colleague and friend. His distinguished service to the nation over three decades, now as part of the Trump administration, has been rewarded with vicious attacks by the media and political opponents.

Here's what Mr. Sessions told the ADF audience last week: "While your clients vary from pastors to nuns to geologists, all of us benefit from your good work—because religious liberty and respect for religion have strengthened this country from the beginning." Mr. Sessions recalled that "it was faith that inspired Martin Luther King Jr. to march." He quoted Dr. King as saying that "each individual

has certain basic rights that are neither derived from nor conferred by the state . . . they are gifts from the hands of the Almighty God."

I am proud to know these men. The SPLC, rather than challenging its opponents fairly, unscrupulously wields its hate list as a weapon to destroy them. That turns honest differences of opinion into rancorous conflict. Last month Rep. Steve Scalise was shot and gravely wounded by a man who had "liked" the SPLC on Facebook. The SPLC still has not taken down a 2014 blog post by one of its senior fellows, Mark Potok, asserting that Mr. Scalise "may have had some real affinities" with "a well-known group of white supremacists and neo-Nazis."

These extra payroll-tax receipts would reduce the overall budget deficit over the next decade by as much as \$1.7 trillion and would add that much to the Social Security trust fund. By 2030 the trust fund balance would continue to grow to \$2.7 trillion and the national debt would be \$2.7 trillion smaller than it would otherwise be.

A flush trust fund would allow the Social Security program to be put on firmer financial footing, just as it

One doesn't have to agree with ADF's views to see the problem of treating this law firm as equivalent to the Ku Klux Klan. Yet that is what the SPLC does. As Mr. Potok once admitted in a speech: "Sometimes the press will describe us as monitoring hate groups and so on. I want to say plainly that our aim in life is to destroy these groups, to completely destroy them."

As the last election showed, Americans no longer trust the media—and this is a prime reason. ABC's and NBC's decision to give credence to the SPLC's recklessly defamatory hate list was journalistic malpractice. If reporters want to regain public trust, they must stop

spreading malignant propaganda and instead demonstrate a commitment to fairness and objectivity.

The ADF and its leaders advocate their views without needlessly dividing. They respectfully make their case in the courts. Every group should follow their example, no matter where they fall on the political spectrum. America's public discourse is in desperate need of civility, truthfulness and integrity. The Southern Poverty Law Center's political vandalism, on the other hand, drags the country down.

*Mr. Meese, a fellow at the Heritage Foundation, served as U.S. attorney general, 1985-88.*

## Women and Minorities Bear Arms

By John R. Lott Jr.

**E**ach year brings a new record increase in the number of concealed handgun permits. The rate of growth in permits among women and minorities has far outpaced growth among white men. The data paint a picture of incredibly law-abiding permit holders, the vast majority living outside America's insular media capitals.

A new report from the Crime Prevention Research Center shows that there are now more than 16.3 million concealed handgun permits in the U.S., up 1.83 million since last July. Far more people carry guns today than in 2007, when there were only 4.6 million permits. Thirteen states now no longer require a permit to carry in all or most of the state. Eight of those 13 states made the change in the last two years.

Did the antigun agendas of Barack Obama and Hillary Clinton drive demand? Maybe not. The growth in permits has hardly slowed since the election.

Women are largely fueling the increase. Among the eight states that had data from 2012-16, permits for men grew by 22% and permits for women soared by 93%. In the 14 states with 2016 data on sex, women now make up 36% of permit holders.

Over those same years, the number

of blacks with permits increased 30% faster than the number of whites with permits. Blacks now make up 11% of permit holders. A few states provide a breakdown for Asian-Americans, and in those states they accounted for the largest percentage increase in permits.

The numbers show how out of sync the media capitals—California, New York and the District of Columbia—are with the rest of the country. In those places, where public officials decide who get permits, only a few adults out of every thousand have permits, mostly in rural counties. In the rest of the U.S., 8% of adults have permits. People in most states don't think twice about being surrounded by concealed carry in restaurants, theaters and stores. New Yorkers must be terrified to visit Pennsylvania, where 13% of adults have permits. In Potter County, Pa., on the New York state line, more than half of adults have a permit.

In Los Angeles County, by contrast, as of January there were 226 permits for almost eight million adults. Only the political elite get them: judges, reserve deputy sheriffs and a small group of very wealthy, well-connected individuals. As of 2012, Hispanics made up almost half the county, but they only got about 6.5% of the permits. Women got about 7%, and blacks 5%.

Where officials decide who gets permits, explicit death threats often aren't enough for a law-abiding person to get one. Living in high-crime neighborhoods is considered irrelevant.

My research has demonstrated that the two groups that benefit the most from carrying guns are the likeliest victims of crime (poor blacks in high-crime urban areas) and people who are physically weaker (women and the elderly). Dozens of published peer-reviewed studies find similar results.

If the media elites spent more time outside their protective bubbles, they might realize how misplaced their fears of permit holders are. According to a study in Police Quarterly, criminal convictions of police are rare compared with the general public. But permit holders are convicted at less than one-sixth the rate of police officers.

Police are the most important factor in stopping crime, but the police almost always arrive on the scene after an offense has occurred. In the past few years those who benefit the most from carrying concealed handguns have been getting them.

*Mr. Lott is president of the Crime Prevention Research Center and author, most recently, of "The War on Guns" (2016).*

## THE WALL STREET JOURNAL.

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## WORLD NEWS

# Uruguay Is First to Oversee Sales of Pot

Country starts an ambitious experiment to strictly regulate cultivation, purchases

BY TAOS TURNER

MONTEVIDEPO, Uruguay—Tiny Uruguay embarked on an ambitious social experiment Wednesday by becoming the first country to regulate and oversee the sale of marijuana, a policy that has enthralled pro-pot activists and smokers abroad but has lukewarm support at home.

Under tight restrictions, the only establishments licensed to offer marijuana are pharmacies, 16 of which began to sell here in the capital. Pot connoisseurs lined up and then gushed about both buying marijuana legally and the product's quality.

"It tastes great," said Daniel Souza, 48 years old, a hospital worker who lighted up in front of city hall. "This kind of weed is great for creativity. It will be good for my guitar playing."

The new policy comes as much of Latin America, Canada and numerous U.S. states have legalized marijuana for limited use, even as several countries continue to have tough interdiction policies against the cocaine trade.

Some leaders in the region on the front lines of the U.S.-backed war on drugs have increasingly voiced fatigue with those hard-line policies. But so far, Uruguay has most decidedly broken with the prohibitionist approach, making this country's experiment a test case closely watched by governments and activists on both sides of the drug-legalization debate.

The move has also encour-



A woman shows a package of marijuana she bought on Wednesday from a pharmacy in Montevideo, the Uruguayan capital.

street vendors, like those we have here around the corner," said Javier Ponce, 61, who works at Farmacia Yaro. "We're in here all day, exposed, and turning them into competitors isn't necessarily a good idea."

Martin Alvarez, head of San Roque, one of Uruguay's biggest pharmacy chains, noted that the government-set price of \$1.30 per gram barely covers operating costs. "There is nothing profitable about any of this," he said.

The government, to be sure, is doing everything to keep this country of 3.4 million from becoming a pot mecca—and making it tough for these companies to make much money from this tiny market. Only Uruguayan citizens or permanent residents can buy. And those who buy have to register their names in a national database and scan their fingerprint. Sales are capped at 10 grams a week per person.

The regulations, plus concerns about registering with the state, have meant that fewer than 5,000 of Uruguay's estimated 160,000 cannabis consumers had signed up to buy pot.

Those who see greater possibility, though, are International Cannabis and a second firm, Simbiosys, a homegrown pot producer. They are entrusted with producing up to four tons of marijuana annually for consumers here. International Cannabis, though, is growing far more for export.

While International Cannabis is producing now for the pot users here, Mr. Antalich, International Cannabis's chief executive, said, "our longer-term aim was to enter what we see as the medical market of the future, which is medicinal marijuana."

aged businesses, like Vancouver-based International Cannabis Corp., which has a license to harvest and export the marijuana it is producing in Uruguay.

"We are ready to start exporting to more than 12 countries, and we will do it with a seal of quality from the Uruguayan Health Ministry," said Alejandro Antalich, chief executive of the company.

Uruguay moved to legalize marijuana in 2013 under then-President José "Pepe" Mujica, a former Marxist guerrilla long opposed to U.S. drug policy in

the region. Mr. Mujica's approach was twofold: to embrace a new way and to hit drug traffickers where it hurt most, in their pocketbooks. Mr. Mujica gave the state a monopoly on the market by offering pot prices so low they would undercut street vendors and give regional drug cartels less incentive to operate in Uruguay.

His successor was an unlikely proponent of pot, President Tabaré Vázquez, an oncologist and antitobacco crusader. But under him, Uruguay now has done what no other country has even tried, controlling the

production, distribution and commercialization of recreational marijuana.

Supporters include Sebastian Suarez, 22, a window cleaner who smoked pot a friend had bought on Wednesday. "This definitely has an effect," said Mr. Suarez after having a smoke. "I won't be smoking it before I hang outside buildings to clean their windows."

The plan, though, has never had strong support here, even though Uruguay has long been socially liberal, legalizing abortion, recognizing gay civil unions and adoption by same-

sex couples. Indeed, 62% of Uruguayans oppose legalization, while only 29% support it, according to an Equipos poll published this week.

"If people want to smoke pot, fine," said Sara Casalla, 88. But she said pharmacies shouldn't be selling it. "They should be selling health-care products. I don't like this."

Pharmacists have been among the most unnerved, saying selling pot could put them in competition with illegal pot dealers or that smokers might try to steal their pot stash.

"You have to worry about

## Mexican Antigraft Efforts Falter

BY JUAN MONTES

MEXICO CITY—Mexico missed a pivotal deadline for a stalled anticorruption drive that is the centerpiece of the government's promise to crack down on widespread wrongdoing by public officials.

Lawmakers failed to reach an agreement on the appointment of an anticorruption prosecutor. The Senate also hasn't appointed 18 judges to hear corruption cases, and almost half of Mexico's 32 states haven't passed legislation required at the local level.

President Enrique Peña Nieto proposed new laws aimed at reducing graft as concerns about corruption began to overshadow the early successes of his administration, such as securing opposition support for major overhauls in energy, tax, telecommunications and education laws.

Authorities on Wednesday

missed a one-year deadline for new anticorruption rules. Mexico's top parties blame each other while analysts say the delay shows a lack of political will to fight corruption.

"The government has not been an active promoter of the new anticorruption system," said Jacqueline Peschard, the head of the Coordinating Council of the National Anti-corruption System, a group recently formed to coordinate efforts against graft. "And political parties prefer to turn a blind eye."

The delay comes after the U.S. government said on Monday that it will seek to include anticorruption measures as it renegotiates the North American Free Trade Agreement with Mexico and Canada.

Graft costs the Mexican economy some \$51 billion a year in lost output, according to the Mexican Institute for Competitiveness, an advocacy

group. Just 2% of crimes related to corruption are punished, government figures show, and a recent poll found 44% of companies in Mexico pay bribes of some kind.

"Corruption and impunity are the two central pending is-

**Authorities missed a one-year deadline for setting new anticorruption rules.**

sues in Mexico," said Ana Laura Magaloni, head of legal studies at the CIDE university. "We are urgently in need of much better and independent institutions."

Mr. Peña Nieto was caught up in a scandal in 2014 when it emerged that his wife and his finance minister bought

homes on credit from a government contractor close to the president.

The president and the minister were cleared of wrongdoing by a general comptroller Mr. Peña Nieto appointed, prompting the major political parties to try to forge an independent system. The anticorruption prosecutor is to be appointed by the Senate and can be dismissed only with its consent.

The lack of progress has dented Mr. Peña Nieto's approval ratings and damaged the image of ruling Institutional Revolutionary Party—the PRI—ahead of next year's presidential elections. A recent poll showed 83% of Mexicans view the PRI as corrupt, making it the lowest-ranked party by a wide margin.

Leftist presidential frontrunner Andrés Manuel López Obrador has made corruption a main talking point ahead of the campaigns.

**Andreas Georgiou, who has left government, fixed omissions in Athens's accounts but was accused of inflating the deficit.**

## Greek Statistician Is Ordered to Trial

BY NEKTARIA STAMOULI

ATHENS—Greek authorities are escalating a criminal investigation against the former head of Greece's statistics agency, who has been accused of inflating the budget deficit to help Greece's creditors justify the country's unpopular bailout terms, continuing a yearslong debate about the origins of the country's debt crisis.

Greece's Supreme Court prosecutor on Wednesday ordered that the former head of the statistics agency should face trial on criminal charges of making a false statement and artificially inflating the deficit, according to judicial officials.

This is the second time that a prosecutor is seeking to reverse an appeals court ruling that acquitted Andreas Georgiou and order a fresh review of the case.

Mr. Georgiou has always denied wrongdoing and says he merely followed European Union rules in measuring Greece's deficit. European Union authorities say his work was accurate.

If found guilty, Mr. Georgiou could face life in prison.

Mr. Georgiou, a former International Monetary Fund official who now lives in the U.S., became president of Greek statistics agency Elstat soon after the country's European-led financial bailout in 2010. He was the country's first independent head of statistics.

Before Greece's debt crisis, the government manipulated statistics and masked the size of budget deficits, EU authorities have said. The EU certified that Mr. Georgiou subsequently fixed the omissions

and reported the size of the deficit in full.

But his application of European accounting rules angered Greek politicians who thought he should have pushed back against the EU and recorded a smaller deficit, thereby avoiding austerity measures or even the bailout.

Many Greek politicians blame the country's economic depression on terms of the bailout. But the IMF and other bodies point to the government's financial management before the bailout as a cause of its current economic woes.

This is part of an array of investigations aimed at Mr. Georgiou, who also faces misdemeanor charges of violation of duty. A Greek court is expected to issue a ruling on that charge on July 31.

"The prosecutions send a chilling message to those currently producing Greece's economic statistical figures and undermine the credibility of the data," said Ron Wasserstein, executive director of the American Statistical Association. "We remain hopeful that the Greek government and judiciary will stop this unjust persecution of Mr. Georgiou."

The renewed pressure on Mr. Georgiou is likely to add to acrimony between Athens and its European and IMF creditors, who fear Mr. Georgiou's prosecution risks undermining the credibility of Greek statistics.

The Greek state has committed to cover Mr. Georgiou's legal costs to receive its latest bailout tranche. Greece's finance ministry is expected to submit an amendment to that end in Parliament in the following days, according to finance ministry officials.

## WORLD WATCH

### JAPAN BOJ Pushes Back 2% Inflation Forecast

The Bank of Japan pushed back its forecast for reaching 2% inflation for a sixth time under the leadership of Haruhiko Kuroda while keeping its policy settings on hold, further highlighting Japan's struggle to achieve stable price growth.

The central bank now expects inflation to reach around 2% in the year ending March 2020, a year later than its previous projection. In a quarterly outlook report, the bank's policy board said core consumer prices excluding fresh food would likely rise 1.1% in the year ending March 2018, compared with a 1.4% increase forecast in April. The bank also lowered its projection for the following year to 1.5% from the previous 1.7%.

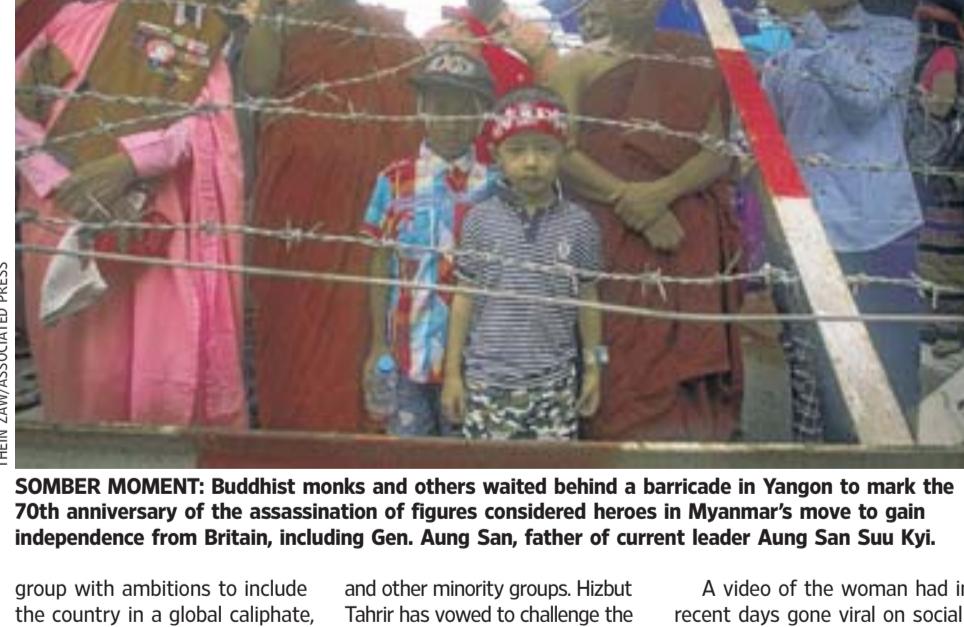
The latest changes in the BOJ's price views come despite brighter signs elsewhere in the economy. The bank raised its economic assessment, saying it is "expanding moderately." At the previous June meeting, the BOJ said the economy was "turning toward a moderate expansion."

—Megumi Fujikawa

### INDONESIA

### Government Bans Islamist Organization

Indonesia banned an Islamist



**SOMBER MOMENT:** Buddhist monks and others waited behind a barricade in Yangon to mark the 70th anniversary of the assassination of figures considered heroes in Myanmar's move to gain independence from Britain, including Gen. Aung San, father of current leader Aung San Suu Kyi.

group with ambitions to include the country in a global caliphate, the first use of an executive decree signed by President Joko Widodo last week.

Freddy Haris, a director general at Indonesia's justice ministry, said the Hizbut Tahrir organization was outlawed to help prevent national unity.

The decree gives the government virtually unrestrained power to ban organizations it considers to be undermining the country's pluralist constitution, which protects the rights of Christians, Buddhists

and other minority groups. Hizbut Tahrir has vowed to challenge the legality of the decree.

—James Hookway

### SAUDI ARABIA

### Woman Detained for Short Skirt Is Freed

Saudi Arabia said police released a woman who had been taken into custody for wearing a short skirt and a crop top, an act of defiance that provoked anger in the conservative kingdom.

A video of the woman had in recent days gone viral on social media in Saudi Arabia, triggering a debate among Saudis, with some wanting her punished and others defending her.

Her release represents a small but symbolic step toward loosening the kingdom's strict social strictures.

The woman was briefly detained and questioned Tuesday before police released her later that night, the Saudi Ministry of Interior said on Wednesday.

—Margherita Stancati

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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S&P 2473.83 ▲ 0.54% S&P FIN ▲ 0.21% S&P IT ▲ 0.56% DJ TRANS ▼ 0.60% WSJ \$ IDX ▲ 0.07% LIBOR 3M 1.307 NIKKEI (Midday) 20092.14 ▲ 0.36% See more at [WSJMarkets.com](http://WSJMarkets.com)

## The Defiant Ones: Stocks on the Rise

In rare global rally, indexes in Asia, U.S. and Europe all avoid pullbacks so far in '17

BY STEVEN RUSSOLILLO

Stock markets go up and down: It is a fact of life. Except in 2017.

Three major stock-market benchmarks in the U.S., Europe and Asia have avoided pullbacks this year, commonly defined as 5% declines from recent highs. Never in at least the past 30

years have all three indexes—the S&P 500, MSCI Europe and MSCI Asia-Pacific ex-Japan—gone a calendar year without falling at some point by at least 5%.

In good years and bad, markets tend to fluctuate wildly, with stock indexes often falling by double-digit percentages before bouncing back. That hasn't been the case this year, another reflection of the historically low volatility that has gripped the world. The CBOE Volatility Index, or VIX, finished Friday at its lowest since 1993.

Of course, 2017 is only a lit-

tle more than half over, and plenty can change in the back half of the year. But the last time stock markets went this deep into a year without all three of those benchmark indexes suffering at least 5% pullbacks was nearly a quarter-century ago, in 1993, according to The Wall Street Journal's Market Data Group. All three finished that year with sharp gains.

Many investors say they are optimistic that the steady grind higher will continue and defy historical odds that suggest the markets should eventually fal-

ter. That is because earnings growth appears to be accelerating globally, economic growth is improving and central banks largely remain accommodative, even amid recent moves to tighten policy.

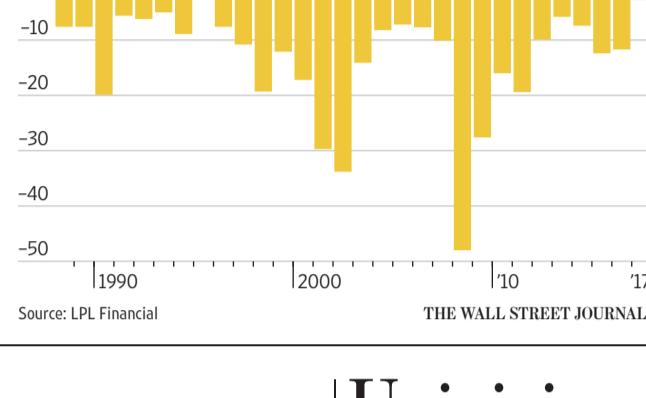
The rise of quantitative trading and the flood of money into passive strategies such as exchange-traded funds have also reduced volatility, investors and

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### No Dips to Buy

The S&P 500's biggest pullback each year



Source: LPL Financial

## Univision Draws Takeover Queries

Univision Communications Inc., the owner of the dominant Spanish-language broadcaster in the U.S., has been fielding interest from potential bidders after the media company's initial public offering was delayed, according to people familiar with the matter.

Among the suitors has been cable mogul John Malone, some

By Matt Jarzemsky,  
Arian Campo-Flores,  
Sarah Rabil  
and Joe Flint

of the people said. Mr. Malone and Greg Maffei, chief executive of Mr. Malone's Liberty Media Corp. holding company, held talks with Univision's owners about acquiring a significant stake, the people said.

Mr. Malone and Mr. Maffei met with Univision backers billionaire Haim Saban and Providence Equity Partners' Jonathan Nelson at the Sun Valley media conference this month, the people said. However, the two sides were far apart on valuation, and it is unclear if a deal—with Mr. Malone or anyone else—could be reached. It is also unclear what terms were discussed.

Univision's owners also haven't ruled out an IPO in the first half of next year, some of the people said.

Boutique investment bank Li-onTree is among the advisers that have been working with Univision to help evaluate interest from possible bidders, some of the people said.

Univision's owners, which include several private-equity firms, have been searching for an exit for years. The \$13.7 billion purchase of Univision a decade ago was one of the biggest deals during the leveraged-buyout boom, just before the financial crisis. Private-equity firms often seek to sell out after three to five years but are usually loath to sell for much less than what they paid.

Univision's backers have been aiming to launch an IPO since registering with regulators.

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## Qualcomm Looks Its Troubles in the Eye



CHRIS RATCLIFFE/BLOOMBERG

FACE-OFF: Qualcomm iris-authentication technology on display. The company is locked in a legal battle with Apple, and the interruption of royalty payments for its chips used in iPhones took a big bite out of its quarterly profit. Articles on B5, B12.

## Wanda Reworks Hotel, Parks Sale

By WAYNE MA  
AND DOMINIQUE FONG

BEIJING—Dalian Wanda Group's plan to sell theme park and hotel assets took a big turn Wednesday after last week's deal came under fire from major credit-ratings firms.

The Chinese property and entertainment giant brought in a new buyer for the hotels, Guangzhou R&F Properties Co., which will get 77 properties for 19.91 billion yuan (\$2.95 billion).

Wanda will also sell a 91% stake in its theme park and tourism projects—there are four completed, and nine planned—to Sunac China Holdings Ltd. for 43.84 billion yuan.

Sunac had originally planned to buy both the hotels and parks.

The move came after S&P Global Ratings placed the corporate credit rating of Wanda's main property arm on CreditWatch with negative im-

plications, saying the sale could weaken its business.

S&P also chided Wanda for lack of transparency over its business strategy.

All three major ratings firms flagged risks to Sunac's debt profile after Sunac disclosed in regulatory filings that it would procure a loan from Wanda to pay for the theme-park assets. Fitch downgraded Sunac's corporate credit rating by one notch.

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The combined value of the revised deal, before including debt, is now 63.75 billion yuan, slightly higher than the original deal terms. Including debt, which was disclosed Wednesday, the deal's combined value balloons to 109.15 billion yuan.

Wanda, controlled by billionaire Wang Jianlin, has made a series of overseas acquisitions that have caught the attention of Chinese regulators,

including its purchase of Hollywood film production and finance company Legendary Entertainment last year for \$3.5 billion.

Regulators met with executives at China's big state-owned lenders last month and advised them to halt financial assistance to Wanda for six

past and pending overseas deals and place some restrictions on Wanda's borrowing.

The Wall Street Journal reported Monday.

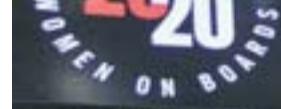
In Beijing Wednesday, Mr. Wang told reporters that the revised deal, in which Sunac buys Wanda's theme parks at a higher price but doesn't buy its hotels, was more cost-effective. Previously Sunac, which itself is highly leveraged, was going to receive a loan from Wanda itself to pay for the assets.

"Sunac doesn't have to complete the deal by borrowing money from Wanda," Mr. Wang said.

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Source: Regulatory filings

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### FRANKFURT LURES BANKS LEERY OF BREXIT

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## Food Deals Promise to Turn Red Hot

By CHIP CUMMINS  
AND KEITH COLLINS

Turns out, there is some appetite for all that packaged food for sale.

**C**McCormick & Co. said it agreed to acquire **Reckitt Benckiser Group** PLC's food division, whose brands include French's mustard, for \$4.2 billion, the latest in a wave of deal activity in the global packaged-foods sector.

The transaction comes three months after the U.K. company put its food unit up for sale. Analysts at the time estimated that it could be worth \$2.5 billion to \$4 billion.

The agreement also comes amid a flurry of planned sales or strategic reviews of well-known packaged food brands across an industry looking to

cut costs and insulate itself from slowing sales. Many companies are trying to change their product mixes as consumers move to healthier or locally produced options. Low inflation has made it difficult to raise prices to make up for sluggish volume growth in many markets.

That has triggered a number of strategic reviews among big food firms. **Unilever** PLC, the Anglo-Dutch consumer-goods behemoth that this year rejected **Kraft Heinz** Co.'s \$143 billion takeover bid, has said it plans to unload its margarine-and-spreads business. Switzerland's **Nestlé** SA last month put its U.S. confectionery business up for sale.

All of those assets on the market—at a time when the global packaged-food industry

is facing headwinds—raised questions about whether sellers might be able to unload businesses at attractive prices.

But recent deals—including the agreement late Tuesday—suggest there are still plenty of strategic buyers willing to pay top dollar for good assets.

In April, cereal giant **Post Holdings** Inc. agreed to buy **Weetabix Food** Co., maker of the breakfast brand, for £1.4 billion (\$1.83 billion). Post faced several other bidders for the brand, which China's **Bright Food Group** Co. and **Baring Private Equity Asia** had put on the block.

Reckitt's food business, called RB Foods, was seen as one of the most attractive on the block. French's is America's best-selling yellow mustard. RB Foods' other brands include

Frank's RedHot sauce and Catlemen's barbecue sauce.

Reckitt said it wasn't core, as it puts more emphasis on its home and personal-care offerings. In February, Reckitt agreed to acquire baby-food maker **Mead Johnson Nutrition** Co. for \$16.6 billion.

RB Foods generated just £411 million of Reckitt's overall revenue of £9.89 billion in 2016. But its operating margins—considered close to 27% last year—are considered high for packaged food.

Sparks, Md.-based McCormick, whose brands include Lawry's and Grill Mates, said it expects combined 2017 annual net sales of about \$5 billion. It also projects the deal will generate cost savings of around \$50 million, the majority of which will be achieved by 2020.

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strategists say. ETFs owned

nearly 6% of the U.S. stock market

in the first quarter, the

highest share on record, according

to an analysis of Federal Re-

serve data by **Goldman Sachs**

Group Inc.

Market calm has prevailed

despite political and monetary

turmoil: the U.K. vote last year to

withdraw from the European

Union, President Donald

Trump's election victory in No-

vember, the European Central

Bank's signal last month that it

would soon start winding down

its bond-buying program; none

produced the sustained market

swings many expected. That has

raised concerns there might be

another, less-well-understood

dynamism at play.

Some investors who have

missed out on this year's rally

are waiting for cheaper oppor-

tunities to get back in. Others

are taking positions in the op-

tions market that protect them-

selves from large price swings.

"We all want markets to go

up forever and for there never

to be any problems," said Daniel

Morris, senior investment stra-

tegist at BNP Paribas Asset

Management, which has about \$661

billion in assets under manage-

ment. "But this environment

has been a challenge for equity

investors who are looking for

growth at a reasonable price."

The MSCI Asia-Pacific ex-

Japan index, a benchmark that

tracks big Asian companies

listed globally, has surged 22%

in 2017, propelled by strong ral-

lies in tech companies such as

Tencent Holdings Ltd. and Ali-

ibaba Group Holding Ltd.

The index's biggest peak-to-

trough decline this year was 2%.

If that performance continues

for the rest of the year, it would

be the smallest intrayear drop

over at least the past three de-

cades and a far cry from the in-

dex's average 20% pullback each

year, according to analysts at

J.P. Morgan Asset Manage-

ment.

Indeed, there have been only

three instances over the past 30

years in which the Asia index's

biggest intrayear drop was less

than 10%: 1991, 1993 and 2005.

Europe's performance, mea-

sured by the MSCI Europe In-

dex, has also been steady. The

index's biggest drop this year

was 4%, far below its average

intrayear decline of 16%, ac-

cording to J.P. Morgan Asset

Management.

In the U.S., sharp gains in

tech and consumer stocks have

propelled markets higher along-

side shallow and brief dips.

The S&P 500 has gained 11%

this year. Its worst peak-to-

trough drop has been 2.8%. If it

finishes 2017 that way, it would

be the second-smallest decline

in a calendar year over the past

60 years, according to LPL Fi-

nancial Holdings Inc., an inde-

pendent brokerage and invest-

ment firm. The smallest was in

1995, when the index had a 2.5%

fall. It surged 34% that year.

History suggests the stretch

of calm won't last. The S&P 500

has avoided a 5% or more pul-

back in just five of the past 60

years, according to LPL.

But for now, the catalysts

that have propelled the rallies

and minimized the pullbacks re-

main in place, including low

odds of an imminent recession

and strong earnings growth.

The ratio of analysts revising

their global earnings estimates

higher rather than lower re-

cently jumped to its highest

level in about five years, ac-

cording to Richard Turnill,

global chief investment strate-

git at BlackRock Inc.

wouldn't add as much debt as

the original deal entailed.

However, Sunac will still as-

sume all the debt associated

with the theme parks, revealed

Wednesday to be 45.4 billion

yuan.

That could add to investor

worries that Sunac will land in

the cross hairs of Chinese regu-

lators concerned about the

risks of rising debt. Shortly af-

ter Wanda's borrowings re-

lated to overseas deals came

under scrutiny, Sunac's own

debt began drawing attention.

Sunac said banks had been

conducting checks of loans

made to the company for pos-

ible credit risks in the days

following the announcement

of the Wanda deal, The Wall

Street Journal reported.

The hotel buyer, Guangzhou

R&F, is an indebted midsize

## BUSINESS NEWS

# Retailers Are Checking Out Automation

As online competition squeezes profits, chains recruit machines for routine tasks

BY SARAH NASSAUER

Last August, a 55-year-old Wal-Mart employee found out her job was being taken over by a robot. Her task was to count cash and track the accuracy of the store's books from a desk in a windowless backroom. She earned \$13 an hour.

Instead, **Wal-Mart Stores Inc.** started using a hulking gray machine that counts eight bills per second and 3,000 coins a minute. The Cash360 machine digitally deposits money at the bank, earning interest for Wal-Mart sooner than if sent by armored car. And the machine uses software to predict how much cash is needed on a given day to reduce excess.

"They think it will be a more efficient way to process the money," said the employee, who has worked with Wal-Mart for a decade.

Now almost all of Wal-Mart's 4,700 U.S. stores have a Cash360 machine, making thousands of positions obsolete. Most of the employees in those positions moved into store jobs to improve service, said a Wal-Mart spokesman. More than 500 have left the company. The store accountant displaced last August is now a greeter at the front door, where she still earns \$13 an hour.

"The role of service and customer-facing associates will always be there," said Ju-



Wal-Mart and other U.S. retailers are increasing their use of self-checkout lanes at their stores.

dith McKenna, Wal-Mart's U.S. chief operating officer. But, she added, "there are interesting developments in technology that mean those roles shift and change over time."

Shopping is moving online, hourly wages are rising and retail profits are shrinking—a formula that pressures retailers, ranging from Wal-Mart to Tiffany & Co., to find technology that can do the rote labor of retail workers or replace them altogether.

As **Amazon.com Inc.** makes direct inroads into traditional retail with its plans to buy gro-

cer **Whole Foods Market Inc.**, Wal-Mart and other large retailers are under renewed pressure to invest heavily to keep up.

Economists say many retail jobs are ripe for automation. A 2015 report by Citi Research, co-authored with researchers from the Oxford Martin School, found that two-thirds of U.S. retail jobs are at "high risk" of disappearing by 2030.

Self-checkout lanes can replace cashiers. Autonomous vehicles could handle package delivery or warehouse inventory. Even more complex tasks like suggesting what toy or shirt a

shopper might want could be handled by a computer with access to a shopper's buying history, similar to what already happens online today.

"The primary predictor for automation is how routine a task is," said Ebrahim Rahbari, an economist at Citi Research. "A big issue is that retail is a sizable portion of the workforce."

Nearly 16 million people, or 11% of nonfarm U.S. jobs, are in the retail industry, mostly as cashiers or salespeople. The industry eclipsed the shrinking manufacturing sector as the biggest employer 15 years ago.

### Occupational Hazards

The following industries may see the highest worker displacement due to automation by 2030.

Percentage of industry at risk of being automated

Low risk Medium risk High risk

Accommodation and food services

86%

Transportation and warehousing

75%

Real estate and rental and leasing

67%

Retail trade

67%

Wholesale trade

66%

Administrative and support services

62%

Manufacturing

62%

Construction

59%

Finance and insurance

54%

Sources: Citi Research, Oxford Martin School

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WESLEY HITT FOR THE WALL STREET JOURNAL

through many parts of retail. Tiffany is using machines to polish basic pieces, like silver jewelry, during the production process. **Home Depot Inc.** now has self-checkouts in most stores and is testing adding scanner guns to make them useful for shoppers buying bulky products like lumber.

Wal-Mart has long squeezed efficiency out of its business. Although it employs 1.5 million people in the U.S., it has around 15% fewer workers per square foot of store than a decade ago, according to an analysis by The Wall Street Journal.

## T-Mobile Continues To Gain Customers

BY DREW FITZGERALD

**T-Mobile US Inc.** Chief Executive John Legere urged industry watchers awaiting a major telecom deal to be patient, at least with his company, as the No. 3 carrier continued to grab new customers on its own.

T-Mobile added 1.3 million subscribers in the second quarter, widening its customer base to 69.6 million. That included 786,000 net additions to the brand's postpaid phone

The return of flat-rate data plans has freed customers to use more apps.

subscribers, the company's most profitable and reliable.

"Although everybody would like to say they have a stand-alone business, we do," Mr. Legere said in a conference call with analysts. He said the company would approach new deals "at our own pace," throwing some ice on talk of a potential merger wave in the U.S. wireless industry.

Consolidation is still the word of the year in telecom after **Charter Communications Inc.** and **Comcast Corp.**—the country's two biggest cable pro-

viders—entered exclusive talks with **Sprint Corp.** to discuss a partnership or investment in the No. 4 wireless carrier, according to people familiar with the matter. Comcast has already begun reselling wireless service through a pact with **Verizon Communications Inc.**

"We're interested in potential partnerships with other companies but we don't need them," Chief Operating Officer Mike Sievert said in an interview. "The options in front of T-Mobile are wider and more interesting than they've ever been."

T-Mobile's overall second-quarter profit more than doubled to \$581 million, or 67 cents a share, compared with \$225 million, or 25 cents a share, a year earlier. Revenue rose 10%, to \$10.21 billion, from \$9.22 billion a year earlier.

T-Mobile's decision to push data plans promising unlimited mobile data upended an already turbulent wireless market. Defections from larger carriers Verizon and **AT&T Inc.** ramped up, forcing them to create matching plans earlier this year. Those companies report their latest results next week.

The return of flat-rate data plans has freed customers to use more data-hungry apps and to pay less attention to their monthly usage, putting more stress on all carriers' networks.

## CSX Warns of Bumps in the Railroad

BY PAUL ZIOBRO

**CSX Corp.** is telling some shippers to brace for growing pains, including additional days of transit times, as the railway implements Chief Executive Hunter Harrison's plan to tighten schedules.

Mr. Harrison, who joined CSX in March, is in the early days of executing the "precision railroading" that he put in place while leading two of Canada's largest railways. The strategy includes hewing to more precise schedules but upends some aspects of the Jacksonville, Fla., railroad company's network, such as shutting down yards that sort long trains and idling hundreds of locomotives and freight cars.

During a call with analysts Wednesday, CSX executives said they have told customers that as they are making these changes, any short-term disruptions would eventually pay off with a better-run railroad and more predictable delivery times.

"There's going to be a little pain and suffering," Mr. Harrison said. "I don't know, frankly, how to get there without some bumps in the road."

He added a sentiment he said he is hearing from customers: "We're willing to suffer some cuts and bruises along the way, just don't bruise us too much."

Some of the changes have slowed down freight ship-

ments. In a notice sent to some customers last month, CSX said to allow for an additional 72 hours of transit time for cars moving through a handful of terminals in Illinois, Indiana, Ohio and upstate New York as it activates new service plans.

According to an executive at a company that is a CSX customer, transit times are up about 48 hours over the past 3½ months.

One broader gauge of railroad shippers also shows some problems for CSX. A recent Cowen & Co. survey found 24% of rail customers rated CSX service as "poor." No other rail had a "poor" rating from more than 6% of shippers.

Cowen said that CSX's

scores were likely affected by a scaling back in shipping offerings rather than poor quality of service, since CSX trains are running faster and spending less time in terminals.

Asked about customer satisfaction overall during Wednesday's call, CSX's chief marketing officer, Fredrik Eliasson, said: "We're asking our customers to hang with us and see what is ultimately on the horizon."

Mr. Harrison on Wednesday defended the changes he is making, which came a day after CSX said its second-quarter earnings rose 15% to \$510 million on an 8% rise in revenue.

The 72-year-old railway veteran has chafed at the percep-

tion that he is focused on cutting costs and jobs and not on customers. "It's just that perception, you don't like customers," he said. "I don't buy into that."

In a later interview, Mr. Harrison said that complaints about rail disruption have been rare. "In the scheme of things, it's a nonevent," he said, adding that CSX has gained customers recently.

CSX's quarterly results were helped by a one-time infusion of \$113 million, stemming from a settlement with a customer that didn't ship as much with CSX as it normally does and a favorable judgment related to a previously condemned property.

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## Akzo CEO Exits Due to Health

BY BEN DUMMETT

Dutch paint giant **Akzo Nobel NV** said Wednesday its chief executive has resigned for health reasons, while also affirming its plan to spin off its chemicals business to appease shareholders after rejecting a \$28 billion takeover bid from U.S. rival **PPG Industries Inc.**

Ton Büchner's decision to step down comes after a months-long battle to fend off both PPG and a campaign by **Elliott Management Corp.**, a U.S. activist investor and one of Akzo's largest shareholders, to push the company into sale talks.

Thierry Vanlancker, the head of Akzo's chemicals business, was named as his successor.

Akzo didn't disclose the details of Mr. Büchner's health issues, but said the executive believed that he would endanger his health if he continued in the position.

"This is a very recent development. This is not about

weeks ago, but is about days ago," Akzo Chairman Antony Burgmans told reporters on a conference call Wednesday. In 2012, Mr. Büchner, 52 years old, took a leave of absence as chief executive for about two months, citing fatigue.

Elliott, which launched a legal challenge earlier this month to remove Mr. Büchner, declined to comment on Mr. Büchner's resignation.

Akzo is in the process of spinning off its specialty-chemicals business from its paints-and-coatings operations, either through an initial public offering or a sale. The Amsterdam-based company is under pressure from shareholders to complete the deal, after promising such a move would generate more value than selling it to PPG.

Mr. Vanlancker, who said on Wednesday he has no plans to divert from the current strategy, joined Akzo in 2016. He was previously a senior executive for Chemours Co., a Wil-

## TECHNOLOGY

WSJ.com/Tech

**A Painted Bird of Many Colors Poised to Take Flight**

Visitors stand behind a Russian-made drone Wednesday during the International Aviation and Space Salon outside Moscow.

**Europe Ponders Privacy's Scope**

**EU court to decide if 'right to be forgotten' extends beyond bloc; Google calls for limits**

By NICK KOSTOV  
AND SAM SCHECHNER

**PARIS**—The European Union's top court is set to decide whether the bloc's "right to be forgotten" policy stretches beyond Europe's borders, a test of how far national laws can—or should—extend when regulating cyberspace.

The case stems from France, where the highest administrative court on Wednesday asked the EU's Court of Justice to weigh in on a dispute between **Alphabet** Inc.'s Google and France's privacy regulator over how broadly to apply the right, which allows EU residents to ask search engines to remove some links from searches for their own names.

At issue: Can France force

Google to apply it not just to searches in Europe, but anywhere in the world?

The case will set a precedent for how far EU regulators can go in enforcing the bloc's new privacy law. It will help define Europe's position on clashes between governments over how to regulate what happens on the internet—from political debate to commerce.

France's regulator says enforcement of some fundamental rights—like personal privacy—is too easily circumvented on the borderless internet, and so must be implemented everywhere. Google argues that allowing any one country to apply its rules globally risks upsetting international law and, when it comes to content, creates a global censorship race among autocrats.

"Each country should be able to balance freedom of expression and privacy in the way that it chooses, not in the way that another country chooses," said Peter Fleischer, Google's

global privacy counsel.

The case exposes a deep trans-Atlantic divide over the role of regulations in everything from antitrust to personal-privacy issues. In the U.S., the First Amendment forces officials to give broad leeway for free expression, even if objectionable. That makes it difficult for individuals

*The case exposes a deep trans-Atlantic divide over the role of regulations.*

als to remove personal information gathered and published online by many companies.

By contrast, Europe's experience from World War II has led to laws banning Holocaust denial and hate speech. More recent experiences with East Germany's police state have

turned privacy into a fundamental right that can at times trump free expression.

The May 2014 decision granting the right to be forgotten reflects that division. That case concerned a Spaniard, Mario Costeja Gonzalez, who complained to privacy regulators about Google search links to a 1998 announcement in a Spanish newspaper mentioning debts that he had since resolved. The court said Google should remove the links from searches for Mr. Costeja's name on privacy grounds.

The decision created a right for any EU resident to ask search engines to remove links from searches for their own names, if the information is old, irrelevant or infringes on their privacy. Google and other search engines vet requests, considering privacy rights against the public interest in having that information tied to the person's name.

After the decision, Google

quickly applied the right in Europe, removing 590,000 links from some searches in the past three years, according to its transparency report.

In 2015, France's privacy regulator ordered Google to go further: applying its right-to-be-forgotten removals to all of its websites wherever they are accessed, arguing that it is simple for internet users to mask their location using proxy services. After the regulator fined Google €100,000 (\$115,000) last year for violating the order, Google appealed to France's Conseil d'Etat, the highest administrative court.

Google's lawyer, Patrice Spinosa, argued the court should reject the French position on more fundamental grounds, without even asking the EU court.

On Wednesday, however, the Conseil d'Etat said "the scope of the right to be forgotten poses several serious difficulties in the interpretation of European Union law."

**Facebook Offers Tool For News Publishers**

BY LUKAS I. ALPERT

In its continuing efforts to sell publishers on the benefits of Instant Articles, **Facebook** Inc. is launching a new analytics tool in partnership with Nielsen that will give news outlets more data on how their stories perform on the platform.

Facebook also confirmed it is working on a subscription feature that would allow publishers to charge for access to their articles. The paywall product, first reported by The Wall Street Journal in June, will be available through Instant Articles starting in October. The paywall will likely kick in after a user reads 10 articles in a month, a person familiar with the matter said.

Facebook has long argued that stories posted through its fast-loading Instant Articles program have led to greater engagement from readers, but some publishers have remained unconvinced given the lack of specific enough data.

In the past, Facebook has made available performance data aggregated across the 10,000 or so publishers who have tried the program. The new tool will now allow individual publishers to see how their news stories as a whole perform on Instant Articles, providing a comparison with the use of traditional links to send readers to a mobile webpage.

"This insight provides an important signal publishers can use to make informed business decisions about how they share content on Facebook," said Facebook product manager Mona Sarantakos.

At the beginning, the tool will provide publishers with a very basic overview of the performance of their own content, but there are plans to add layers of detail—going forward.

Kim Lau, vice president of digital and head of business development at the Atlantic, which posts almost all its stories on Facebook using Instant Articles, said the move wasn't necessarily a game changer, but was a positive sign that Facebook is trying to accommodate publishers.

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**CLASS ACTIONS****Legal Notice**

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN

*In re Automotive Parts Antitrust Litigation*, No. 12-md-02311

**If You Are a Truck and/or Equipment Dealership That Purchased New Vehicles or Bearings for a Vehicle in the U.S. Since January 1, 2000 You Could Receive Money from Settlements of a Class Action**

A lawsuit involving the prices of certain vehicle bearings has been settled with certain defendants in a class action in this litigation ("Settling Defendants"). The Settling Defendants are identified below. The case is a separate class action within the lead case known as *In re Automotive Parts Antitrust Litigation*, 12-md-02311 (E.D. Mich.), which is currently before United States District Judge Marianne O. Battani.

You may be part of class action settlements if you are a truck and/or equipment dealership that indirectly purchased bearings, which were manufactured or sold by a defendant or any subsidiary, affiliate, or alleged co-conspirator of a defendant, and/or purchased new vehicles for resale or lease containing these parts ("Dealer") in the District of Columbia or one or more of the following states: Arizona, Arkansas, California, Florida, Hawaii, Illinois, Iowa, Kansas, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Utah, Vermont, West Virginia, and Wisconsin.

**These Settlements may affect your rights.**

**Read on for more information.**

**What Is The Litigation About?**

The lawsuit alleges that the defendants agreed to unlawfully raise the price of certain motor vehicle bearings. As a result, dealers of trucks and/or equipment who purchased for resale or lease new trucks and/or equipment containing those parts or who indirectly purchased those parts as replacement parts, which were manufactured or sold by a defendant or any subsidiary, affiliate, or alleged co-conspirator of a defendant, allegedly paid more than they should have. Although the settling defendants do not agree that they engaged in any wrongdoing or are liable or owe any money or benefits to plaintiffs, the court has not yet decided who is right.

The court has appointed Duane Morris LLP as interim class counsel ("Class Counsel") in these lawsuits to represent your dealership and all other members of the class action. Your dealership will not be charged directly by these lawyers, and any fees that they are paid will come from any settlements or recovery in the lawsuit. If your dealership wants to be represented by its own lawyer, it may hire one at its own expense.

**Who's Included in the Settlements?**

Your dealership is part of the Settlements if it is a truck and/or equipment dealer and falls within the definition of the settlement classes ("Settlement Classes") approved by Judge Battani. The class definitions are set forth in the full length notice, which is available at [www.TruckDealersSettlement.com](http://www.TruckDealersSettlement.com).

The term "truck and/or equipment dealer" or "truck and/or equipment dealership" means an entity or person authorized to engage in the business of selling or dealing in trucks and/or equipment at retail in the United States. A list of the part included in these Settlements and its manufacturers can be found at [www.TruckDealersSettlement.com](http://www.TruckDealersSettlement.com).

**Who Are The Settling Defendants?**

The settling defendants are SKF USA Inc. ("SKF USA"), Nachi-Fujikoshi Corporation and Nachi America Inc. ("Nachi"), and NSK Ltd and NSK Americas Inc. ("NSK") and collectively with SKF USA and Nachi, "Settling Defendants". A list of the defendants, their affiliates, and the alleged co-conspirators for the case involving the vehicle bearings described in the Settlement Class definitions and settlement agreements are available at [www.TruckDealersSettlement.com](http://www.TruckDealersSettlement.com).

**What Do The Settlements Provide?**

Generally, you are included if, at any time from January 1, 2000 through May 25, 2017, inclusive, you were a dealer of heavy-duty (Class 8) or medium-duty (Class 4, 5, 6, & 7) trucks, buses, commercial vehicles (excluding automobiles, light trucks, vans, sports utility vehicles, crossovers, pickup trucks, and/or similar motor vehicles sold by automobile dealers), all-terrain vehicles, construction equipment, mining equipment, agricultural equipment, railway vehicles, materials-handling

**Settlements of a Class Action**

vehicles, and other similar vehicles ("trucks and/or equipment") that (a) purchased new trucks and/or equipment containing a bearing, which was manufactured or sold by a defendant or any subsidiary, affiliate, or alleged co-conspirator of a defendant; or (b) indirectly purchased such a bearing as a replacement part. Indirectly means you bought the vehicle replacement part from someone other than the manufacturer of the part.

The specific definitions of who is included in the Settlement Classes are set forth in the Settlement Agreements between the plaintiffs and the settling defendants. Those Settlement Agreements, and the related Complaint are accessible on the website [www.TruckDealersSettlement.com](http://www.TruckDealersSettlement.com).

The Settlement Funds amount to \$4,745,000. Detailed information about the Settlements and the parts involved can be found in the full-length Notice, which is available at [www.TruckDealersSettlement.com](http://www.TruckDealersSettlement.com). The amount of money your dealership may receive, if any, will depend upon where the dealership purchased the affected vehicles or component parts, the type and quantity of vehicles and parts your dealership purchased in the states listed above and the District of Columbia, and the total number of claims made by eligible truck and/or equipment dealers.

**What Are My Rights And Options?**

1. **Opt Your Dealership Out of One or More of the Settlements** If your dealership indirectly purchased any of the bearings listed in the Settlement Class definitions as components in the specified trucks and/or equipment or as parts and purchased such new vehicles or parts in the states listed in this Notice or the District of Columbia and does not want to be legally bound by the Settlement Classes, your dealership must exclude itself ("opt out") in a writing postmarked by August 23, 2017, or it will not be able to sue, or continue to sue, the settling defendants (including all related entities covered by the releases in the Settlement Agreements) about the legal claims settled in the Settlement Agreements.

If your dealership submits a valid and timely request for exclusion/opt out from a Settlement, it will not share in the proceeds of that Settlement, and it will not be bound by the judgment. To be valid, the request for exclusion/opt out must follow the instructions set forth in the full-length Notice and be postmarked by August 23, 2017. The full instructions and requirements for opting out may be viewed at [www.TruckDealersSettlement.com](http://www.TruckDealersSettlement.com).

**2. Object to One or More of the Settlements**

If your dealership wishes to object to the Settlements or the request for attorneys' fees, reimbursement of expenses, and service awards, it may write to the court and counsel about why it objects. To be considered, your dealership's objection must be filed according to the procedures set forth in the full-length Notice and postmarked no later than August 23, 2017. The full instructions and requirements for objecting to the Settlements may be viewed at [www.TruckDealersSettlement.com](http://www.TruckDealersSettlement.com).

**3. Attend the Final Approval Hearing**

The court will hold a final approval hearing at a time TBD on September 13, 2017, at the United States District Court for the Eastern District of Michigan, the Theodore Levin U.S. Courthouse, 231 W. Lafayette Blvd., Courtroom 272, Detroit, MI 48226 to decide whether to approve the Settlements and the request for attorney's fees, reimbursement of expenses, and service awards. You or your own lawyer may attend and ask the court's permission to speak, but you don't have to participate in the hearing in order to attend. To request to speak at the final approval hearing, you must follow the procedures set forth in the full-length Notice no later than August 23, 2017.

This notice is a summary only. The complete terms, including the definitions of what parties and claims are being released, are set forth in the full-length Notice, Settlement Agreements, and the Court Filings, which may be obtained at [www.TruckDealersSettlement.com](http://www.TruckDealersSettlement.com).

**For More Information, Contact the Settlement Administrator**

toll free at 1-866-742-4955 or visit [www.TruckDealersSettlement.com](http://www.TruckDealersSettlement.com).

**FOWLER**

*Continued from page B1*

ery last one of the S8's gazillion settings, as well as all the functions in 12 built-in apps such as the Gallery, Messages and Internet Browser. Another 21 apps including Email, Gmail, Maps, Yelp and Uber are listed as experimental.

Bixby is much more helpful than Siri on function-based commands. It can "take a selfie," giving you a countdown before it shoots.

Google's Assistant, built into the Pixel and other Android phones, is a bit more capable than Siri, but still lacks Bixby's ability to tie together actions. Only Bixby can follow, "Open my last photo and post it to Facebook."

What's better, Bixby lives on top of other apps and knows what's going on in them. When you're looking at a photo, you can say "add stickers," and it knows what you mean.

Key to helping it improve, Bixby also asks for feedback. When Bixby can't quite decide what you're asking for, it'll present options. If it mishears you, you can correct it.

**Where Bixby struggles**

"Play Lady Gaga," you said? Sadly, Bixby heard "play lady kaka" ... and then replied, "Here's the time." Yes, that really happened, one of the many times Bixby just couldn't get me. "Caller" became "collar"; then there's "super California lipstick ex-pellicocious."

Bixby's voice could also use lessons in elocution: It pronounced 2:48 "t's forty eight." Samsung says updates it rolled out even in the last day improve these problems—but clearly it doesn't have Google, Apple or Amazon's years of voice experience.

Bixby's bigger challenge is grokking what you really

**At Your Service**

Bixby leads in multistep actions, but stumbles at some knowledge and recommendation tasks.

**Bixby**

Samsung Galaxy S8

**Siri**

Apple iPhone 7

**Assistant**

Google Pixel

**OPEN THE LAST PHOTO I TOOK AND POST IT TO FACEBOOK**

✓ **Bixby:** Opens Facebook post with photo attached. "Let's create the post here."

✗ **Siri:** "I'm sorry, Geoffrey, I'm afraid I can't do that."

✗ **Assistant:** "I can't send Facebook messages."

**TEXT GEOFFREY MY LOCATION**

✓ **Bixby:** "Sure, tap the Done button after the location has finished loading." Message with map appears, ready to send.

✗ **Siri:** Message appears with the words "my location."

✓ **Assistant:** Message reads "I'm here" with Google Maps location.

**TRANSLATE 'THE WALL STREET JOURNAL' INTO CHINESE**

✗ **Bixby:** Searches the web.

✓ **Siri:** "华尔街日报"

✓ **Assistant:** "华尔街日报"

Note: Apple Siri from beta iOS 11; Google Assistant from beta Android O (8.0). Source: WSJ analysis of the phones

THE WALL STREET JOURNAL.

mean. When I opened a photo and said "brighten this," it turned up screen brightness instead of adjusting the photo.

Bixby doesn't have much knowledge about my life. It gets confused when I ask for directions to work, either opening calendar listings or

## TECHNOLOGY

# Qualcomm Takes Hit From Dispute

Profit and revenue slide as royalties from Apple devices stop flowing to chip maker

BY TED GREENWALD

**Qualcomm** Inc. on Wednesday said profit plunged 40% in its latest quarter, the first in years that didn't include patent royalties on devices from **Apple** Inc.

The San Diego company reported profit in the three months through June 25 of \$865 million on revenue of \$5.37 billion, down 11% from a year earlier. It highlighted strength in its business selling chips for smartphones and other devices, but said revenue in the patent-licensing division, where the company has earned most of its pretax profit, fell 42% to \$1.17 billion.

Qualcomm, the leading producer of smartphone chips, is embroiled in a legal dispute with Apple, which has blocked licensing payments that previously flowed to Qualcomm for iPad and iPhone sales. Before halting royalty payments, Apple

paid approximately \$10 per iPhone in royalties, some analysts estimate.

Qualcomm had warned that the Apple dispute would sharply reduce its earnings in the latest period. Its results on Wednesday came in just above the midpoints of its own forecasts, with the company citing growth in areas such as automotive, networking, security, and smart devices that are adjacent to its core business.

Qualcomm said pretax earnings on chip sales rose 58% on revenue that grew 5% to \$4 billion. The chip business has been growing faster than the overall market in China, it said.

Its shares fell 17% after hours Wednesday, following an advance of 0.9% to \$56.78 in regular trading. The stock price has fallen roughly 9.7% through Wednesday's close since Apple filed its initial suit in January against Qualcomm.

Results for the quarter shed little light on a point of major concern to investors: The place of Qualcomm chips in future versions of the iPhone. Apple puts Qualcomm's communications chips in roughly half of its iPhone 7 units, the other half of



The company's chips are widely used in smartphones. An attendee at a Qualcomm event in January.

which use chips from **Intel** Corp.

Qualcomm declined to present information it usually provides regarding device sales, citing litigation with Apple and its manufacturing partners.

Anticipation is high for a com-

ing, presumably premium-priced iPhone celebrating the brand's 10th anniversary, but it isn't clear whether Apple will choose Qualcomm for that model.

Also up in the air is Qualcomm's \$39 billion bid to buy

NXP Semiconductors NV. Qualcomm Chief Executive Steve Mollenkopf on Wednesday reiterated that he expects the deal to close "on the terms we've agreed to" by the end of the year.

# Apple Gains Four Allies in Phone-Patent Fight

BY TRIPP MICKLE

A group of leading smartphone manufacturers joined **Apple** Inc. in a legal battle against **Qualcomm** Inc., claiming that the chip maker charges excessive patent licenses and violates antitrust laws.

Taiwan-based contract manufacturers **Compal Electronics** Inc., Foxconn Technology Group, **Pegatron** Corp. and **Wistron** Corp. filed a lawsuit against Qualcomm late Tuesday in U.S. federal district court in San Diego, according to Theodore J. Boutrous, an attorney at **Gibson, Dunn & Crutcher LLP** who is representing the four.

The companies, which assemble iPhones and iPads for

Apple and gadgets for other brands, challenged Qualcomm's licensing practices with them as illegal, according to a draft copy of their complaint. Qualcomm sells chips used in smartphones and licenses technology used in nearly all of them.

Apple, which is covering legal fees associated with the manufacturers' defense, said it filed a separate motion Tuesday to consolidate the manufacturers' countersuit and its own suit against Qualcomm.

Qualcomm General Counsel Don Rosenberg said the counterclaim and Apple's support of it demonstrated how the iPhone maker has been "pulling the strings" for the contract

manufacturers and keeping them from paying the royalties owed Qualcomm under contract.

Separately, Qualcomm said Wednesday it filed lawsuits against Apple in Germany alleging that the device maker infringes its patents. Those suits aim to stop "Apple's sale and importation of the latest iPhones in Germany," according to Mr. Rosenberg, mirroring the chip maker's moves earlier this month to block imports of some Apple devices into the U.S.

Apple pointed back to comments it made in June, when it said Qualcomm's licensing practices were harming the smartphone industry.

The moves come after a se-

ries of legal blows between the two U.S. tech companies. Apple sued Qualcomm in January in the U.S. claiming unfair business practices, and the four contract manufacturers—which have the direct licensing agreements with Qualcomm that cover iPhones and iPads—later stopped paying royalties on Apple's behalf.

Qualcomm sued the four in May over the nonpayment, setting up their countersuit Tuesday. Qualcomm has said that its licensing agreements with the contract manufacturers are independent of Apple.

Complaints against Qualcomm have focused on its licensing practices for patents considered essential to cellular

communication. Standards organizations require such patents be licensed widely at fair costs, but critics say Qualcomm has made sales of its chips conditional on the purchase of a patent license and refuses to make its essential technology available to rival chip makers. It has also been accused of charging high royalty rates unless smartphone makers agree to buy its chips. Qualcomm has denied those allegations.

Qualcomm Chief Executive Steve Mollenkopf said on the company's earnings conference call Wednesday that he expects the dispute with Apple to be settled out of court.

—Ted Greenwald  
contributed to this article.

# In China, Chief Faces Range of Challenges

BY ALYSSA ABKOWITZ

BELJING—Apple Inc. has created and filled an executive role to oversee its operations in China, where the tech behemoth faces a range of challenges, including increasingly fierce competition from domestic rivals.

Isabel Ge Mahe was named vice president and managing director of Greater China, reporting to Chief Executive Tim Cook and Chief Operating Officer Jeff Williams, the Cupertino, Calif., company said. Greater China typically includes the mainland, Taiwan, Hong Kong and Macau.

Ms. Ge Mahe, who currently serves as vice president of wireless technologies, will manage the iPhone maker's government relations, research-and-development centers and China-specific features for Apple devices.

"So many companies get the market wrong, so to have somebody who is from China, understands Apple and has a real leadership role is a really smart move," said Chris DeAngelis, Beijing-based general manager of Alliance Development Group, which advises companies on China market strategies.

Ms. Ge Mahe was involved in developing China-specific features for its iOS 11 operating system, including the ability to scan the square quick-response, or QR, codes widely used to pay utility bills and restaurant tabs, for example. She also worked on features that will allow customers to use their phone number as an Apple ID and filter out text-message scams that inundate many Chinese smartphone users.

—Tripp Mickle  
in San Francisco  
contributed to this article.



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## BUSINESS NEWS

# Old Money Problems Await New GE Boss

Profit target and cash flow will be the focus for investors ahead of quarterly report

BY THOMAS GRYTA

GE's quarterly results, due Friday, will give the company's incoming boss a taste of what he is up against: concerns about long-term profit goals and generating cash in the short term.

John Flannery's appointment as General Electric Co. chief executive, a post he assumes Aug. 1, has stoked some optimism about the company, but not enough to buoy the stock. Shares of the giant industrial company are down 15% so far this year, through Wednesday's close, while the S&P 500 index is up 11%.

On average, analysts expect earnings per share of \$1.81 in 2018—down from an average estimate of \$1.89 calculated in late May—and generally expect the company to lower the target either on Friday or in

The divergence is forcing GE to defend its conglomerate model to investors. The Boston company worked with activist Trian Fund Management earlier this year to set new cost-cutting targets. But Wall Street still is bracing for GE to lower its long-held 2018 profit target of \$2 a share.

"Investors have come to realize that \$2 of earnings power in 2018 is simply not on the table," said Morgan Stanley analyst Nigel Coe. In May, current CEO Jeff Immelt said the goal was at the high end of expectations, warning that GE would need additional cost cuts to make it.

For the second quarter, Wall Street expects GE to report earnings of 25 cents a



MARTIN DIVISEK/BLOOMBERG NEWS

Technicians checked an aircraft engine at Prague GE plant in 2016.

the months after Mr. Flannery, head of GE's health-care business, takes the reins.

For the second quarter, Wall Street expects GE to report earnings of 25 cents a

share, down about 50% from a year earlier, with revenue declining about 13%. The decline is largely attributable to a year-ago gain from GE selling its appliances business.

Thomson Reuters says GE will be the biggest drag on S&P 500 profits, which are expected to rise 8.5% in the quarter from a year earlier. Excluding GE, S&P 500 profits are forecast to climb 9.5%.

In the first quarter, GE reported a higher profit but Wall Street was blindsided by a negative cash flow of \$1.6 billion from industrial operating activities. The company blamed the shortfall on the timing of inventory and orders. It reiterated its goal of \$12 billion to \$14 billion of positive industrial cash flow by year-end, up from \$11.6 billion in 2016.

Chief Financial Officer Jeffrey Bornstein said in April that cash from operating activities would be "sequentially much better in the second quarter than the first."

GE has taken steps to retain

cash by cutting the time its customers have to pay their bills, while extending the time it has to pay its own suppliers. In May, GE's Power division sent notices to some U.S. suppliers that it was lengthening the payment window and giving itself a discount if it pays those suppliers early.

The worries about cash center on the company's dividend, which costs \$8 billion a year to fund. Deutsche Bank, one of the few brokerages with a "sell" rating on the company, warned in May that GE might have trouble covering the dividend after capital spending and pension payments.

In an interview last month, Mr. Flannery said the dividend is "safe" and reducing it won't be considered. He has promised to review the entire GE portfolio and produce recommendations by the fall.

## Mutual Funds | [WSJ.com/fundresearch](http://WSJ.com/fundresearch)

### Explanatory Notes

Data provided by LIPPER 

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. NET CHG is change in NAV from previous trading day. YTD@RET is year-to-date return. 3-YR@RET is trailing three-year return annualized.

e-Ex-distribution. f-Previous day's quotation. g-Footnotes x and s apply. h-Footnotes e and s apply. k-Recalculated by Lipper, using updated data. p-Distribution costs apply. 12b-1: r-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-performance. z-Footnote x, e and s apply. NA-Not available due to incomplete price or performance or cost data. NE-Not released by Lipper, data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Wednesday, July 19, 2017

Fund NAV Net YTD Chg %Ret Fund NAV Net YTD Chg %Ret Fund NAV Net YTD Chg %Ret

**A** American Century Inv Ultra 41.84+0.32 20.0

American Funds CI A AmcApA p 30.15+0.17 12.4

AMutIA p 39.47+0.15 8.2

BalA p 26.64+0.14 8.6

BondA p 12.96 ... 2.9

CapIBA p 62.08+0.21 9.5

CapWGrA p 50.35+0.21 16.2

EupacA p 53.72+0.24 21.6

FdlnvA p 60.65+0.48 13.2

GwthA p 49.06+0.36 16.7

Hl TrA p 10.49+0.08 5.3

ICAA p 39.68+0.18 10.4

IncoA p 22.82+0.07 6.9

N PerA p 42.79+0.27 21.1

NECoA p 43.82+0.24 19.1

NwWrldA p 62.41+0.31 21.3

SmCpA p 53.91+0.37 17.2

TxeAxA p 12.98+0.08 3.6

WshA p 43.09+0.25 8.8

**B** Baird Funds AggBdlnst 10.91 ... 3.2

CorBdlnst 11.26 ... 3.4

BlackRock Funds A GblAlloc p 19.82+0.05 9.0

BlackRock Funds Inst EqtyDivD 24.24+0.16 8.0

GblAlloc p 19.95+0.04 9.1

HIYldBd 7.82+0.01 5.6

StratnOptyInfs 9.94 ... 3.0

**C** Del Invest Instl Value 20.25+0.15 3.8

Dimensional Fds OTC 106.63+0.10 28.0

5GlbFxdInc 10.99+0.01 1.9

Puritn 22.66+0.11 10.9

EmgMktVta 29.40+0.22 23.0

EmkMktCorEq 21.53+0.16 24.7

IntlCoreEq 13.52+0.07 16.3

IntlVal 17.87+0.08 14.1

First Eagle Funds FdlnvGrdf 11.30 ... 3.2

FPA Funds FdlnvGrdf 11.30 ... 3.2

US CoreEq 21.05+0.14 10.1

FedMktA p 12.04+0.01 8.0

FrankTemp/Frank Adv 34.55+0.11 7.2

IncomeA p 34.97+0.38 3.8

IncomeAdv 2.34 ... 5.4

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## Borrowing Benchmarks | [WSJ.com/bonds](http://WSJ.com/bonds)

### Money Rates

July 19, 2017

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

June index Chg From (%) level May '17 June '16

**U.S. consumer price index**

All items 244.95 0.09 1.6

Core 252.014 0.07 1.7

**International rates**

Week Latest -52-Week Ago High Low

**Federal funds**

Effective rate 1.1800 1.1800 1.2000 0.3300

High 1.3125 1.3125 1.3125 0.5625

Low 0.9700 1.1300 1.1600 0.2000

Bid 1.1700 1.1500 1.1800 0.2800

Offer 1.1800 1.1800 1.1900 0.3000

**Labor**

One month 1.22889 1.22444 1.22889 0.48740

Three month 1.30722 1.30389 1.30722 0.70160

Six month 1.45322 1.46044 1.46544 1.02020

One year 1.73344 1.74594 1.82761 1.34490

**Euro Libor**

One month -0.398 -0.404 -0.369 -0.405

Three month -0.376 -0.372 -0.302 -0.376

Six month -0.203 -0.206 -0.191 -0.308

One year -0.185 -0.184 -0.060 -0.190

**Euro interbank offered rate (Euribor)**

One month -0.373 -0.374 -0.366 -0.375

Three month -0.332 -0.331 -0.296 -0.332

Six month -0.274 -0.273 -0.183 -0.274

One year -0.151 -0.154 -0.045 -0.163

**Secondary market**

**Fannie Mae**

30-year mortgage yields

30 days 3,492 3,590 3,865 2,808

60 days 3,519 3,620 3,899 2,837

**Other short-term rates**

Week Latest -52-Week Ago High Low

**Call money**

4 weeks 0.955 0.950 0.955 0.160

13 weeks 1.050 1.040 1.050 0.250

26 weeks 1.105 1.125 1.130 0.395

**Commercial paper (AA financial)**

90 days 1.24 1.25 1.26 0.59

**DTCC GCF Repo Index**

Treasury 1.055 46,060 1,366 0.244

MBS 1.060 84,850 1,050 0.257

Open Implied Settle Change Interest Rate

**DTCC GCF Repo Index Futures**

Treasury Jly 98.885 0.005 6526 1.115

Treasury Aug 98.880 unch. 2724 1.120

Treasury Sep 98.850 -0.005 1668 1.150

**Notes on data:**

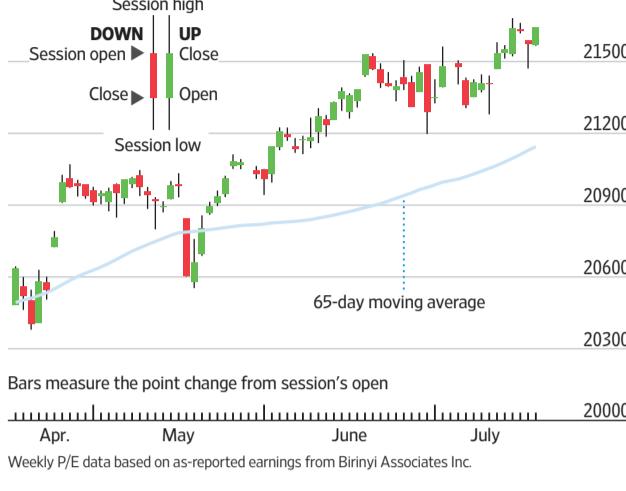
**U.S. prime rate** is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective June 15, 2017. **Other prime rates** aren't directly comparable; lending practices vary

## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average

**21640.75** ▲ 66.02, or 0.31%  
High, low, open and close for each trading day of the past three months.



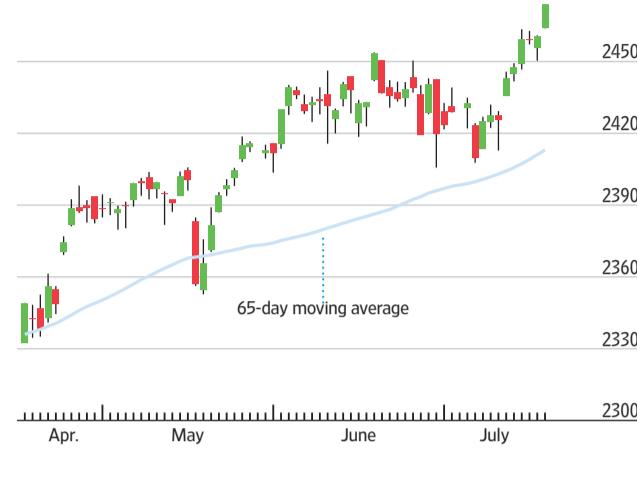
Bars measure the point change from session's open

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

#### S&P 500 Index

**2473.83** ▲ 13.22, or 0.54%

High, low, open and close for each trading day of the past three months.



65-day moving average

#### Nasdaq Composite Index

**6385.04** ▲ 40.74, or 0.64%

High, low, open and close for each trading day of the past three months.



65-day moving average

#### Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Dow Jones</b>										
Industrial Average	21640.75	21565.84	<b>21640.75</b>	66.02	<span style="color: green;">0.31</span>	21640.75	17888.28	<b>16.4</b>	9.5	<b>8.2</b>
Transportation Avg	9612.07	9535.80	<b>9575.73</b>	-57.32	<span style="color: red;">-0.60</span>	9742.76	7648.44	<b>20.3</b>	5.9	<b>4.5</b>
Utility Average	715.10	711.10	<b>714.71</b>	2.93	<span style="color: green;">0.41</span>	737.51	625.44	<b>1.1</b>	8.4	<b>8.5</b>
Total Stock Market	25639.52	25527.78	<b>25639.52</b>	153.54	<span style="color: green;">0.60</span>	25639.52	21514.15	<b>14.4</b>	10.2	<b>7.5</b>
Barron's 400	660.07	657.03	<b>659.92</b>	5.24	<span style="color: green;">0.80</span>	659.92	521.59	<b>20.9</b>	9.7	<b>7.4</b>

#### Nasdaq Stock Market

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Nasdaq Composite	6387.73	6362.19	<b>6385.04</b>	40.74	<span style="color: green;">0.64</span>	6385.04	5046.37	<b>25.4</b>	18.6	<b>12.9</b>
Nasdaq 100	5922.37	5895.54	<b>5916.16</b>	36.07	<span style="color: green;">0.61</span>	5916.16	4647.02	<b>27.0</b>	21.6	<b>14.5</b>

#### Standard & Poor's

	500 Index	2473.83	13.22	0.54	2473.83	2085.18	13.8	10.5	7.7	
MidCap 400	1780.79	1766.98	<b>1780.45</b>	17.41	<span style="color: green;">0.99</span>	1780.45	1476.68	<b>14.9</b>	7.2	<b>8.0</b>
SmallCap 600	871.95	863.88	<b>871.95</b>	9.98	<span style="color: green;">1.16</span>	871.95	703.64	<b>17.6</b>	4.1	<b>9.5</b>

#### Other Indexes

	Russell 2000	1441.77	1428.28	<b>1441.77</b>	14.16	0.99	1441.77	1156.89	<b>19.2</b>	6.2	<b>7.8</b>
NYSE Composite	11941.38	11893.42	<b>11941.34</b>	63.92	<span style="color: green;">0.54</span>	11941.34	10289.35	<b>10.6</b>	8.0	<b>2.8</b>	
Value Line	532.19	526.98	<b>532.19</b>	5.21	<span style="color: green;">0.99</span>	532.19	455.65	<b>11.0</b>	5.1	<b>2.3</b>	
NYSE Arca Biotech	3996.73	3947.51	<b>3961.60</b>	53.56	<span style="color: green;">1.37</span>	4016.86	2834.14	<b>23.5</b>	28.8	<b>13.3</b>	
NYSE Arca Pharma	537.59	535.99	<b>537.09</b>	1.21	<span style="color: green;">0.23</span>	554.66	463.78	<b>-1.7</b>	11.5	<b>0.9</b>	
KBW Bank	95.90	94.67	<b>95.21</b>	-0.41	<span style="color: red;">-0.43</span>	99.33	66.90	<b>41.2</b>	3.7	<b>10.4</b>	
PHLX® Gold/Silver	83.02	82.11	<b>82.61</b>	0.21	<span style="color: green;">0.26</span>	112.86	73.03	<b>-17.8</b>	4.8	<b>-6.8</b>	
PHLX® Oil Service	140.65	134.13	<b>140.01</b>	5.80	<span style="color: green;">4.32</span>	192.66	126.75	<b>-16.7</b>	-23.8	<b>-22.8</b>	
PHLX® Semiconductor	1113.51	1105.83	<b>1113.18</b>	9.83	<span style="color: green;">0.89</span>	1138.25	738.30	<b>49.7</b>	22.8	<b>20.0</b>	
CBOE Volatility	9.94	9.58	<b>9.79</b>	-0.10	<span style="color: red;">-1.01</span>	22.51	9.51	<b>-16.8</b>	-30.3	<b>-6.7</b>	

§Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt 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	7,954.2	246.93	-0.06	<b>-0.02</b>	247.05	245.70
Van Eck Vectors Gold Miner	GDX	4,127.1	22.23	0.05	<b>0.23</b>	22.24	22.16
First Select Sector SPDR	XLF	3,710.8	24.81	...	<b>unch.</b>	24.86	24.80
Horizon NASDAQ-100 Cvd	QYLD	3,213.0	23.95	-0.05	<b>-0.19</b>	23.95	23.95
Intel	INTC	2,967.4	34.58	0.02	<b>0.06</b>	34.59	34.45
Pfizer	PFE	2,793.2	33.65	0.03	<b>0.09</b>	33.65	33.58
PwrShrs QQQ Tr Series 1	QQQ	2,705.3	144.02	0.04	<b>0.03</b>	144.09	143.67
AT&T	T	2,451.5	36.29	0.16	<b>0.44</b>	36.30	35.91

#### Percentage gainers...

Highpower International	HPJ	44.9	5.00	0.90	<b>21.95</b>	5.25	4.20
Avista	AVA	38.8	51.54	8.21	<b>18.95</b>	51.99	43.33
Sarepta Therapeutics	SRPT	1,444.1	39.30	5.22	<b>15.32</b>	39.50	33.63
Plexus	PLXS	6.6	57.20	3.34	<b>6.20</b>	59.00	53.86
Kinder Morgan	KMI	798.9	20.50	0.83	<b>4.22</b>	20.72	19.59

#### ...And losers


# COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

## Futures Contracts

### Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	2,725.00	2,725.00	2,700.00	2,703.00	-0.0205	1,743	
July	2,729.00	2,735.00	2,706.00	2,710.05	-0.0200	138,750	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	1,240.40	1,240.40	1,240.10	1,241.20	0.10	37	
July	1,242.00	1,243.50	1,235.10	1,242.00	0.10	207,458	
Sept	1,245.80	1,246.70	1,238.60	1,245.30	... 241,16		
Oct	1,248.80	1,250.30	1,242.00	1,248.80	... 205,225		
Dec	1,250.80	1,253.00	1,246.10	1,252.50	... 14,938		
Feb'18	1,250.80	1,253.00	1,246.10	1,252.50	... 14,938		
June	1,259.40	1,259.40	1,253.30	1,259.50	... 8,124		
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.	924.90	924.90	920.10	921.60	-6.10	23	
July	931.10	931.10	921.30	924.20	-6.10	65,993	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.	16.140	16.250	16.130	16.251	0.029	163	
Sept	16.265	16.345	16.125	16.297	0.029	154,682	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	46.25	47.26	46.14	47.12	0.72	74,627	
Aug	46.48	47.46	46.32	47.32	0.73	608,971	
Sept	46.62	47.62	46.49	47.50	0.74	162,716	
Oct	47.07	48.09	46.98	47.99	0.74	324,317	
June'18	47.95	48.86	47.94	48.81	0.67	125,710	
Dec	48.50	49.34	48.40	49.27	0.56	169,578	
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.	1,508.88	1,555.77	1,507.6	1,551.4	0.0410	60,780	
Aug	1,514.49	1,559.33	1,511.6	1,555.2	0.0403	115,697	
<b>Gasoline-NY ROB (NYM)</b> -42,000 gal.; \$ per gal.	1,549.00	1,580.8	1,542.9	1,578.4	0.0376	121,726	
<b>Natural Gas (NYM)</b> -10,000 MMBtu's; \$ per MMBtu	3.082	3.103	3.062	3.066	-.022	100,533	
Sept	3.066	3.084	3.050	3.055	-.018	297,880	
Oct	3.095	3.114	3.083	3.088	-.016	191,113	
Jan'18	3.394	3.410	3.384	3.392	-.011	166,744	
March	3.313	3.328	3.306	3.312	-.011	84,998	
April	2.909	2.914	2.895	2.904	-.008	101,454	

### Agriculture Futures

	Currency Futures						
<b>Japanese Yen (CME)</b> -\$12,500,000; \$ per 100Y	Aug	.8936	.8974	.8921	.8956	.0013	637
Sept	.8950	.8988	.8935	.8970	.0014	248,173	
<b>Canadian Dollar (CME)</b> CAD 100,000; \$ per CAD	Aug	.7928	.7953	▲ .7908	.7945	.0018	451
Sept	.7927	.7958	▲ .7911	.7949	.0018	163,369	
<b>British Pound (CME)</b> -\$62,500; \$ per £	Aug	1,3049	1,3063	1,3023	1,3037	-.0023	450
Sept	1,3068	1,3079	1,3037	1,3052	-.0023	197,536	
<b>Swiss Franc (CME)</b> CHF 125,000; \$ per CHF	Sept	1,0515	1,0534	1,0500	1,0509	-.0008	42,859
Dec	1,0520	1,0602	▲ 1,0483	1,0517	-.0009	287	
<b>Australian Dollar (CME)</b> AUD 100,000; \$ per AUD	Aug	.7930	.7956	▲ .7908	.7955	.0034	541
Sept	.7906	.7953	▲ .7903	.7949	.0033	115,497	
<b>Soybean Oil (CME)</b> -60,000 lbs.; cents per lb.	Aug	.7899	.7942	▲ .7895	.7939	.0032	1,624
Sept	.7916	.7939	▲ .7903	.7924	.0032	1,624	
<b>Mexican Peso (CME)</b> MXN 500,000; \$ per MXN	Aug	.05484	.05489	.05488	.05685	-.00009	64
Euro (CME) €125,000; \$ per €	Sept	1,1592	1,1594	1,1547	1,1555	-.0044	437,649

### Currency Futures

	Index Futures							
<b>Mini DJ Industrial Average (CBT)</b> -\$5 x index	Sept	2,1518	2,1605	2,1503	2,1596	76	128,999	
Dec	2,1455	2,1558	2,1552	2,1552	75	225		
<b>S&amp;P 500 Index (CME)</b> -\$250 x index	Sept	2,459.10	2,471.80	▲ 2,478.0	2,458.30	2,471.40	13.60	48,102
Dec	2,457.95	2,472.00	▲ 2,457.5	2,457.5	2,471.50	13.75	2,885,191	
<b>Mini S&amp;P 500 (CME)</b> -\$50 x index	Sept	2,459.75	2,472.00	▲ 2,457.5	2,471.50	13.75	2,885,191	
Dec	2,457.00	2,470.00	▲ 2,455.7	2,469.25	13.75	27,889		
<b>Mini S&amp;P Midcap 400 (CME)</b> -\$100 x index	Sept	1,761.60	1,781.00	▲ 1,760.0	1,779.80	17.90	91,877	
Dec	1,759.00	1,781.00	▲ 1,760.0	1,779.80	17.90	91,877		
<b>Mini Nasdaq 100 (CME)</b> -\$20 x index	Sept	589.55	592.50	▲ 588.9	591.83	35.5	282,452	
Dec	589.83	593.20	▲ 589.6	592.50	35.8	1,024		
<b>Mini Russell 2000 (CME)</b> -\$100 x index	Sept	1,426.60	1,442.90	▲ 1,425.30	1,442.20	15.60	561,649	
Dec	1,427.00	1,441.80	▲ 1,427.00	1,441.20	15.60	112		
<b>Mini Russell 1000 (CME)</b> -\$100 x index	Sept	1,364.80	1,369.90	▲ 1,364.80	1,369.10	6.90	8,153	
Dec	1,365.00	1,375.00	▲ 1,365.00	1,375.00	6.90	8,153		
<b>U.S. Dollar Index (ICE-US)</b> -\$1,000 x index	Sept	94.48	94.69	94.45	94.59	.19	50,927	
Dec	94.29	94.47	94.28	94.37	.19	1,736		

Source: SIX Financial Information

## Macro & Market Economics

### Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended July 14. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import

Natural-gas import and demand data are available monthly only.

### Inventories, 000s barrels

	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg	
<b>Crude oil and petroleum prod</b>	1,324,726	...	1,335	1,385	1,338	1,203	
<b>Crude oil</b>	490,623	-3,100	495	519	500	417	
<b>Gasoline</b>	231,211	...	236	241	236	221	
<b>Finished gasoline</b>	23,228	-600	24	26	23	37	
<b>Reformulated</b>	30	...	0	0	0	0	
<b>Conventional</b>	23,198	...	24	26	23	37	

# BIGGEST 1,000 STOCKS

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BATS (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ICE and BATS.

The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, July 19, 2017

Net

Stock Sym Close Chg

NYSE

ABB ABB 25.09 0.07

AES AES 11.32 0.08

Aflac AFL 77.89 0.02

AGCO AGCO 71.50 0.94

AT&T T 36.13 0.14

AbbottLabs AbbottLabs 49.43 0.69

AbbVie AbbV 72.77 0.54

Accenture ACN 127.78 0.41

AcuityBrands AYI 204.15 2.40

Adient ADNT 70.23 0.46

AdvanceAuto AAP 108.7 0.57

AdvSemiEng ASX 6.51 0.05

Aegon AEG 5.34 0.01

AerCap AER 48.57 0.80

Aetna AET 154.24 0.93

AffiliatedMtrs AMG 176.99 0.44

AgilentTechs A 61.38 0.17

AgnicoEagle AGN 44.49 0.07

Agricor AGU 100.7 1.75

AirProducts APP 146.21 0.97

AlaskaAir ALK 90.27 0.48

Albermarle ALB 119.16 1.43

Alcoa ALCO 36.5 0.07

AlexandriaRealSt ARD 122.09 1.39

Alibaba BABA 153.15 0.60

Alleghany YH 608.0 1.01

Allegion ALLE 80.7 0.10

Allergan AGN 246.41 0.68

AllianceData ADD 163.53 1.53

AllianceBernstein AB 24.70 0.05

AllianzEnergy LNT 40.50 0.22

AllisonTransl ASN 37.58 0.04

Allstate ALL 89.25 0.37

AllyFinancial AYL 22.44 0.55

AlticeUSA ATUS 31.64 0.37

Altria MO 73.55 0.22

AluminaChina ACH 15.51 0.44

Ambev ABEV 5.94 0.05

Ameren AEE 55.6 0.30

AmericaMovil AMX 17.29 0.13

AmericanAvail AMV 17.0 0.03

AmCampus ACC 47.85 0.88

AEP AEP 66.85 0.29

AmericaExpress AXP 85.93 0.41

AmericanFin APN 100.58 1.02

AmericaHomesRt AMH 22.91 0.01

AIG AIG 64.19 0.32

AmerTowerReIT AMT 135.42 0.76

AmerWaterWorks AWK 80.03 0.35

Americagas APU 45.70 0.25

Americorp AMP 136.04 1.47

AmericoBancr BAN 91.17 0.20

Amertek AMT 46.2 0.21

Amphenol APH 75.55 0.67

AnadarkoPetrol APP 44.91 1.14

AB InBev BUD 114.81 0.32

AnallyCap NLY 11.76 -0.01

AnteroMidstream AMR 34.10 0.35

AnteroResources AR 22.16 0.52

Antithemis ANTR 19.29 0.84

Aon AON 138.07 0.66

AmericaMovil BAMA 15.51 0.44

Apogee APO 46.85 0.29

Apprentech APP 47.07 0.29

Appratus ATR 90.79 0.4

ArlingtonAssetPib ALP 2.53 0.33

ArtisanPrtAssed APAM 32.45 0.55

ArtisanPrtCnd FND 32.45 0.55

AssuredGuarnty AGO 45.67 0.02

Autoliv ALV 117.26 0.25

AutoZone AZO 49.34 0.25

Avalonbay AVB 190.17 1.77

Avangrid AGV 45.15 1.15

AveryDennison AVE 94.07 0.67

AxaCoating AXTA 33.54 0.03

B&T BBT 44.76 0.15

BCE BCE 46.20 0.24

BHPBilliton BHI 39.81 0.38

BHPBilliton BBL 43.62 0.34

BP BP 30.35 0.20

BRF BRFS 117.99 -0.08

BT Group BTW 20.05 0.01

BakerHughes BHGE 36.54 -0.21

Ball BLL 42.53 0.11

BancoBilbaoViz BBVA 8.67 -0.03

BancoChile BCH 86.94 0.20

Coca-Cola Euro CCE 42.09 -0.01

Coca-Cola Euro CCE 42.09 -0.01

Footnotes:

F-New 52-week high.

F-New 52-week low.

dd—Indicates loss in the most recent four quarters.

FT—First day of trading.

h—Does not meet continued listing standards.

If—Late filing.

q—Temporary exemption from Nasdaq requirements.

t—NYSE bankruptcy.

v—Trading halted on primary market.

wj—in bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

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AerCap AER 48.57 0.80

Aetna AET 154.24 0.93

AffiliatedMtrs AMG 176.99 0.44

AgilentTechs A 61.38 0.17

AgnicoEagle AGN 44.49 0.07

Agricor AGU 100.7 1.75

AirProducts APP 146.21 0.97

## BANKING & FINANCE

# Court Overturns Libor Convictions

By MICHAEL RAPORT

A federal appeals court panel has overturned the convictions of two former Rabobank traders in the scandal over attempted manipulation of the London interbank offered rate, saying the men's Fifth Amendment right against self-incrimination had been violated.

The three-judge panel of the Second U.S. Circuit Court of Appeals in New York dismissed the charges against Anthony Allen and Anthony Conti, both former traders for the Dutch bank, who were convicted on conspiracy and wire-fraud charges in November 2015.

In a Wednesday ruling, the panel said the convictions of Messrs. Allen and Conti were tainted because a witness against them had reviewed and may have been influenced by testimony that the two men had been forced to provide to authorities in their native U.K. about their actions regarding the London interbank offered rate, or Libor. Without the evi-

dence supplied by that witness, it isn't clear whether the two traders would have been indicted to begin with, the judges said.

Compelled testimony "cannot be used to secure a conviction in an American court," Judge Jose Cabranes wrote in the unanimous 81-page ruling. "This is so even when the testimony was compelled by a foreign government in full accordance with its own law."

Michael Schachter, Mr. Allen's attorney, called the ruling "a tremendous relief for Tony Allen and his family" and said they "now look forward to putting this stressful chapter of their lives behind them."

Mr. Conti's attorney, Aaron Williamson, said, "I'm thrilled, and I've just called my client and he's thrilled as well."

A spokeswoman for the Justice Department declined to comment.

While Wednesday's ruling focused narrowly on the Fifth Amendment issue, it amounts to a blow to authorities' attempt to pursue the traders and bankers involved in the



The appeals court panel ruled that charges against ex-Rabobank traders Anthony Conti, left, and Anthony Allen were tainted.

ANDREW KELLY/REUTERS (2)

scandal over Libor, an interest rate that international banks charge each other and a global benchmark underpinning the costs of hundreds of trillions of dollars of financial products. More than a dozen big banks have acknowledged rigging Libor to benefit themselves and have paid billions of dollars in

fines and settlements.

Messrs. Allen and Conti are the only defendants who have gone to trial on Libor-related charges in the U.S., though at least 11 others have been convicted or pleaded guilty in the U.S. and the U.K., and cases against other defendants are pending.

Rabobank agreed in 2013 to pay more than \$1 billion in settlements to U.S., U.K. and Dutch authorities, including a \$325 million settlement with the Justice Department. A Rabobank spokesman declined to comment.

Mr. Allen is Rabobank's former global head of liquidity and finance; Mr. Conti is a former Rabobank senior trader. Both are U.K. citizens, but they waived extradition to come to the U.S. and fight the allegations.

They were convicted on charges that they participated in a scheme to rig U.S. dollar and Japanese yen Libor rates to benefit Rabobank's trading positions.

Both men denied wrongdoing. Mr. Allen testified at trial that he didn't accommodate requests from Rabobank traders to submit Libor estimates favorable to their trading positions.

The appeal hinged on testimony that Messrs. Allen and Conti gave to U.K. regulators in their own investigation of Libor manipulation.

## AmEx Loan Push Pays Off In Results

By ANNAMARIA ANDRIOTIS AND ALI STRATTON

American Express Co. reported net income and revenue for the second quarter that exceeded analysts' expectations, results largely helped by the company's push into lending.

Total revenue net of interest expense was \$8.3 billion, up 1% from a year earlier. It was the first quarter of adjusted revenue growth since a year ago.

Still, second-quarter earnings fell 33% from last year as the card giant endured heavy competition from large banks and the loss of its 16-year exclusive relationship with Costco Wholesale Corp. Shares of AmEx, up 16% year to date, fell 1% to \$85.93 after hours.

The firm, run by Chairman and Chief Executive Kenneth Chenault, posted net income of \$1.3 billion, or \$1.47 a share. Analysts polled by Thomson Reuters expected earnings of \$1.43.

When removing the Costco balances that AmEx had for most of the second quarter last year, adjusted revenue increased 8%, compared with 7% in the first quarter and 4% a year ago.

Jeffrey Campbell, chief financial officer of AmEx, said the company now expects full-year adjusted revenue growth to be above the top end of the 5% to 6% range it shared at its investor day in March. "We're off to a stronger start than we expected," he said.

AmEx's revenue growth is largely due to its efforts to take on more loan balances. The company has traditionally focused on affluent consumers who pay their bills in full each month.

AmEx's world-wide card member loans reached \$66 billion in the second quarter, up 10% from a year ago. In the U.S., card-member loans hit \$58.5 billion, also up 10% from a year prior. Industrywide, credit-card balances in the U.S. are up about 6% from a year ago, according to Federal Reserve data from May.

The company increased loan-loss reserves for world-wide card-member loans by 21% to \$1.3 billion. Its net write-off rate, including principal, interest and fees written off as a loss, increased to 2.1% from 2.0% in the first quarter and 1.8% a year prior, though it still remains among the lowest in the industry.

AmEx's appetite for consumer debt has grown over the last couple of years. It is fueled largely by its attempt to fill the balances it lost with the Costco account. In 2015, Mr. Chenault and his deputies turned to lending as a way to boost revenue after the announced departure. AmEx launched personal loans last year and is launching a new payment option called Plan It that will allow U.S. consumers to spread out paying off credit-card purchases of at least \$100 over periods ranging from three to 24 months.

## Frankfurt Hub Is Set to Pick Up the Pieces

By PATRICIA KOWSMANN

FRANKFURT—Germany's financial hub is taking an early lead in attracting banking businesses in anticipation of Britain exiting the European Union. Its main asset: stability.

Banks from Japan's Nomura Holdings Inc. and Sumitomo Mitsui Financial Group Inc. to the U.S.'s Citigroup Inc. are shifting some business to Frankfurt given the possibility that the U.K. will be left out of the single market once it leaves the EU. This would prevent banks in London from being able to serve customers across the Continent.

Following U.K.'s Brexit referendum in June 2016, many European capitals began lining up to woo some of these firms.

France has promised changes to cut labor costs, and Italy is changing its tax policies to make it less burdensome for bankers and other professionals. Spain's markets regulator is trying to make Madrid more international by hiring native English speakers to revise and edit all communications the agency sends out in English. But it is Frankfurt with its low-key approach that has been getting the biggest response.

"Stability is the one thing all banks are looking for, and in this regard Germany, with its stable economy and politics, is a winner," said an official at a bank that is shifting some business to Frankfurt.

Detmar Loff, a partner at law firm Ashurst, which is advising banks on their Brexit choices, also points to a well-educated workforce that speaks English, reasonable costs and a reliable regulatory environment as reasons for the German city's early success. Frankfurt is also home to the eurozone's banking supervisor, the European Central



Banks looking to relocate some business operations from London in the wake of Brexit say Germany offers a stable environment.

Bank, which often summons bankers to discuss their businesses. Being close to the ECB, bankers say, makes that easier.

Paris, which many touted as a big contender for Brexit businesses, has suffered from political uncertainty surrounding this year's elections. Emmanuel Macron, France's new pro-business president, is stepping up efforts to bring firms to the capital, but it has secured only one big bank.

HSBC Holdings PLC has said it would transfer about 1,000

jobs to France, where it already has a retail presence.

It is too early to tell how many financial firms—and people—will converge on the German city of 730,000, which gets sleepy on weekends when many expat workers go home while others retreat to the residential suburbs in the surrounding hills.

Sumitomo Mitsui Financial, Nomura and Daiwa Securities Group Inc. separately said they would set up subsidiaries in Germany, but didn't provide

staffing figures. Citigroup is planning to make Frankfurt its broker-dealer business hub outside London by adding about 150 positions in its business already set up in the city, according to a person familiar with the plan.

Morgan Stanley is close to picking Frankfurt as its EU hub, according to a person familiar with the plan. But both Citigroup and Morgan Stanley are also expected to shift some jobs to other capitals, including Paris and Dublin.

Frankfurt Main Finance, the group that is promoting the financial center, estimates that more than 10,000 jobs will come to the city in the next six years as a result of Brexit, adding to the existing 75,000. That is still a fraction of the more than 700,000 people who work in financial and related services in London.

—Max Colchester in London, Jeannette Neumann in Madrid and Giovanni Legorano in Rome contributed to this article.

## Bank CEOs Expect a Pro-Growth Shift in Regulation

By CHRISTINA REXRODE

U.S. Bancorp, the largest regional bank in the U.S., is bullish on the regulatory outlook for banks.

In a call with analysts Wednesday to discuss second-quarter earnings, Chief Executive Officer Andrew Cecere said expected changes to bank regulation have "the promise to be conducive to growth."

"I just spent time in Washington last week and left very encouraged by the open and productive dialogue that is taking place," Mr. Cecere said.

Executives at Morgan Stanley, which reported second-quarter earnings Wednesday as well, were enthusiastic about prospects for regulation that would be more favorable to the industry. In a call with analysts, CEO James Gorman expressed hope for simpler regulation and lower corporate taxes to "allow U.S. banks to be greater engines of economic growth."

Their remarks contrast with those of J.P. Morgan Chase & Co. CEO James Dimon, who said last week that Washing-

ton gridlock has so hamstrung the U.S. economy that "it's almost an embarrassment" to be an American citizen.

While other banks want a lighter regulatory touch as well—one of the promises of the Trump administration—they have focused their recent remarks instead on Washington gridlock over health care, trade and tax policies and other issues.

U.S. Bancorp suffered from sluggish loan growth at the beginning of the year, but officials there expect loan demand to bounce back a bit in the third quarter. They also expect consumer-lending demand to "remain fairly strong" for the rest of the year.

In an interview, U.S. Bancorp Chief Financial Officer Terry Dolan said he was also optimistic about what policy makers in Washington could do for the economy. "There's a very strong focus on how we move the economy forward, how we're going to create jobs, what we can do within the banking industry in order for us to help stimulate that economic growth," he said.

Just last month, Mr. Cecere said a lack of clarity on tax policy, trade policy, health care and infrastructure spending was forcing corporate customers into a wait-and-see mode, wary about expanding until they knew what to expect.

Mr. Dolan said Wednesday that the bank's large corporate customers are taking out loans for small acquisitions, not capital expenditures or business initiatives. Darren King, CFO of M&T

Bank Corp., Buffalo, N.Y., said in an interview that Washington gridlock was keeping corporate customers from taking loans to expand their business.

"If you're in health care, it's uncertainty about the Affordable Care Act," Mr. King said. "If you're in construction or heavy equipment, it's uncertainty about whether we're going to have an infrastructure bill."

Donald Trump's election in November sent bank stocks soaring, with analysts expecting the new administration to pare back Obama-era regulations and boost the economy with infrastructure spending. Still, banks have been wondering if the Trump administration's deregulation promises will materialize.

It also isn't clear if election-fueled optimism about the economy will translate into higher loan demand. Mr. Dolan on Wednesday cited as one reason for his bank's optimism the report the Treasury Department released last month with proposals on remaking the regulatory landscape.

### U.S. Bancorp Sees Lending Rebound

U.S. Bancorp said it expects loan growth to return to normal after a sluggish start to the year.

The Minneapolis-based bank reported that average loans were up compared with the previous quarter and the year-earlier period, driven by an increase in demand from large corporate customers and construction loans. Its shares rose 0.9% on a day when bank stocks more broadly fell.

Overall, net income was \$1.5 billion, down about 1% from \$1.52 billion a year earlier. On a per-share basis, earnings rose to 85 cents from 83 cents, just topping the average estimate of analysts polled by Thomson Reuters, which was 84 cents. Revenue rose 0.7% to \$5.49 billion.

U.S. Bancorp is the largest regional bank in the U.S., and its results serve as an industry bellwether.

Though bank stocks have rallied since the Trump election in November, analysts and investors are still waiting to see whether that will actually translate into more lending.

PNC Financial Services Group Inc., based in Pittsburgh, said last week that it continues to expect loans to be up by mid-single-digit percentages for the full year, which analysts took as an encouraging sign. Its average loans were up 2% over the quarter.

U.S. Bancorp's first-quarter loans rose 0.2% quarter over quarter. That growth had averaged 1.5% throughout 2016.

On Wednesday, the bank said second-quarter loans rose 0.9% from the previous quarter, on the high end of what bank officials signaled last month. Bank officials also said they expect quarter-over-quarter loan growth to return to a range of 1% to 1.5% in the third quarter. Commercial loans were up over the year and quarter, as were construction and development loans.

—Christina Rexrode



James Gorman is hopeful for simpler rules and lower taxes.

MICHAEL NAGLE/BLOOMBERG NEWS

—Christina Rexrode

## MARKETS

# Tech Shares Pass Dot-Com Era Record

Information-technology sector beats the previous high reached back in March 2000

BY AMRITH RAMKUMAR  
AND BEN EISEN

Technology stocks broke a nearly two-decade-old record on Wednesday.

The S&P 500's information-technology sector ended the day at 992.29, closing above its previous high of 988.49 set in March 2000 at the peak of the dot-com bubble. Tech stocks are by far the best performing among the index's 11 sectors this year, up 23% after posting their ninth consecutive day of gains.

Although it was down in June—the first month of losses for the sector this year—amid concerns that the group's rapid run-up had left it susceptible to a selloff, tech stocks have regained their mojo in recent weeks.

Apple Inc., the largest publicly traded company in the U.S. by market capitalization, has posted its longest streak of consecutive gains since August 2014, at nine days, while shares of other tech titans, including Facebook Inc. and Microsoft Corp., closed at highs. Google parent Alphabet Inc. isn't far from joining Apple as one of



Microsoft fell just one place from 2000 to be the third-largest tech company now by market cap.

two companies with a market capitalization above \$700 billion.

Those large tech companies have carried the S&P 500 to fresh highs this year, attracting investors for their ability to increase earnings despite tepid economic growth.

The tech-oriented Nasdaq Composite returned to setting fresh highs in the spring of 2015. On Tuesday, it set its first record since June 8 and reached another high Wednesday, its 40th of 2017.

The S&P tech sector has been slower to reclaim record levels than the Nasdaq in part

because it is missing some of the Nasdaq's biggest gainers.

Netflix Inc. and Amazon.com Inc., though they are often associated with tech stocks and included in the Nasdaq, are classified by S&P as consumer-discretionary companies.

Netflix shares gained 14% Tuesday, their largest one-day advance of the year, after the internet-streaming company blew through its quarterly subscriber-growth estimate. They are up 49% this year, while Amazon is up 37%.

Meanwhile, the S&P tech sector includes some underperformers, such as International

Business Machines Corp., and Western Union Co., both down more than 11% this year. Neither are in the Nasdaq.

Even as some investors have become concerned about the persistent rise in technology stocks this year, they are quick to note that there are major differences between tech stocks now and in 2000.

The S&P 500 tech sector is trading at 23.2 times the past 12 months' earnings as of Tuesday's close. While that is above the 22 times at which the broader S&P benchmark is trading, it is far below the 70.3 times the prior 12 months of

earnings on March 27, 2000, when the tech sector peaked, according to FactSet.

Tech stocks have become profitable in recent years, with the sector increasing profits by 18% in the first three months of 2017 from a year earlier, topping the S&P 500's 14% growth.

Apple had profit of \$11.03 billion in its most recent quarter. By contrast, Cisco Systems Inc., the largest tech company by market cap in early 2000, earned less than a 10th of that in the three months through April 2000.

But some pieces of the tech

sector look strikingly similar. Microsoft, the second-largest tech company in March 2000, with a market cap of about \$540 billion, is now the third-biggest company, with a market cap of about \$570 billion, according to FactSet and S&P Dow Jones Indices.

With the largest tech firms set to report earnings in the next few weeks, tech stocks could go even higher.

Weeks when quarterly earnings are being reported have traditionally driven a much higher percentage of stock-price gains for those highflying companies.

## Treasurys Slip Before BOJ, ECB Meetings

BY MIN ZENG

The U.S. government-bond market took a breather Wednesday as investors awaited policy meetings from two of the world's major central banks.

The yield on the benchmark 10-year Treasury note settled at 2.268%, compared with 2.263% Tuesday, which was the lowest close since June 28. Yields rise as bond prices fall.

The outlook for monetary policy has been a focus for bond investors after a selloff between late June and early July, driven by worries over a pivot toward a reduction in monetary stimulus in the developed world. Both the Bank of Japan and the European Central Bank are scheduled to meet Thursday.

The ECB is expected to keep interest rates and bond buying steady, some analysts said. Investors will zero in on ECB President Mario Draghi's comments during his press conference after he kick-started the recent bond rout by saying at the end of June that the central bank might start winding down its monetary stimulus as the eurozone economy picks up speed.

"The key question remains when the ECB is going to start tapering bond buying," leaving the bond market vulnerable to more price swings, said Bryce Doty, senior portfolio manager at SIT Investment Associates.

Some investors said Mr. Draghi would be careful not to spook investors as the recent selloff points to fragile market sentiment. A rapid rise in bond yields could undercut growth momentum, they said.

Some investors said that if the euro's nearly 10% rally against the dollar this year continues, it could become more difficult for the ECB to push up inflation to fulfill its mandate of keeping consumer prices stable for the economy. A stronger euro also makes eurozone products less competitive in global trade, they say.

The BOJ has faced a bigger challenge in lifting inflation than the ECB, said some investors. They expect the BOJ to continue to maintain its large bond-buying program for the foreseeable future.

The bond market has regained some ground in recent sessions. Data out of the U.S. and U.K. showed inflation pressure eased last month, deflating some anxieties over the monetary-policy outlook.

## U.S. Stock Indexes Climb to Fresh Highs

BY AMRITH RAMKUMAR  
AND RIVA GOLD

Broad gains in U.S. stocks sent major indexes to a trio of records.

The Dow Jones Industrial Average, the S&P 500 and the Nasdaq Composite hit highs on Wednesday, with

all 11 sectors of the S&P 500 posting gains.

Rising oil prices and corporate earnings drove some of the day's biggest moves.

The Dow industrials gained 66.02 points, or 0.3%, to 21,640.75. The S&P 500 climbed 13.22, or 0.5%, to 2,473.83, and the Nasdaq Composite added 40.74, or 0.6%, to 6,385.04. The last time all three indexes closed at records was June 2.

Stocks seem to have shaken off the recent failure of Senate Republicans to replace the Affordable Care Act, said Crit Thomas, global market strategist at Touchstone Investments. Many investors had considered the health-care bill's progress an indicator of the likelihood of Congress passing corporate-friendly policies later in the year.

Shares of energy and health-care companies were among the biggest gainers Wednesday. U.S. crude for August delivery settled up 1.6% at \$47.12 a barrel—its highest level since June 6—after a U.S. government report showed sharp drawdowns in oil and fuel stockpiles, boosting energy stocks. The S&P 500 energy sector was the index's best performer, gaining 1.4%.

Health-care stocks in the



A Vertex Pharmaceuticals laboratory. The company's shares surged 21% and the Nasdaq Biotechnology Index advanced 1.5%.

S&P 500 rose 0.8% and the Nasdaq Biotechnology Index added 1.5%—its largest one-day advance this month. **Vertex Pharmaceuticals** jumped \$27.53, or 21%, to \$159.69—the biggest percentage increase in the S&P 500 on Wednesday—after the company said three of its cystic-fibrosis drugs in development showed promise in early clinical trials treating the progressive lung disorder.

**UnitedHealth Group** rose 2.34, or 1.3%, to 189.19, posting

one of the largest advances in the Dow industrials.

The S&P 500's information-technology sector closed above its previous high set in March 2000 at the peak of the dot-com boom. Tech stocks added 0.6%.

**Morgan Stanley** rose 1.48, or 3.3%, to 46.62, its largest advance in almost three months after second-quarter earnings showed revenue beat analysts' expectations.

"We've seen quite a strong

earnings period, not just in the U.S. but in Europe and emerging markets," said Mohammed Choukeir, chief investment officer at Kleinwort Hambros.

The Stoxx Europe 600 gained 0.8%. Many investors will be watching the European Central Bank's meeting Thursday for clues about when the central bank will exit from its stimulus program.

ECB President Mario Draghi gave a speech in late June that many observers interpreted as

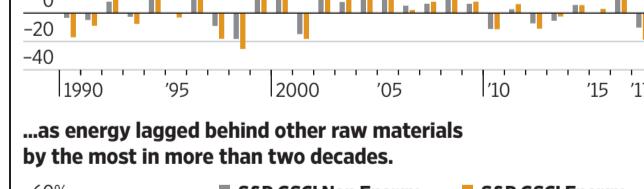
a signal that ultra-loose monetary policy may come to an end.

"Draghi has been a wild card in the market," said JJ Kinahan, chief market strategist at TD Ameritrade. "People are really watching to see if he strikes a more dovish tone."

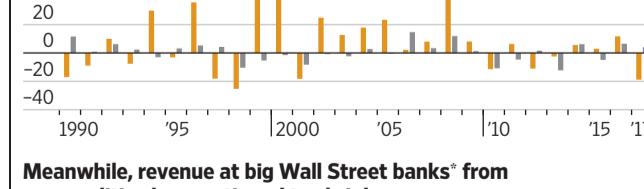
Early Thursday, Japan's Nikkei 225 Stock Average was up 0.2% before the Bank of Japan policy meeting. Australia's S&P ASX 200 was up 0.6%.

### Tough Times

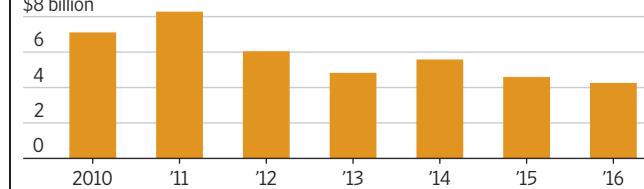
Returns from commodities during the first half of 2017 were the worst in seven years...



...as energy lagged behind other raw materials by the most in more than two decades.



Meanwhile, revenue at big Wall Street banks\* from commodities has continued to shrink.



Note: Returns are for the first six months. \*12 largest banks

Sources: S&P Dow Jones Indices (returns); Coalition (revenue)

## Low Volatility Stings Traders

BY STEPHANIE YANG

Oil prices are having a tough year. So are some commodity traders.

Major commodities players such as banks and hedge funds

have stumbled, as low

volatility and a falter-

ing oil recovery derailed returns during the first half. The S&P GSCI commodity index slumped 10% in that period, the worst first-half performance since 2010.

Part of the problem comes from a lack of volatility this year that has made trading more challenging, traders said. Range-bound markets offer little opportunity for investors and traders to profit from major price moves and arbitrage divergences.

Low volatility also leads to less demand from clients who want to lock in prices or investors looking to bet on market trends, both major components of banks' commodities businesses. While commodity

prices have rebounded slightly in July—the S&P GSCI index is up 0.2% so far this month—a snapback in price swings hasn't occurred.

**Goldman Sachs Group Inc.**, historically a major commodities trader, reported its worst-ever quarter for commodities trading in its earnings report Tuesday. "Commodities is a story of challenges on all fronts," Chief Financial Officer R. Martin Chavez said on a conference call.

Bank revenue from commodities broadly has been on a decline. Global revenue from commodities at the 12 biggest investment banks totaled \$4.3 billion in the 2016 fiscal year, down from a peak of \$14.5 billion in 2008, according to Coalition Development Ltd.

Increased regulation has caused Wall Street banks to retreat in recent years from commodities, including activities in physical oil and gas.

An unexpected drop-off in oil prices this year has contributed to the malaise, after many banks and hedge funds

had expected gains.

Veteran oil traders such as Pierre Andurand and Andrew Hall, both hedge-fund managers, lost money this year after betting that production cuts among members of the Organization of the Petroleum Exporting Countries would boost oil prices, The Wall Street Journal has reported.

According to S&P Dow Jones Indices, energy's performance has lagged behind the returns in other commodities by the most in 27 years. The S&P GSCI Energy Total Return index lost 19% in 2017 through June 30, marking the sector's worst start to the year since 1998.

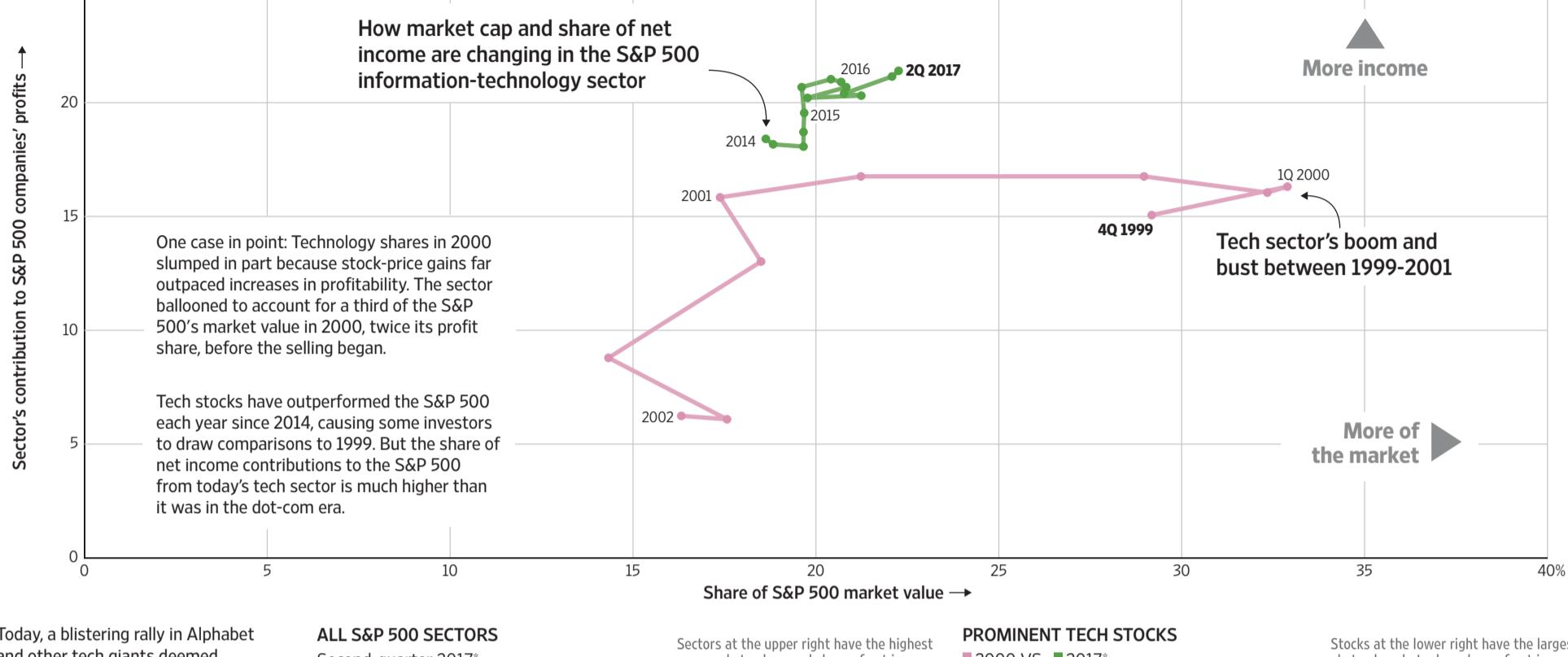
"Overall, the trading market is a little bit tricky right now," said Marc Fontaine, an independent consultant and former head of commodity derivatives for the Americas at BNP Paribas SA. "There is a lot less volatility, and that makes it much more difficult not just for the Goldman Sachs's of the world but the large merchants like Mercuria to trade well."

# MARKETS

## This Tech Rally Is Different From 1999

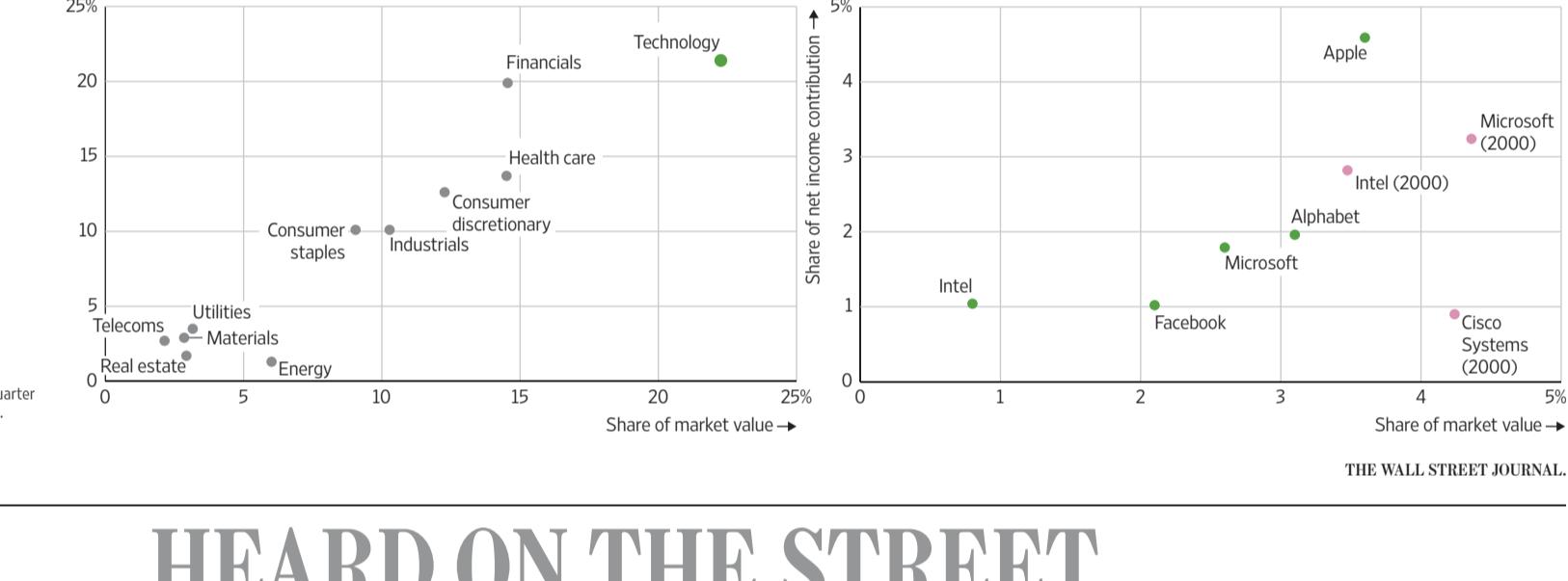
By Hanna Sender and Lakshmi Keteneni

Surging technology stocks are prompting comparisons with the dot-com bubble, which ended with a bruising selloff that left the Nasdaq Composite below its 2000 high for 15 years. But a reckoning doesn't seem to be at hand, given that history shows investors should worry most when earnings can no longer support prices.



Today, a blistering rally in Alphabet and other tech giants deemed 'disruptive' has again pushed the tech sector's value above 20% of the S&P. But the outsize profits of some firms, principally Apple and Google parent Alphabet, and the absence of IPO excess have eased concerns about a replay of the 2000 bust.

\*Most recent data as of June 30, 2017. Second-quarter 2017 net income figures are consensus estimates. Note: All data are quarterly. Net income data are for trailing 12 months. Source: WSJ analysis of FactSet data



THE WALL STREET JOURNAL.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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## The Last Market Betting on Trump

### OVERHEARD

### Qualcomm Chips Steer The Ship

#### Taxing Problem

Share performance of companies with high tax rates relative to companies with low tax rates



Note: Indexed to 100 June 1, 2016  
Source: Strategas Research Partners  
THE WALL STREET JOURNAL.



Yes, the overall stock market by contrast, has held on to its postelection gains. That leads to the conclusion that the rally is due much more to healthy corporate earnings and solid global growth than to expectations for Mr. Trump's policies.

"We just believe the market has already been giving little credit to tax reform," says Strategas policy analyst Dan Clifton.

Still, the market's high valuation in the face of declining earnings growth and a tepid U.S. economy means some of the rally was likely driven by policy expectations. More than half of the respondents to a survey of nearly 1,100 clients conducted by Cornerstone Macro last month said they expected Congress to pass a significant tax bill before the 2018 midterm elections.

The question to ask, says Cornerstone's Andy Lapierre, is what would happen to stocks if all investors gave up on a tax cut? The answer: They would probably fall.

—Justin Lahart

Biotech investors need a safe space to protect them from short sellers. Such is the view of the Biotechnology Innovation Organization. John Blake, a senior finance executive at aTyr Pharma said during congressional testimony Tuesday on behalf of the group that new disclosure rules are needed to prevent manipulation from investors betting companies' stock prices will fall.

While he said appropriate short selling can support stable markets, "we strongly believe that the current lack of transparency related to short positions is enabling trading behaviors that unfairly harm companies, investors and patients."

Yet Mr. Blake's employer might not offer the best example. The stock is down about 75% since its 2015 initial public offering. A mere 3.8% of publicly available shares are sold short.

A better way to defeat short sellers? Develop an effective drug that patients want.

Investors in most markets don't expect as much from President Donald Trump and Congress as they did in January. There is still optimism in stocks, and that could lead to disappointment.

Republicans' failure this week to repeal and replace the Affordable Care Act raises fresh questions about whether they will enact the tax-cut and stimulus-spending promises Mr. Trump campaigned on. Not only did the health-care debate reveal sharp divisions that exist in the GOP, but it chewed up a half year of the legislative time clock. And because

Congress will need to pivot to the budget and to raising the debt ceiling, there won't be much time to pass a tax overhaul before the midterm election campaign sets in.

The lower expectations for the passage of a tax-cut and spending package are reflected in all the Trump trades that have unwound since the start of the year.

The dollar, for example, shot higher following the presidential election on ex-

pectations that the U.S. economy would get a boost, but it is now trading below its November levels. Treasury yields have moderated since the start of the year despite two rate increases from the Federal Reserve. The same is true for stock price declines this year in the shares of companies that would benefit from large-scale infrastructure projects, such as Vulcan Materials and Granite Construction.

More than infrastructure, however, it was the possibility of a tax revamp that got investors in the stock market excited. An index of shares of companies with high tax rates—the companies that should benefit most from a corporate tax cut—constructed by Strategas Research Partners moved up sharply relative to low-tax stocks following the election. But that outperformance has been erased this year.

Slower-than-expected refills with the company's existing cystic fibrosis drug, Orkambi, have sometimes hampered the company's financial results in the past.

Meanwhile, the nature of cystic fibrosis—a chronic disease with patients diagnosed at birth—means that the new revenue base won't come with much more expenses because there likely won't be a need to expand the company's sales force to reach additional patients who can benefit from the new combination.

Analysts at Leerink Partners expect the new combination treatment to hit the market in 2020. There is potential upside to that forecast, given that the Food and Drug Administration has prioritized helping rare disease therapies gain approval quickly.

And the bull case doesn't

stop there. The sparkling clinical data will likely translate into improved patient adherence to treatment regimens.

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more, this patient population will need treatment on a continuing basis. That means the revenue and cash flow generated from drug sales would have significant staying power.

And while the trial results were early stage, early results have historically correlated well to later ones for the company. Betting on early data can be a leap of faith for investors. Making such a wager in this particular case looks reasonable, though.

"Buy the rumor, sell the news" goes the old stock-trading axiom. In the case of Vertex, however, investors ought to make an exception.

—Charley Grant

Shares rose 21% Wednesday day and have now more than doubled this year.

The ferocious rally will surely tempt some investors to exit. After all, nobody went broke booking a gain, particularly such large ones.

The party for Vertex Pharmaceuticals shareholders isn't over yet.

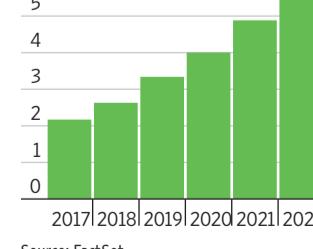
Investors in the biotechnology company hit the jackpot on Tuesday after it announced breakthrough results in early stage data for its new cystic fibrosis treatment. Studies found that patients using the Vertex drug combination experienced significant improvement in lung function with mostly mild side effects.

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#### Step Function

Vertex Pharmaceuticals consensus annual revenue projections



Analyst expectations are high for the company, but

That may not be wise, though, as the Vertex rally is likely to continue.

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