

# THE WALL STREET JOURNAL.

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WEDNESDAY, JULY 26, 2017 ~ VOL. CCLXX NO. 21

WSJ.com

★★★★ \$4.00

DJIA 21613.43 ▲ 100.26 0.5% NASDAQ 6412.17 ▲ 0.02% STOXX 600 380.77 ▲ 0.4% 10-YR. TREAS. ▼ 21/32, yield 2.328% OIL \$47.89 ▲ \$1.55 GOLD \$1,251.70 ▼ \$2.20 EURO \$1.1649 YEN 111.89

## What's News

### Business & Finance

Caterpillar boosted its earnings outlook, a signal by the heavy-machinery maker of cautious optimism about global growth. A1

◆ GM's profit sank 42%, dented by moves the firm is making to exit Europe and certain emerging markets. B1

◆ Viacom is in talks to acquire Scripps Networks, in what would be the boldest bet yet by CEO Bakish. B1

◆ The Trump administration is negotiating "to do a major trade deal" with the U.K., the president said. A4

◆ Trump said he is considering renominating Yellen as Fed chief, but also views Cohn as a top candidate. A4

◆ The SEC said rules meant for everyday stock sales may apply to initial coin offerings, a hot fundraising method. B1

◆ The Dow rose 100.26 points to 21613.43, while the S&P 500 and Nasdaq notched fresh records. B13

◆ Michael Kors agreed to acquire shoe maker Jimmy Choo for \$1.17 billion in its first-ever acquisition. B3

◆ A former VW executive agreed to plead guilty to U.S. charges over his alleged role in emissions cheating. B2

◆ AT&T enjoyed a more profitable second quarter, thanks to customers with bundled services. B3

◆ McDonald's beat analysts' expectations, helped by a \$1 drinks promotion and a new line of burgers. B3

◆ Greece drew solid demand for its first bond issuance in three years. B13

### World-Wide

◆ Senate Republicans overcame internal fissures in narrowly voting to begin debate on their health-care overhaul, but the party suffered a setback hours later when a proposal replacing major portions of the ACA failed to attract enough votes to pass. A1

◆ Trump signaled that his next priority is overhauling the tax code to push corporate rates down and help middle-class taxpayers. A1

◆ Sessions' defenders voiced their support for the attorney general as he drew continued public criticism from the president. A4

◆ The House approved new Russia sanctions, a move that may put congressional Republicans at odds with Trump. A6

◆ Manafort reached a deal with investigators to avoid public testimony about Russian election meddling. A6

◆ The U.S. will issue new sanctions on Chinese entities over North Korea, a State Department official said. A9

◆ Israel removed metal detectors from one of Jerusalem's holiest sites amid Muslim anger over access. A18

◆ Saudi Arabia and its allies added new groups and individuals allegedly linked to Qatar to their terror lists. A18

◆ The U.S. Navy said it fired warning shots at an Iranian patrol boat in the Persian Gulf that came near American and coalition ships. A7

◆ A U.S. judge temporarily blocked the deportation of over 1,400 Iraqi immigrants with criminal records. A3

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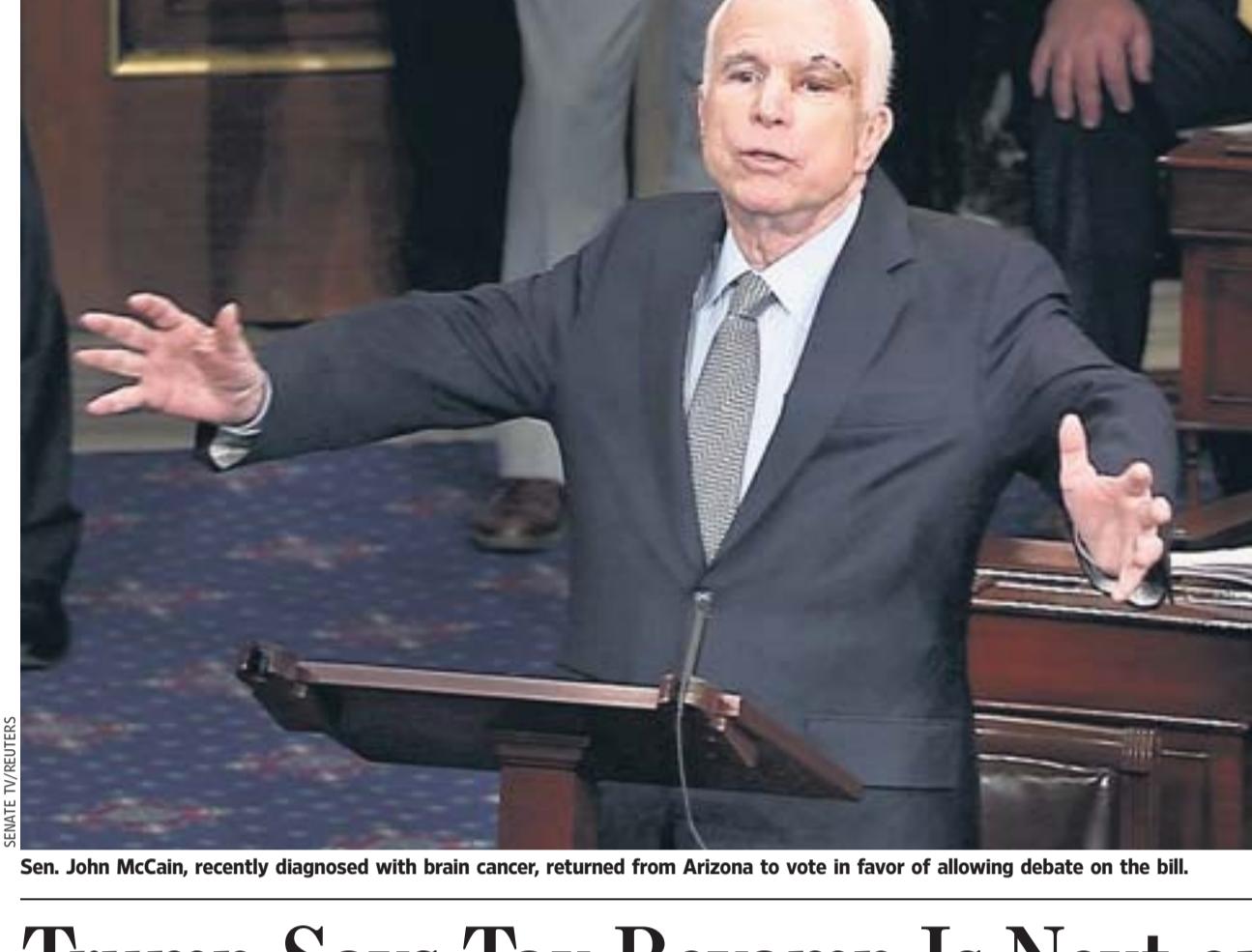
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## GOP Pushes Ahead on Health Repeal



SENATE TV/REUTERS  
Sen. John McCain, recently diagnosed with brain cancer, returned from Arizona to vote in favor of allowing debate on the bill.

Vote clears way for debate in Senate, but first option to replace much of ACA fails

WASHINGTON—Senate Republicans overcame a range of internal fissures in narrowly voting on Tuesday to begin debate on their health-care overhaul, but the party suffered a

By Stephanie Armour,  
Kristina Peterson  
and Michelle Hackman

setback hours later when a proposal replacing major portions of the Affordable Care Act failed to attract enough votes to pass.

In a dramatic day at the Capitol, Vice President Mike Pence broke a 50-50 tie, allowing Senate Republicans to clear a procedural hurdle and setting up a dayslong stretch of debate and amendment votes on the GOP effort to dismantle and replace former President Barack Obama's 2010 Affordable Care Act.

The two GOP defections came from Sens. Susan Collins of Maine and Lisa Murkowski of Alaska. Please see HEALTH page A6

## Trump Says Tax Revamp Is Next on Agenda

WASHINGTON—On the day the Senate moved on long-promised health-care legislation, President Donald Trump signaled his next priority: overhauling the tax code to push corporate rates down and give

Journal on Tuesday, reiterating that he wants to bring down the corporate tax rate to 15%. "And if there's upward revision it's going to be on high-income people."

Sitting behind his desk in the Oval Office, Mr. Trump hopped across a variety of policy and personnel topics over the course of the 45-minute interview.

The president repeated his criticism of Attorney General Jeff Sessions for recusing himself from a probe into Russian meddling in the 2016 election, declining to say the former Alabama senator's job was safe.

He said his front-runners to

### 'I'm very disappointed in Jeff Sessions'

Trump in an interview criticized the attorney general for recusing himself from the Russia inquiry, A4

◆ U.S. and U.K. discussing major deal on trade, A4  
◆ House approves new sanctions against Russia, A6

And on trade, he said the U.S. and the U.K. are in talks about a comprehensive trade deal that would be ready as soon as the U.K. exits the European Union. Mr. Trump's team is also getting ready to renegotiate the North American Free Trade Agreement with Mexico and Canada, though he said he still regards the pact as "one of the truly bad deals."

Mr. Trump also said his administration's long-awaited curbs on steel imports were still being discussed internally, though it may be some time before he acts on the issue.

Please see TRUMP page A4

## Caterpillar Boosts Outlook On Signs of Global Upturn

BY ANDREW TANGEL  
AND JOSH ZUMBRUN

Caterpillar Inc. signaled cautious optimism about global growth, offering fresh evidence that many markets are in rebound mode after a years-long slump.

The world's largest heavy-machinery maker, an economic bellwether, in its second-quarter earnings report Tuesday highlighted growing demand in China's construction sector and a revitalization of the mining industry. The company boosted its earnings outlook for the year, despite sluggish infrastructure spending in the U.S. and weakness in Brazil and the Middle East.

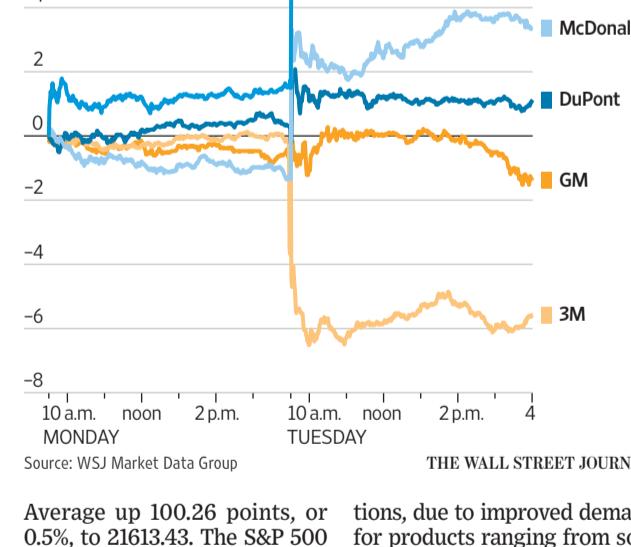
The Peoria, Ill., maker of bulldozers and mining trucks said it expects revenue of \$42 billion to \$44 billion for 2017, up from previous forecast of as much as \$41 billion.

If that prediction is borne out, it would be Caterpillar's first year-over-year revenue increase since 2012.

The upbeat earnings report was one of many that helped push the Dow Jones Industrial

### Day of Divergence

Share performance of companies that reported earnings Tuesday



Average up 100.26 points, or 0.5%, to 21613.43. The S&P 500 and Nasdaq Composite both closed at new records.

DuPont Co. and United States Steel Corp. also topped expecta-

tions, due to improved demand for products ranging from soybean seeds to flat-rolled steel.

"This is the first time since

the Great Recession ended

Please see PROFIT page A8

that he expected Iran to be found noncompliant with the terms of a landmark nuclear deal sealed under President Barack Obama when the issue comes back up for review in September.

President Xi Jinping is holding up China as a confident global power at a time when U.S. leadership seems uncertain. Increasingly, his government can count on swelling national pride among its own citizens.

A generation after China's late reformist leader Deng Xiaoping exhorted his fellow citizens to "keep our light hidden and bide our time,"

Chinese exceptionalism is on the rise. While some Chinese still believe the country will need to embrace democracy to reach its full potential, many others are convinced the country has reached this point, not in spite of the government's crushing of pro-democracy protests in 1989, but because of it.

Please see CHINA page A10

◆ Andrew Browne: China toys with web lockdown..... A9

### Would You Like Some Snark With Those Fries?

\* \* \*

Wendy's has taken to Twitter to taunt rivals and roast customers

BY JULIE JARGON

Wendy's Co. has become the mean girl of Twitter.

The world's third-largest burger chain, with its freckled, pigtailed mascot, is serving up some serious sass to competitors and followers alike.

When archenemy McDonald's Corp. in March announced it would begin using fresh rather than frozen beef in its Quarter Pounders, Wendy's tweeted: "So you'll

still use frozen beef in MOST of your burgers in ALL of your restaurants? Asking for a friend."

After Burger King tweeted about a five-for-\$4 deal, a woman asked Wendy's what it was firing back. "Edible food," Wendy's answered.

And when Hardee's came out with a four-items-for-\$4 deal, mimicking Wendy's long-running four-for-\$4 menu, Wendy's tweeted, "We usually prefer the original to a knock

off, but hey, you do you."

Hardee's responded that just because Wendy's was the first doesn't mean it was the best.

Wendy's pounced back.

"Tell us the fourth person to walk on the moon without googling it," Wendy's tweeted.

The young customers

Wendy's is seeking to woo

its social media banter

find it hilarious. The restaurants Wendy's targets? Not so

Please see TWEETS page A10

## WEST LOSES ALLURE FOR YOUNG CHINESE

Once-reticent citizens see their country as ascendant—and America in decline

BY TE-PING CHEN  
AND JOSH CHIN

BEIJING—Li Xiaopeng once idolized the West. While a student, he broke through China's internet firewall to read news from abroad, revered the U.S. Constitution and saw the authoritarian Chinese government as destined to fade away.

Now the 34-year-old urban consultant, who studied at both Cambridge and Harvard, thinks it's China that is ascendant and the U.S. that is terminally weakened by income inequality, divided government and a polarized society. He says so volubly to his more than 80,000 followers on social media.

"In the end, China will supplant America to be the world's No. 1 strong country," he wrote on Weibo, China's homegrown version of Twitter.

Please see CHINA page A10

◆ Andrew Browne: China toys with web lockdown..... A9

## INSIDE



### VIACOM WEIGHS A MOVE FOR SCRIPPS

BUSINESS & FINANCE, B1

NO END FOR FITZGERALD'S 'LAST TYCOON'

LIFE & ARTS, A11

# U.S. NEWS

## In Pricey Market, Homeowners Renovate

BY LAURA KUSISTO  
AND SARAH CHANEY

A shortage of new single-family homes across the U.S. is pushing up prices and locking many buyers out of the market. The silver lining: a boom in renovations of existing homes.

Americans are expected to pour a record \$316 billion into home remodeling this year, up from \$296 billion a year earlier, according to Harvard University's Joint Center for Housing Studies.

The burst of renovations has been a boon for contractors as well as big home-improvement companies, which have enjoyed strong revenue growth even as most other remodelers are struggling.

It also reflects rising home prices and growing consumer confidence, as people are once again willing to invest in their homes, either through savings or by tapping home equity.

"We turn away as much work as we do," said Bill Halliday, owner of Home Improvements of Vero Beach, in Florida. "It used to be you could call me and I could get somebody to you in a couple of days. Now I can get somebody to you in four or five weeks."

### Remodeling Gains

Home improvement spending is expected to grow at a swift clip into 2018, according to the Leading Indicator of Remodeling Activity.

#### Four-quarter moving total:

\$400 billion



Source: Harvard University, Joint Center for Housing Studies

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Analysts polled by FactSet expect Lowe's Cos. to post adjusted earnings on a per-share basis of \$4.62 in its current fiscal year, up from \$3.99 a year earlier. Home Depot Inc. is forecast to post earnings of \$7.24 in its fiscal year, up from \$6.45 a year prior. The earnings results would be the highest level recorded in data back to 2004, according to FactSet.

But economists caution that the current boom is unlike earlier ones in that it is largely a reflection of a broken housing market. Many Americans are electing to stay put rather than trade up because the inventory of affordable homes is so small.

In all, there are about as many homes for sale in the U.S. today as there were in 1994, but there are 63 million more people, according to Zillow Chief Economist Svenja Gudell. Ms. Gudell called the

inventory shortage a crisis. Existing-home sales declined 1.8% in June from the previous month, driven by a shortage of inventory, the National Association of Realtors said Monday. Home prices have continued to climb faster than incomes because demand is far outstripping supply. The S&P CoreLogic Case-Shiller U.S. National Home Price Index rose 5.6% in the 12 months ended in May, according to a

### Who's Driving the Construction Craze?

Two big demographic groups, baby boomers and millennials, are driving a recent home-improvement craze.

Baby boomers are staying in their homes longer than previous generations, in part because they are in better health and in part because the competition for smaller homes is so fierce. At the top of their renovation lists are accessibility features such as ramps, elevators and railings.

According to a survey by Houzz, a home-renovation website, roughly 60% of boom-

ers are planning to stay in their homes for the next five years and an additional 20% said they are undecided—one of the reasons it is so difficult for buyers to trade up, according to Houzz.

The millennials buying homes are often investing in older properties that need a significant amount of work.

"There are two 900-pound gorillas," said Brad Hunter, chief economist at HomeAdvisor.

"The baby boomer generation and the millennials are both having really dramatic impacts at the same time," he said.

—Laura Kusisto  
and Sarah Chaney

cans spent \$222 billion on renovations, or about 30% less than today.

The resurgence is being driven by several market trends. Rising home prices are boosting confidence and making people more willing to spend on big-ticket items like full kitchen remodels and additions. The average household expenditure on home renovations increased 57% in the last 12 months, according to HomeAdvisor, a website for homeowners and contractors.

"It's slim pickings out there," said Brad Hunter, chief economist at HomeAdvisor. "If they do find something, it's considerably more expensive than they expected it to be," forcing them to compromise on the size or location of the house, he said.

Adjusted for inflation, U.S. spending on home renovations remains below the peak in 2006, when rising home prices prompted millions of Americans to refinance their homes and pour that money into elaborate upgrades. Adjusted for inflation, home renovation spending that year was roughly equivalent to \$334 billion, according to Harvard.

—Bowdyea Tweh contributed to this article.

## Taxpayers Report Fewer Identity Thefts

BY RICHARD RUBIN

WASHINGTON—Fewer taxpayers are reporting identity theft to the Internal Revenue Service, a drop the agency attributes to its yearslong effort to prevent what was once a booming crime.

The IRS received 107,000 reports from victims in the first five months of 2017, down from 204,000 in the same period in 2016 and 297,000 in 2015.

"We are clearly making progress in this battle," IRS Commissioner John Koskinen said on a conference call with reporters.

Identity theft using tax-refund fraud boomed a few years ago as thieves took advantage of the government's increasing speed in delivering refunds. Criminals, using names and Social Security numbers typically obtained outside the tax system, would file fake tax returns and get refunds on debit cards before the real taxpayer knew what happened.

Mr. Koskinen credited the partnership between the IRS, private-sector tax preparers and state tax officials to make taxpayers and tax preparers more aware of data security.

Nina Olson, the independent

taxpayer advocate inside the IRS, reported similar data last month. She wrote that she couldn't be certain what was causing the decline.

Ms. Olson wrote that the IRS had improved its procedures for assisting victims and computerized filters for flagging suspicious returns. It also limited how many refunds can be delivered to a single bank account.

In a statement on Tuesday, Ms. Olson said the IRS systems were still flagging too many legitimate tax returns as potentially fraudulent. "Those taxpayers are unduly burdened with a quirky authentication process that sometimes requires taxpayers to authenticate their identities in person," she said. "We need to do better."

Criminals have moved to other weak spots. Common techniques now include impersonating IRS agents to demand money from taxpayers and attempting to breach the data-security measures used by employers, payroll companies and tax practitioners.

"They're increasingly taking aim where large amounts of taxpayer data reside," Mr. Koskinen said.

—Laura Saunders contributed to this article

## Mourning Three Generations Lost in Flash Flood



TEN WHITE CASKETS: More than 1,000 people said goodbye Tuesday to an extended family killed in a flood while celebrating a birthday at a Scottsdale, Ariz., swimming hole on July 15.

MATT YORK/ASSOCIATED PRESS

## U.S. WATCH

### GEORGIA

#### Transportation Chief Could Get Big Raise

Georgia is considering a 40% salary increase for the state's transportation commissioner, in part to reward his handling of repairs to a section of highway that collapsed in a giant fire in March.

Russell McMurry's salary would jump to \$350,000 a year from \$250,000 currently under the proposal, which has the backing of Robert L. Brown, chairman of the State Transportation Board. The board will vote on the proposal next month.

Mr. Brown didn't return calls for further comment. Mr. McMurry declined to comment on the salary proposal.

On March 30, a massive fire erupted underneath a bridge on Interstate 85 north of Atlanta's Midtown neighborhood. The fire collapsed part of the overpass and weakened other sections, shutting down a vital stretch of highway in a region of 5.7 million.

The bridge was able to be reopened in May, a month earlier than planned.

—Cameron McWhirter

### CALIFORNIA

#### Gov. Brown Signs Cap-and-Trade Bill

California Gov. Jerry Brown on Tuesday signed into law a cap-and-trade program he hailed as central to achieving the state's ambitious agenda on climate change.

California's cap-and-trade program requires businesses here to obtain permits for greenhouse-gas emissions such as carbon dioxide. Scientists say such gases are a major contributor to climate change. Under the new law, the program will be extended through 2030.

The state hopes to reduce greenhouse gas emissions to 40% below 1990 levels by 2030, one of the most ambitious targets in the world.

But some environmentalists are openly criticizing Mr. Brown's new formation of cap and trade as too lenient on industry, giving businesses too many loopholes. For instance, the new legislation blocks local air districts from setting new limits on CO2 emissions from refineries and other businesses under the cap-and-trade program.

—Alejandro Lazo

### EMPLOYMENT

#### Overtime Rules Face Labor Review

The Labor Department will begin the process reconsidering rules around when workers are eligible for overtime pay, potentially undoing one of the Obama administration's major labor-policy changes.

A request for information to solicit comments on the rule will be published Wednesday, the department announced Tuesday. That information will aid the department, now under the direction of President Donald Trump's labor secretary, Alexander Acosta, to revise the rule.

An eligible worker receives overtime pay, or one-and-a-half times their regular wage, when they work more than 40 hours in a week.

The department estimated that the rule would have made 4.2 million more Americans eligible for overtime pay. But that rule didn't go into effect. A federal court stopped implementation in December 2016 in response to a lawsuit filed by states and businesses, leaving the regulation in limbo.

—Eric Morath

## Consumers Exhibit Increased Confidence

BY SARAH CHANEY

A measure of consumer confidence rose sharply in July as Americans expressed confidence in current and future economic conditions.

The Conference Board on Tuesday said its index of consumer confidence rose to 121.1 in July from a revised 117.3 in June, marking the second-highest reading since 2000. The index in March hit 124.9, its highest level since December 2000, but had slid in recent months.

July's increase "was driven by another rise in the current conditions subindex to a fresh 16-year high, reflecting falling gasoline prices, the strength of the job market and recent record highs in the stock market," said Michael Pearce of Capital Economics in a note to clients.

An index tracking household attitudes about the present economic situation rose in July from a month earlier, while the index tracking expectations about the future also increased.

After a surge in sentiment readings in the wake of the election of President Donald Trump, measures of sentiment have moderated in recent months. The University of Michigan said the preliminary reading of its consumer-sentiment index was 93.1 in July, down from a June reading of 95.1 and a May reading of 97.1.

Economists follow these surveys because of the expectation that an increase in optimism should translate into increased consumer spending. But recent economic data show consumers pulled back spending, and inflation on consumer purchases softened.

Still, consumer confidence was buoyed by an improving labor market. Those saying jobs were "plentiful" rose to 34.1% in July, compared with 32% in June. Business conditions were described as "good" in July by 33.3%, up from 30.6% a month earlier.

"Overall, consumers foresee the current economic expansion continuing well into the second half of this year," said Lynn Franco, the Conference Board's director of economic indicators.

Federal Reserve Chairwoman Janet Yellen said in her congressional testimony this month that she has "a reasonable level of confidence that the expansion can continue" and that, with respect to consumer debt, "households are generally in a stronger position."

"Overall, I wouldn't point to household debt as something that is, you know, flashing red on a stability concern," Ms. Yellen said.

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

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

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

Postmaster:  
Send address changes to The Wall Street Journal,  
200 Burnett Rd., Chicago, IL 60620.

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## CORRECTIONS & AMPLIFICATIONS

The Story Ranch in Emigrant, Mont., which is owned and operated by descendants of Nelson Story, is separate from the Mountain Sky Guest Ranch, also located in Emigrant. An Off Duty article on Saturday about travel in Montana incorrectly said Nelson Story's ranch is now called the Mountain Sky Guest Ranch.

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

## U.S. NEWS

# Migrants From Iraq Avoid Expulsion

BY KRIS MAHER

A federal judge in Detroit temporarily blocked the deportation of more than 1,400 Iraqi immigrants with criminal records who were detained by immigration agents last month.

U.S. District Judge Mark Goldsmith granted a preliminary injunction sought by attorneys for a group of Iraqis until they can make the case in immigration courts that their deportations would be illegal.

Lawyers for the immigrants, many of whom are Christians, have argued that their return to Iraq would subject them to persecution, torture and possible death. Attorneys for the federal government had argued that the district court had no jurisdiction in the case.

In a 35-page ruling issued late Monday, Judge Goldsmith said the court's involvement was warranted by the "extraordinary circumstances" of the case, including that more than 1,400 people suddenly learned they were to be deported. Many of those people had been sent to facilities across the country, complicating their legal defense, the judge added.

"Petitioners' claims are far from speculative," Judge Goldsmith wrote in his opinion. "Each Petitioner faces the risk of torture or death on the basis of residence in America and publicized criminal records; many will also face persecution as a result of a particular religious affiliation."

The ACLU of Michigan, which sought the temporary injunction, applauded the ruling. "We're heartened that the court has once again recognized our country's commitment to fundamental fairness," said Miriam Aukerman, a senior staff attorney with the group.

Khalid Walls, a spokesman for U.S. Immigration and Customs Enforcement, didn't have an immediate comment. The agency had said Iraq recently agreed to accept Iraqi nationals subject to removal orders.

All of the individuals detained recently had past criminal convictions, including offenses such as homicide and aggravated assault and robbery, and a federal immigration judge had previously ordered them to be removed, the agency said.

The arrests in June of Iraqi nationals, including many in the Detroit area, were part of an ICE sweep focused on undocumented members of the community of Iraqi Christians, known as Chaldeans, with past criminal convictions.

# Airport Makes Itself a Destination

After Delta's cutbacks, Cincinnati's focus on fliers has won it top marks, new airlines

BY SHIBANI MAHTANI

HEBON, Ky.—Engaged couple Lauren Brassfield and Matt Cardosi arrived three hours early for a recent flight at Cincinnati/Northern Kentucky Airport—not because they worried about long lines, but to shop and hang out.

"We actually like being here compared to so many other airports," said Mr. Cardosi, 25 years old, of Hamilton, Ohio, as tiny fish nibbled dead skin from his toes at the Garra Fish Spa Experience. "I guess it isn't usual for people to volunteer to spend time at an airport, but we did."

After **Delta Air Lines** cut back its hub operations at the airport in 2010, the airport went through a transformation, shrinking its passenger terminal space and committing more of its 7,500-acre property to sprawling logistics operations, including **Deutsche Post AG's** DHL and **Amazon.com Inc.**

Airport executives, bruised from the experience of relying on a single carrier for a bulk of their revenue, say about 56% of landed weight at the airport now comes from cargo operations and the rest from passenger travel. The airport's share of non-airline revenue has risen from 49% in 2013 to 62% so far this year.

Even as it reduced the number of daily passenger flights, Cincinnati/Northern Kentucky is the highest ranking U.S. airport this year on the World's

**'We had to evolve, or we were going to continue on a decline.'**

Airport CEO Candace McGraw.

Best Airport list, as compiled by market-research firm SkyTrax, coming in at 26th. It beat out bigger U.S. rivals including Denver (28), San Francisco (39) and Atlanta (41).

The same SkyTrax survey, which asks more than 13 million travelers what they think of an airport's bathrooms, staff and accessibility, among other metrics, has ranked the airport the best U.S. regional airport for six of the last seven years.

Seven years ago, Delta's cuts left the airport with two near-empty terminals and high landing fees for airlines that kept discount carriers away. Some Cincinnatians drove as far as Dayton and Columbus to save money on airfare.

Local officials and airport executives decided to raze two



Lauren Brassfield and Matt Cardosi stop at a foot fish spa at the Cincinnati/Northern Kentucky International Airport in Hebron, Ky.

terminals, built in 1947 and 1974, revamp the remaining one and bet on logistics to drive long-term revenue. Airport officials say upgrades to the existing terminal, a project that cost \$36.5 million and was completed in 2012, included creating more open space for passengers and revamping shops and restaurant offerings.

"We had to evolve, or we were going to continue on a decline," said the airport's chief executive officer, Candace McGraw.

With the evolution, the airport now serves fewer passengers, with daily flights dropping from more than 670 in 2005 to 165 today. It has just one direct European flight and many travelers must connect through Chicago, Atlanta or other regional hubs to make it to domestic destinations.

But by cutting landing fees, the airport has started to bring in discount airlines, including Allegiant and Southwest, and is increasing passenger volume faster than the national average.

Other innovations include sensors that track the number of people in line at the TSA security checkpoint, providing estimates of queue times and airport housekeepers who wear smartwatches to get real-time updates on restroom usage, allowing them to better gauge when a cleaning is needed.

These features came as logistics businesses at the airport took off. In February, Amazon said it had chosen the airport property for its first air cargo hub, which calls for \$1.5 billion in investment and is likely to create 2,000 jobs.



Therapy steeds from a local farm come to the airport twice a month to calm passengers.

### Mini-Horses Lift Emotional Baggage

HEBON, Ky.—Nervous traveler Karen Rodriguez braced herself as she stepped through the doors of Cincinnati/Northern Kentucky Airport.

What she wasn't prepared for were the pair of 2-foot-tall miniature horses, Harvey and Wendy, wandering the terminal to greet passengers before and after their flights.

"I must have died and gone to heaven," said Ms. Rodriguez, 49 years old. "I just love them."

The horses, a twice-monthly feature at the airport, are part of a program to help passengers with the stress of flying.

including on how to ride elevators, go from carpet to tile flooring without slipping and handle the cacophony of airport noise.

Trainers dragged suitcases past the horses for hours and plunked luggage in front of them so they got used to it.

Despite their popularity, the horses aren't allowed to go to the area past security, where passengers sometimes have to wait hours on delayed flights and grow anxious and irritable.

"We tried bringing them past the TSA gates, but so many people wanted to see the horses, it was jamming up security," said Ms. Moad. "It just didn't work."

—Shibani Mahtani

# Court Voids D.C. Concealed-Carry Ban

BY JOE PALAZZOLO

ing most residents from carrying weapons in public.

The 2014 law required anyone seeking a license to carry a concealed gun to show "good reason to fear injury," such as serious threats of death or serious bodily harm. Living in a high-crime neighborhood wasn't reason enough, according to rules put out by D.C.'s chief of police.

"Bans on the ability of most citizens to exercise an enumerated right would have to flunk any judicial test that was appropriately written and applied, so we strike the Dis-

trict's law here," wrote Judge Thomas Griffith, an appointee of President George W. Bush, for the majority.

The decision breaks with at least four other federal appeals courts that upheld similar restrictions in New York, New Jersey, Maryland and California, though those courts offered varying views of the Second Amendment's strength in public.

At least one other appeals court has recognized a constitutional right to carry a gun outside the home, striking down an Illinois ban in 2012.

Most state restrictions on bearing weapons outside the home are looser than D.C.'s and allow residents to carry concealed guns without having to justify it. About a dozen states require no permits at all.

The Supreme Court has yet to review a concealed-carry case since its landmark 2008 ruling in District of Columbia v. Heller, which recognized an individual's right to possess a gun for self-defense inside the home. The split that emerged with Tuesday's ruling could tempt the justices to take up the case if the D.C. government appeals.

The D.C. Circuit panel that delivered Tuesday's ruling also included Judge Karen Henderson, an appointee of President George H.W. Bush, and Senior Judge Stephen Williams, a Reagan appointee.

Judge Henderson, writing in dissent, said the majority played down the Supreme Court's characterizations of the Second Amendment right as strongest in the home, as stated in its Heller decision.

"A right that is less notable and less acute cannot reside at the Second Amendment's core," she wrote, referring to carrying outside the home.

Karl Racine, D.C.'s attorney general, said he was considering asking the D.C. Circuit to rehear the case with more judges and called the district's law "a common-sense gun regulation."



JIM URQUHART/REUTERS

A member of the Pink Pistols, the pro-gun organization that challenged the D.C. law, in training.

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## U.S. NEWS

# GOP Lawmakers Defend Sessions

WASHINGTON—Republicans and former Justice Department officials rallied around Attorney General Jeff Sessions as he continued to weather public criticism from President Donald Trump over his decision to recuse himself from investigations into Russia's interference in the 2016 U.S. presidential election.

By Del Quentin Wilber,  
Aruna Viswanatha  
and Beth Reinhard

The defenders voiced their support in response to a flurry of unusual attacks by a president on his top law-enforcement official, who was an early and ardent backer of Mr. Trump's presidential campaign. In an interview Tuesday with The Wall Street Journal, Mr. Trump said he was "very disappointed in Jeff Sessions" for stepping aside from the probe into Russia's meddling in the 2016 election.

Mr. Trump on Monday and Tuesday tweeted that Mr. Sessions was "very weak" and "beleaguered" for not investigating his electoral opponent, Hillary Clinton, or those who leak intelligence information. During the campaign, Mr. Trump said Mrs. Clinton should be prosecuted and go to jail for sending classified information over a private email server she used as secretary of state. After he won the presidency, Mr. Trump reversed course and said he didn't think his political rival should be investigated.

At his January confirmation hearing, Mr. Sessions said he would recuse himself on any pending investigation into Mrs. Clinton, saying some of his comments during the campaign could lead to a perception of bias.

Mr. Sessions couldn't be reached for comment. Top aides said he has no plans to step aside.

Mr. Trump's nominee for another senior Justice Department post, Brian Benczkowski, at his confirmation hearing on Tuesday, described Mr. Ses-



President Trump said he was 'very disappointed in Jeff Sessions' for stepping aside from the probe into Russia's meddling.

### A Tricky Path For a Replacement

If Attorney General Jeff Sessions were fired or forced to resign, President Donald Trump would have a hard time finding a replacement that could be confirmed by the Senate, according to John Yoo, a former top Justice Department official in the George W. Bush adminis-

tration. "The president would be in an enormous political hole," said Mr. Yoo, now a professor at the University of California Berkeley School of Law. "All of the other members of his cabinet would wonder who is next."

If Mr. Sessions were to step down or be fired, Deputy Attorney General Rod Rosenstein would become the acting attorney general.

Mr. Trump might be able to appoint another acting attorney

general without Senate confirmation, if the Senate is closed for business for more than 10 days, but the chamber usually conducts pro forma sessions during recess to prevent any such appointments.

Mr. Trump could also move another Senate-confirmed official, from the Justice Department or any other department, to serve as acting attorney general for a limited time.

—Del Quentin Wilber

sions as a "man of integrity who cares deeply about the institutional independence of the department."

"I think he goes to work every day doing his dead-level best to protect that independence, and those sorts of comments are painful and difficult for me to hear," Mr. Benczkowski said in response to ques-

tions about Mr. Trump's tweets.

The president's sharp critiques raised questions about whether Mr. Sessions would resign or if Mr. Trump was laying the groundwork to fire him. Top elected Republicans said they hoped Mr. Trump would back off Mr. Sessions and chastised the president for urging the prosecution of Mrs. Clinton.

"The attorney general is doing a fine job and he made the right decision to recuse himself," Senate Majority Leader Mitch McConnell (R., Ky.) said.

Mr. Sessions' former home-state colleague, Sen. Richard Shelby (R., Ala.), said: "Jeff Sessions is a man of integrity, loyalty, and extraordinary character."

Sen. Lindsey Graham (R., S.C.) said it was "highly inappropriate" for Mr. Trump to tell the attorney general to go after his former Democratic opponent.

Sen. Orrin Hatch (R., Utah) said Mr. Sessions "is among the most honorable men in government today."

"I have full confidence in Jeff's ability to perform the duties of his office and, above all, uphold the rule of law," Mr. Hatch said.

Former Justice officials said that Mr. Trump's criticism has potentially eroded Mr. Sessions' ability to lead the department. They were concerned that if Mr. Trump were to fire Mr. Sessions, other top Justice Department officials might resign in solidarity, creating a constitutional crisis.

—Michael C. Bender contributed to this article.

# U.S., U.K. Discussing Major Deal On Trade

President Donald Trump said Tuesday his administration was negotiating "to do a major trade deal" with the U.K., aiming to have it kick in soon after Britain completes its exit from the European Union in early 2019.

By Jacob M. Schlesinger in Washington and Stephen Fidler in London

"It'll be a big trade deal—much, much more business than we do right now, many, many times," Mr. Trump said in an interview with The Wall Street Journal.

Mr. Trump's enthusiasm for expanding trading ties with the U.K. stood in contrast with his more critical comments about the European bloc that Britain is leaving. "I have a good relationship with the EU people and all, but they are very, very protectionist," the president said.

Mr. Trump spoke as Britain's trade secretary, Liam Fox, was visiting Washington, formally

*'It'll be a big trade deal—much, much more business than we do right now...'*

opening trade talks with administration officials and meeting with members of Congress.

A White House official in a separate interview later elaborated on Mr. Trump's comments, saying that a future U.S.-U.K. deal could cover a wide range of issues, such as agriculture, aviation and financial services. He said "there may be things that we do with the U.K. that are not covered by the EU under current trading arrangements.

During the interview, Mr. Trump also said his administration's long-anticipated curbs on steel imports were still being discussed internally, and that it may be some time before he takes any action—perhaps after higher-priority agenda items like overhauling the tax code get completed.

Earlier this year, Mr. Trump and his commerce secretary, Wilbur Ross, had said they would look to impose new steel protections in the name of "national security" by the end of June. But that timetable slipped amid objections from trading partners, domestic steel users and some of Mr. Trump's own aides.

Asked about the status of the tariffs, Mr. Trump said "we don't want to do it at this moment." He added that "we're waiting till we get everything finished up between health care and taxes and maybe even infrastructure," a sequencing that suggests steel action may not take place for months.

"The president said he's waiting for more and more information," the White House official said in explaining the delay. The official added that Mr. Trump is focused on "getting things done right, and in an order that makes sense." He then said: "The first priority for the president and his agenda is tax reform."

While pursuing the new trade deal with Britain, Mr. Trump's administration is also preparing to renegotiate the North American Free Trade Agreement with Mexico and Canada.

Mr. Trump instructed his aides to try to rewrite the 23-year-old pact after he weighed pulling out altogether in April. But he made clear in the interview that he still holds the agreement in disdain—calling it "one of the truly bad deals," and said he still reserves the right to pull the U.S. out if the talks don't satisfy him.

"We're in the midst of a renegotiation right now," Mr. Trump said. "So we'll see. And maybe we'll have to terminate."

Asked if he thought the pact was salvageable, he answered: "it may be salvageable...I have an obligation to give it a shot."

—Peter Nicholas contributed to this article.



President Trump speaking Tuesday in the Oval Office during an interview with The Wall Street Journal.

### President Weighs Yellen, Cohn for Fed

WASHINGTON—President Donald Trump is considering re-nominating Janet Yellen as Federal Reserve chairwoman but also views his economic adviser Gary Cohn as a top candidate, he told The Wall Street Journal in an interview Tuesday.

Mr. Trump reiterated that he thinks Ms. Yellen is doing a good job and she is still in the running to serve a second four-year term as leader of the central bank.

But he said he is also considering replacing Ms. Yellen with Mr. Cohn, who became Mr. Trump's National Economic Council director after a 26-year career at Goldman Sachs Group Inc.

Mr. Cohn has been managing the search for the next Fed chief and has emerged as a key

intermediary in the administration's relationship with the central bank.

"I've known Gary for a long time, but I've gained great respect for Gary working with him, so Gary certainly would be in the mix," Mr. Trump said.

Mr. Cohn and other White House officials have said he is focused on his current job. But former colleagues have said he has developed an appreciation for the power of the Fed during his long career on Wall Street, and for the central bank's relative independence during his current stint in Washington.

As for Ms. Yellen, Mr. Trump said, "She is in the running, absolutely."

"I like her; I like her demeanor. I think she's done a good job," he said. "I'd like to see rates stay low. She's historically been a low-interest-rate person."

Mr. Trump said there are

"two or three" other contenders in the mix, but declined to name any other potential candidates and said he probably wouldn't announce a nominee until the end of the year. "It's early to make the decision," he said, noting Ms. Yellen's term doesn't expire until February.

Ms. Yellen hasn't said whether she would like to serve another term as chairwoman, or whether she intends to step down from the Fed board of governors when her term as chairwoman expires.

"I absolutely intend to serve out my term," she told lawmakers on Capitol Hill earlier this month.

Later, when asked what she would say if Mr. Trump asked her to serve another term, she said, "It is certainly something that I would discuss with the president, obviously."

—Kate Davidson

Trump at a rally that drew tens of thousands in Mobile, Ala., one of the largest rallies of the campaign at that point. "He looks at the 40,000 people and he probably says, 'What do I have to lose?'" Mr. Trump said. "So it's not like a great loyal thing about the endorsement."

A Justice Department spokesman declined to comment.

During the interview, Mr. Trump appeared relaxed in the company of close aides, which

included his daughter and White House adviser Ivanka Trump, Chief of Staff Reince Priebus, Communications Director Anthony Scaramucci, Hope Hicks, the White House director of strategic communications, and Mr. Cohn. Mr. Trump praised the arrival of Mr. Scaramucci, who was appointed Friday, suggesting that he would help settle internal unrest and backbiting that has characterized the West Wing.

Asked if Mr. Cohn was a can-

didate to become the next Federal Reserve chairman, Mr. Trump said, "He doesn't know this, but yes, he is."

Mr. Trump said he has "a lot of respect" for Ms. Yellen, praising the decisions to keep interest rates low and crediting her for keeping the U.S. dollar "not too strong." "She is in the running to stay," he said.

Turning to taxes, Mr. Trump echoed some of the populist themes from his presidential campaign. He described twin

GOP leaders have primarily pursued a strategy of repealing and replacing the health law simultaneously. In the interview, Mr. Trump said he preferred that option.

The "trouble with [straight] repeal is you'll have millions of people out there that ... will say, 'Well, you know, how do we know we're going to have health care?' And I hate to do that to people," he said.

—Richard Rubin and Felicia Schwartz contributed to this article.

—Peter Nicholas contributed to this article.

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## U.S. NEWS

# House Approves New Sanctions Against Russia

BY NATALIE ANDREWS

WASHINGTON—In a rare, overwhelmingly bipartisan vote, the House on Tuesday passed new sanctions that would punish Russia, after the U.S. intelligence community concluded that Moscow had sought to interfere in the 2016 presidential election.

The measure, which also imposes sanctions on North Korea and Iran, may put congressional Republicans at odds with President Donald Trump. The president has expressed skepticism about Russian interference and opposes a portion of the bill that the White House says infringes on his executive authority.

The House vote was 419-3, with just three Republicans voting against it.

The provision the White House has objected to would require the president to obtain congressional approval before relaxing any sanctions against Moscow or restoring Russia's control over diplomatic compounds in the U.S. that the Obama administration had seized.

The measure must now pass the Senate, which approved a different version of the bill last month that also included the congressional oversight language.

"North Korea and Russia and Iran all pose serious threats to our national security," House Foreign Affairs Committee Chairman Ed Royce (R., Calif.) told reporters Tuesday. "Successive administrations have struggled and failed to address them, and it is well past time to respond with meaningful action."

In an interview with The Wall Street Journal Tuesday, Mr. Trump said he hasn't decided on whether he will sign the legislation into law.

"I haven't seen them yet," he said. "I haven't seen them in final form."

The White House has said Mr. Trump supports sanctions but continues to have concerns about the provision that would expand congressional influence in this area.

The legislation is a political challenge for the president, as congressional committees and Special Counsel Robert Mueller are investigating Russia's actions last year and whether anyone in the Trump campaign colluded with Moscow. The president and Russia have denied any collusion.



Speaker Paul Ryan before the House voted 419-3 to approve new sanctions against Russia.

ler are investigating Russia's actions last year and whether anyone in the Trump campaign colluded with Moscow. The president and Russia have denied any collusion.

According to a January report from the U.S. intelligence agencies, Russia's interference was directed from the highest levels of its government. Its tactics included hacking state election systems; infiltrating and leaking information from party committees and political strategists; and disseminating through social media and other outlets negative stories

about Democratic nominee Hillary Clinton and positive ones about Mr. Trump, the report said.

Despite the House vote, it may be weeks before a version of the sanctions bill reaches the president's desk. Although it has drawn bipartisan support, some lawmakers signaled that there were still changes to be made before the bill could reach the president's desk.

The House bill, which was the subject of bipartisan negotiations, combines two measures: a North Korea bill that

passed the House in May and a measure punishing Iran and Russia that cleared the Senate last month.

Sen. Bob Corker (R., Tenn.) expressed doubt on Monday that the bill could pass in the Senate before Congress leaves town for its August recess. "There are some things on the North Korea portion that need to be looked at," said Mr. Corker, the chairman of the Senate Foreign Relations Committee.

If the Senate insists on significant changes, the legislation would have to go back to the House for a vote.

## WASHINGTON WIRE

BOY SCOUTS

### Organization Tries to Keep Politics at Bay

The Boy Scouts of America distanced itself from partisan politics on Tuesday amid criticism of remarks President Donald Trump made the day before at the youth organization's quadrennial national gathering.

The president's speech at the National Scout Jamboree in West Virginia before some 40,000 scouts and volunteers drew considerable negative reaction, as well as some praise, in posts on the Boy Scouts' Facebook page and other social-media sites.

The speech appeared to be well received by the crowd, but some people said they were upset that Mr. Trump's words sparked attendees to jeer former President Barack Obama.

In a statement, the BSA said it is "wholly non-partisan and does not promote any one political position, candidate or philosophy."

—Kris Maher

WHITE HOUSE

### Scaramucci Aspires To Squelch Leaks

The new White House communications director, Anthony Scaramucci, said one of his top priorities is to stop staffers from leaking to the news media, calling the leaks "atrocious" and "unpatriotic."

Speaking to reporters outside the White House, Mr. Scaramucci said, "If you want to work in the West Wing, you've got to stop leaking."

Asked how he would accomplish that, he responded: "You're either going to stop leaking or you're going to get fired. If I've got to get the thing down to me and [new White House press secretary] Sarah Huckabee [Sanders], then the leaking will stop."

He said President Donald Trump has given him the authority to dismiss staff members. Mr. Scaramucci reports directly to the president, not to White House Chief of Staff Reince Priebus.

—Peter Nicholas and  
Rebecca Ballhaus

# Manafort Avoids Public Testimony in Deal

BY BYRON TAU

WASHINGTON—President Donald Trump's former campaign chairman reached an agreement with Capitol Hill investigators Tuesday to avoid public testimony about Russian meddling in the 2016 presidential election, heading off the threat of being compelled to appear, according to a person familiar with the matter.

In exchange for his cooperation, the Senate Judiciary Committee is expected to withdraw a subpoena it issued

on Monday night that would have required Paul Manafort's presence at a public hearing scheduled for Wednesday. Separately, Mr. Manafort met Tuesday with investigators on the Senate Intelligence Committee in a closed-door interview, his spokesman said.

The interest in Mr. Manafort's testimony opens a new phase in the Capitol Hill probes into alleged Russian interference in the election. Several committees have begun questioning associates and family members of Mr. Trump. Mr. Trump's son-in-law, Jared Kushner, who is a senior White House official, was on Capitol Hill twice this week to speak to House and Senate Intelligence-committee investigators.

Judiciary Committee Chairman Chuck Grassley (R., Iowa) and top Democrat Dianne Feinstein (D., Calif.) didn't respond to requests for comment.

The back-and-forth between Mr. Manafort and the committee caps several days of negotiations between the former Trump campaign official and congressional investigators who want to hear from him on

topics related to possible Russian activity during the 2016 election.

The Judiciary Committee in particular is looking at unregistered lobbying and influence peddling. The Intelligence Committee, led by Sen. Richard Burr (R., N.C.) and Sen. Mark Warner (D., Va.), has been conducting a bipartisan probe of Russian activity during the 2016 presidential campaign.

According to a January report from U.S. intelligence agencies, the interference was directed by the highest levels

of the Russian government. The tactics included hacking state election systems, stealing and leaking information from party committees and political strategists, and using social media and other outlets to disseminate negative stories about Democratic nominee Hillary Clinton and positive ones about Mr. Trump, the report said.

Mr. Manafort voluntarily appeared Tuesday before the Senate Intelligence Committee. He is expected to do the same in front of the Judiciary Committee in the coming weeks.

most controversial elements of the ACA, including the requirement that most people pay a penalty if they don't have insurance. But it would likely increase the number of people without insurance, compared with the ACA, making it a potentially hard sell for centrist senators. But centrists may like the fact that it would leave the Medicaid program for low-income Americans unchanged, unlike the current bill's \$756 billion in cuts to federal Medicaid funding.

"They're going to see what the broadest measure is that they can get people to support," said Sen. Bob Corker (R., Tenn.).

GOP leaders hope that passing a scaled-back bill as a default would at least start negotiations with House Republicans over their version of a health overhaul, which passed in May.

It could also provide the nonpartisan Congressional Budget Office more time to provide an estimate of the cost and coverage impact of some Republican proposals.

Those measures include an additional \$100 billion so states can assist people who lose Medicaid coverage, as well as a proposal to allow insurers to sell less expensive plans with fewer benefits if they also sell more robust plans.

Still, it isn't clear Republicans can secure 50 GOP votes for the scaled-back repeal plan. Sen. Lindsey Graham (R., S.C.) called the proposal a "political punt."

Democrats said the "skinny repeal" strategy exposed Republicans' difficulties in coalescing around a health-care plan, despite promising voters for seven years they would repeal the ACA as soon as they took power in Washington.

The vote on proceeding with debate Tuesday was somewhat dramatic in part because the outcome wasn't entirely certain when it began.

When Sens. Collins and Murkowski voted no, it became clear that just one more defection would end the GOP health overhaul push for now. Mr. McCain's plane from Arizona was landing in Washington around the same time, and he raced to the Capitol.

—Louise Radnofsky,  
Byron Tau and Janet Hook  
contributed to this article.

## HEALTH

*Continued from Page One*  
of Alaska, who joined all Senate Democrats in voting against proceeding to debate the legislation.

The vote, punctuated by an emotional last-minute appearance by Sen. John McCain (R., Ariz.), who was recently diagnosed with brain cancer, delivered a come-from-behind victory for President Donald Trump and Senate Majority Leader Mitch McConnell (R., Ky.), who persuaded Republicans skeptical of the bill to band together long enough to begin debate.

Mr. Trump said his party had taken "a big step" that would "move forward to truly great health care."

Even with their surprise win on the procedural motion, which seemed a long shot just last week, Republicans were subdued Tuesday about their prospects of passing a sweeping overhaul of the ACA by week's end. "We knew this wasn't going to be easy, and there's a lot of work ahead of us," said Sen. John Thune of South Dakota, a member of the Senate GOP leadership.

On Tuesday night, the first of Senate leaders' health-care options, a bill toppling and replacing major portions of the ACA, gained only 43 votes, while 57 were against. That measure included a much-debated proposal from Sen. Ted Cruz (R., Texas) allowing insurers that offer one ACA-compliant health plan to also sell cheaper insurance options that don't meet ACA rules.

Senate leaders had expected the measure to fail, as Senate rules made it ineligible to pass on a simple majority vote. But the defection of nine GOP Senators—enough to sink the bill even under a simple majority—underscored the lack of support within the party for the ACA replacement that leaders had cobbled together.

On Wednesday, the Senate is expected to take up a separate bill largely repealing the ACA with a two-year expiration date, to give lawmakers time to craft a replacement.

The Senate debate will culminate later this week in a mar-



Senate Majority Leader Mitch McConnell on Tuesday after the Senate passed a motion to begin debate on a health-overhaul bill

### Back, McCain Calls For Bipartisanship

WASHINGTON—With

stitches prominent above his left eye after recent brain surgery, Sen. John McCain returned to the Senate on Tuesday determined to challenge his fellow Republicans by calling for a return to the decorum and courage that have often defined the chamber.

"I hope we can again rely on humility, on our need to cooperate, on our dependence on each other to learn how to trust each other again and by so doing better serve the people who

elected us," the Arizona senator said to colleagues who listened in near silence.

"Stop listening to the bombastic loudmouths on the radio and television and the Internet. To hell with them. They don't want anything done for the public good," he said.

Mr. McCain, an 80-year-old who spent years as a Vietnam POW, spoke after he had cast a vote that was critical to allowing his party open debate on GOP health-care plans. He had just arrived at the Capitol after an extended absence during which he was diagnosed with a brain tumor.

Instead of cheering on Republi-

can leaders for having rounded up votes to initiate debate without any Democratic support, Mr. McCain warned that the body's deliberations had become too corrosive.

"They are more partisan, more tribal more of the time than any other time I remember," Mr. McCain said. "Our deliberations can still be important and useful, but I think we'd all agree they haven't been overburdened by greatness lately. And right now they aren't producing much for the American people," he said.

Mr. McCain had previously said that Congress should work on a replacement for the Affordable Care Act on a bipartisan basis, as have other sena-

tors. But in taking to the Senate floor to lay out his thinking, the senator of nearly three decades brought to bear an authority that is essentially unmatched in the chamber.

"We've tried to do this by coming up with a proposal behind closed doors in consultation with the administration, then springing it on skeptical members, trying to convince them it's better than nothing, asking us to swallow our doubts and force it past a unified opposition," Mr. McCain said.

"I don't think that is going to work in the end. And it probably shouldn't."

—Siobhan Hughes

athon session of amendment votes, but it wasn't clear GOP leaders have the 50 votes needed to pass any of the proposals, fueling the uncertainty over where the week's legislative twists will end.

Democrats said that while the ACA can be improved, it has provided health insurance to 20 million Americans, and it

should be built upon rather than dismantled. Many Republicans say it has resulted in higher premiums and less choice, and that an entirely new approach is needed.

In a memorable moment on the Senate floor, Mr. McCain criticized the GOP's legislative effort, despite flying across the country to prevent the pro-

dural motion from falling short due to his absence. He delivered a sobering rebuke to GOP leaders in his speech.

"It's a shell of a bill right now," he said. "I don't think that is going to work in the end. And it probably shouldn't."

Meanwhile, Mr. McConnell on Tuesday pitched GOP senators on a backup proposal, if

they can't agree on any other

plans for repealing and possibly replacing the ACA. Under this "lowest common denominator" proposal, Republicans would put together just the elements they all agree on, including repealing the individual and employer mandates and a tax on medical devices.

That would knock down the

# WORLD NEWS

## Afghan President's Daily Battles

Ghani struggles to build a working state amid dysfunction and deteriorating security

By JESSICA DONATI  
AND HABIB KHAN TOTAKHIL

KABUL—On a recent Sunday morning, Afghan President Ashraf Ghani spent hours inside the fortresslike presidential palace mulling plans to expand the capital's water supply and install fiber-optic cable in a remote region.

Outside, new two-story blast walls and checkpoints have further restricted access to Kabul's diplomatic enclave after a May truck bomb near the German Embassy killed more than 150 people, prompting an exodus of diplomats.

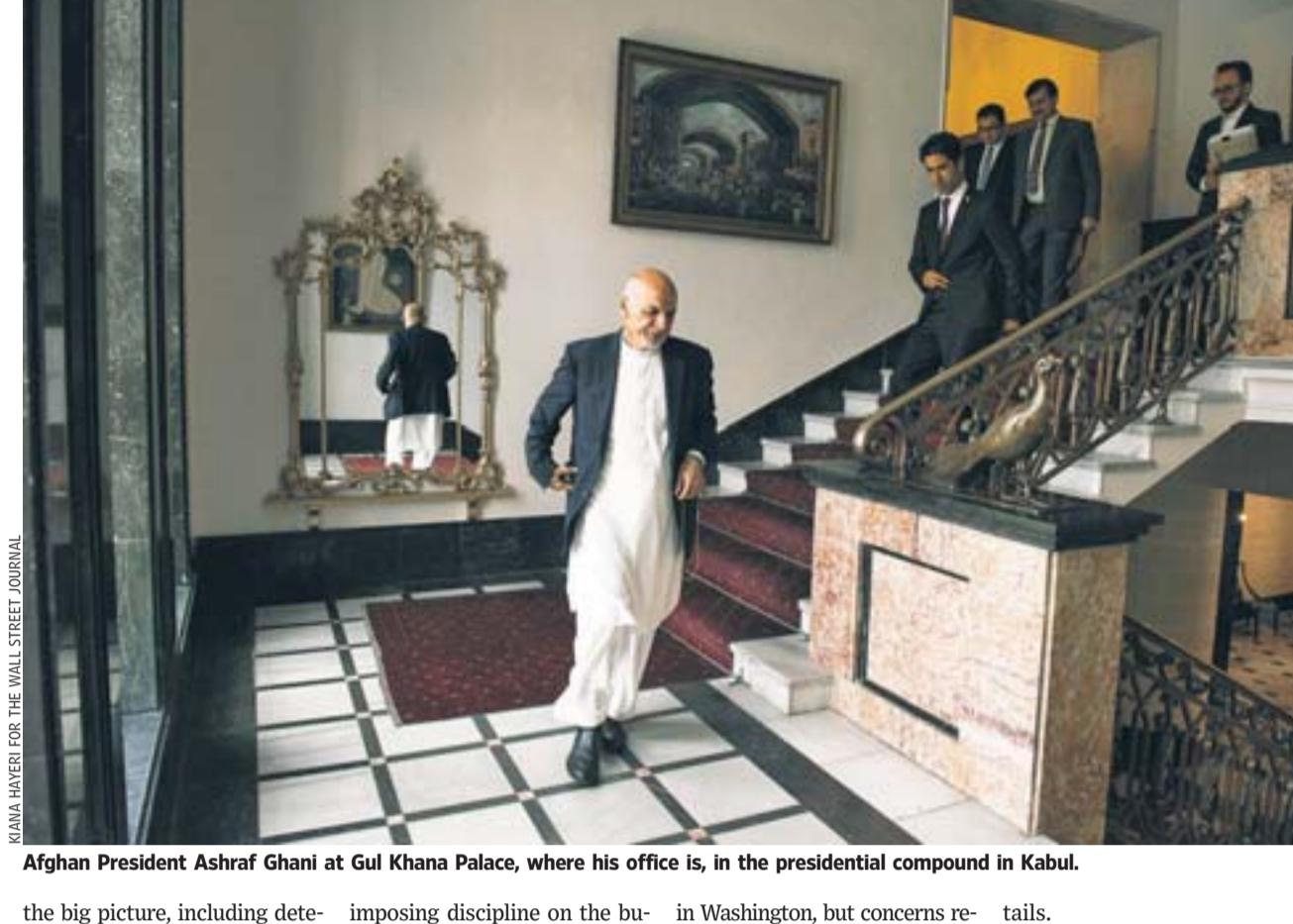
Mr. Ghani faces growing opposition in his fragile unity government and Taliban insurgents are inflicting mounting casualties on civilians and security forces. But he says he is determined to stay focused on building the machinery of a functioning state in a country plagued by chaos and corruption.

"My task is to create a system that my successor can run," Mr. Ghani said in an interview. "The new generation demands a different voice, accountability and responsibility."

Mr. Ghani invited reporters with The Wall Street Journal to observe his routine one day this month. Over nearly 14 hours, Mr. Ghani immersed himself in the minutiae of governance and showed his impatience with the pace of progress nearly three years into his five-year term.

During a series of meetings, the 66-year-old former World Bank official and ex-finance minister berated a United Nations envoy over plans to fund parliamentary elections and threatened to fire half a dozen senior government officials.

Critics say Mr. Ghani is mired in details and missing



Afghan President Ashraf Ghani at Gul Khan Palace, where his office is, in the presidential compound in Kabul.

the big picture, including deteriorating security and rising ethnic tension. The Taliban claimed responsibility for a Monday bomb attack in Kabul, which killed at least 31 people.

His long-promised plan to revamp the armed forces is still under review. U.S. airstrikes have quadrupled in recent months in an effort to keep the Taliban at bay.

Weeks after May's truck bombing, leading members of Afghanistan's three main ethnic minorities announced a new coalition against Mr. Ghani, who is a Pashtun, the country's largest ethnic group.

The Afghan state "is collapsing on itself," said Mohammad Mohaqiq, a government official who helped start the coalition.

Mr. Ghani argues that providing effective public services, stamping out corruption and

imposing discipline on the bureaucracy are critical. The president dismisses his opponents, saying they are motivated by a fear of losing out in a transparent system. "You think people that lose hundreds of millions in contracts are going to come praising us?" he asked.

Mr. Ghani, who gave up U.S. citizenship to run for president in 2009, said his efforts to build a competent bureaucracy have persuaded foreign backers, predominantly the U.S., to stick with Afghanistan after 16 years of war.

The Trump administration is weighing sending more U.S. troops to Afghanistan, and Washington and its allies have pledged more than \$15 billion in aid over the next four years.

A veteran Western diplomat in Kabul said Mr. Ghani's pro-American stance was welcome

in Washington, but concerns remain. "The risk is that he will anger so many political factions that he may not limp his way to the 2019 presidential elections," the diplomat said.

On the day Journal reporters observed him, Mr. Ghani met with officials to review plans for next year's parliamentary elections. After participants spoke, Mr. Ghani turned to the deputy head of the U.N. Assistance Mission in Afghanistan, Pernille Dahler Kardel.

"With enormous respect, it seems that the discussion has not moved very far. You are still raising the issues that you were raising six months ago," he said, demanding to know the amount and type of funding available. Ms. Kardel later said that "decisions have been taken that will allow funding to flow," without providing details.

tails.

In the evening, Mr. Ghani oversaw a meeting of the National Procurement Council which, at his insistence, reviews every government contract valued at more than \$1 million.

Two officials who had failed to provide documents for a contract to provide vaccinations to Afghans attending the pilgrimage to Mecca hung their heads.

"Who was responsible for the vaccinations? Please?" Mr. Ghani shouted. "Right now go to the office, and within two hours bring the document! Otherwise, you are suspended tomorrow. Understood?" Mr. Ghani's office said they returned the next day with the documents and the contract was approved.

Afterward, a modest dinner was offered, but Mr. Ghani didn't join. He smiled, thanked everyone for attending and left.

## U.S. and Iranian Vessels Square Off

By DION NISSENBAUM

WASHINGTON—The U.S. Navy said it fired warning shots at an Iranian patrol boat in the Persian Gulf in what American military officials called an "unsafe and unprofessional" incident in the region.

The Islamic Revolutionary Guard Corps boat came within 150 yards of American and coalition ships carrying out an exercise in the northern Persian Gulf on Tuesday, the Navy said.

The U.S. Navy tried unsuccessfully to reach the Iranian ship by radio, then fired flares and twice gave five short whistle blasts to signal a warning to the Iranian boat, according to the Navy.

When the Iranian patrol boat failed to shift course, the USS Thunderbolt, a 175-foot-long American coastal patrol ship, fired warning shots at the vessel.

The Iranian boat stopped dead in the water, an official said, but remained in the area for several hours.

"It was unsafe and unprofessional due to the aggressive movement" of the Iranian boat, one U.S. defense official said.

The IRGC said a U.S. warship moved toward a patrol boat in international waters and fired two shots in the air in an attempt "to provoke and intimidate," according to a statement that was published by the IRGC's official news agency.

The incident comes amid rising tensions between the U.S. and Iran.

President Donald Trump has taken a tough line with Iran, which has sought to contest American military moves in Syria and Iraq.

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## WORLD WATCH



JAPAN

### Premier Faces Heat Over Allegations

Japanese Prime Minister Shinzo Abe's attempt to stem a career-threatening popularity slump stumbled after he reversed part of his response to allegations of cronyism and apologized for what he called a mistake.

Mr. Abe is fighting for his political future after support for his cabinet fell below 30% in some opinion polls. A former vice education minister alleged the prime minister's staff intervened last year to clear an application by a longtime friend of Mr. Abe to open a veterinary school.

Mr. Abe says his staff followed proper procedures, and he denies any involvement in the approval for the school. No new veterinary schools have opened in more than 50 years in Japan, reflecting opposition from the Veterinary Medical Association, which says the nation has a sufficient supply of veterinarians.

The furor over the allegations

of cronyism has dominated Japanese news coverage for weeks. And support for Mr. Abe's cabinet is at its lowest level since he took office in December 2012, with many poll respondents saying they don't trust him, and the ruling party suffering a heavy defeat in a regional election in Tokyo this month. Mr. Abe has said he will shuffle his cabinet next week, which could give him a chance to replace controversial ministers.

Few previous prime ministers have been able to recover from approval ratings below 30%, spurring speculation over Mr. Abe's policy objectives, including revising the nation's pacifist constitution.

Mr. Abe had appeared to be on course to comfortably win a third term as party leader in an election next year. Now, analysts say he could face a strong challenge from within his party.

On Tuesday, Mr. Abe repeated his defense in response to questions from lawmakers at a parliamentary committee hearing.

—Alastair Gale

LEBANON

### Trump, Hariri Hold Talks in Washington

Prime Minister Saad Hariri and President Donald Trump discussed regional issues at a series of meetings during the Lebanese leader's first visit to the Trump White House. Mr. Hariri said he hoped the antiterror partnership between the U.S. and Lebanon would continue. The two leaders pledged continued solidarity against terrorism.

Lebanon is burdened by an influx of refugees fleeing the civil war in Syria. Mr. Trump said "supporting the humanitarian needs of displaced Syrian citizens as close to their home country as possible is the best way to help most people."

Continued U.S. support for the Lebanese military and sanctions on militant group Hezbollah were among the items on Mr. Hariri's agenda. Mr. Trump declined to offer a position on possible tighter sanctions on Hezbollah.

—Associated Press

EUROZONE

### IMF Warns Growth Could Be Threatened

The immediate outlook for eurozone economic growth is favorable, but that shouldn't distract attention from deep-seated problems that continue to threaten the currency area's cohesion, the International Monetary Fund warned.

The eurozone economy has gained momentum this year, outpacing the U.S. in the first quarter and likely to come close to matching it in the second.

In its annual review of the eurozone's economic policies, the IMF warned the currency area faces "significant downside risks," with government debt levels still too high and the banking sector fragile and weighed down by bad loans.

It also noted that the gap between highly productive economies such as Germany and less-productive economies such as Italy is widening.

—Paul Hannon

IN MOSUL: Archbishop Cardinal Philippe Barbarin of Lyon, France, places a statue of Mary at the Holy Spirit church in the Iraqi city.

SAFIN HAMED/AGENCE FRANCE PRESSE/GETTY IMAGES

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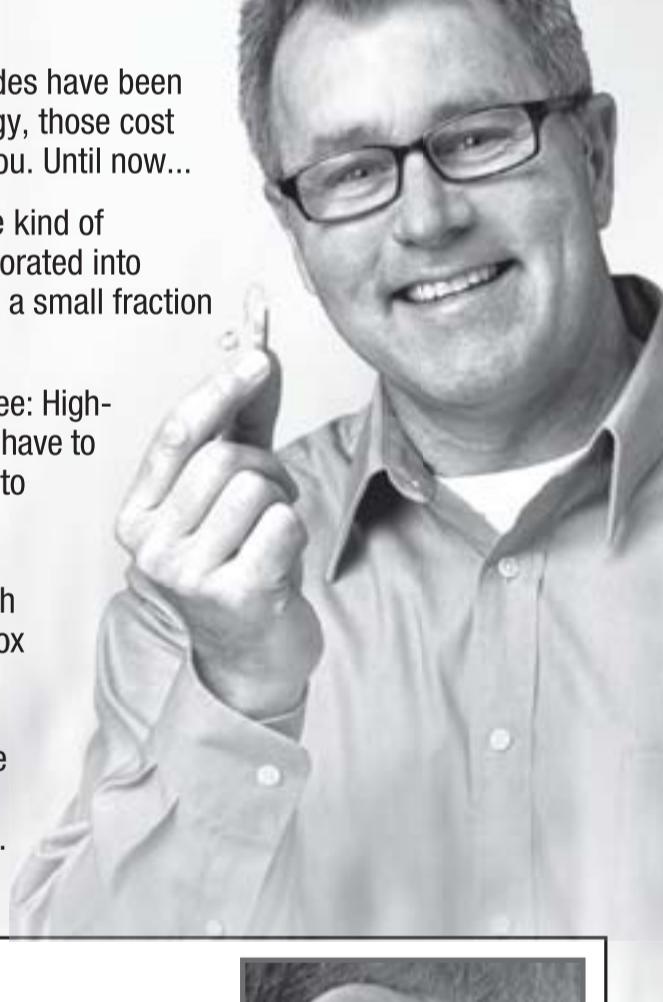
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## FROM PAGE ONE

# PROFIT

*Continued from Page One*  
that we're seeing a synchronized global recovery and that's what the markets are keying on right now," said Scott Anderson, chief economist at Bank of the West. "In past years, whenever the U.S. was doing well, Europe wasn't and vice versa. Now everyone seems to be more on the same page."

A stabilization of commodity prices has put major developing economies like China, Brazil, Russia and Nigeria on stronger footing after they were hit by a commodity-price plunge in 2014.

An International Monetary Fund index of global commodity prices has risen nearly 27% since hitting a 12-year low in 2016. The World Bank projected last month that, by next year, global economic growth would reach a seven-year high.

And stability in global manufacturing has been widespread. None of the top-15 trading partners for the U.S. were contracting in June, said Chad Moutray, chief economist for the National Association of Manufacturers.

Industrial output in the U.S. has risen steadily, climbing for the past five months, thanks to renewed oil and gas production to feed global demand.

The Federal Reserve's measure of industrial production in June was the strongest since February 2015. That has helped the U.S. economy add 581,000 jobs in the second quarter despite a slowdown in consumer spending and job losses in the retail sector.

Caterpillar's U.S. payroll grew to 48,500 employees by the end of June, an increase of 2,000 over the previous three months, and the company is hiring at factories in Illinois, Indiana and Arkansas.

But there are doubts the recovery will be sustained. Caterpillar executives noted that revenue increases in some sectors, particularly mining, followed years of steep declines and that sales were still off their highs from recent years.

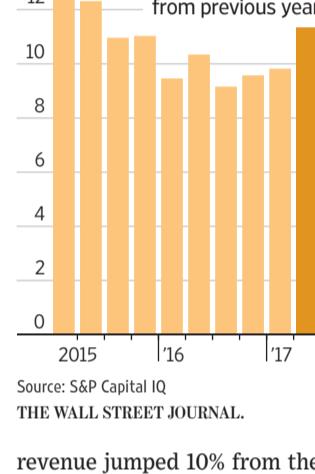
The company said it is expecting strengthening demand for excavators in China in response to government spending on public-works projects, a pickup in the North American natural-gas industry and increasing sales of replacement parts for mining equipment as fewer trucks remain idle.

Geopolitical uncertainty and commodity-price volatility still pose risks to Caterpillar's rosy outlook. Executives declined to speculate how the company might fare next year and beyond.

Caterpillar's second-quarter

### Digging Out

Caterpillar's quarterly revenue



Source: S&P Capital IQ

THE WALL STREET JOURNAL.

revenue jumped 10% from the year-earlier period to \$11.3 billion, and profit of \$802 million beat Wall Street's expectations.

Shares rose \$6.36, or 5.9%, to \$114.54, contributing about 44 points to the DJIA's gain.

Solid earnings have supported major stock indexes this year, helping them climb to records. Companies in the S&P 500 are poised to report earnings growth of 7.8% in the second quarter from the year-earlier period, according to FactSet, building on gains from the first quarter, when firms posted their strongest results since 2011.

A weakening dollar could further boost profits at multinational corporations and, in turn, lift the stock market through the second half.

Sales of construction equipment in North America, Caterpillar's largest market, rose 3% in the second quarter. But U.S. government spending on roads, bridges and other infrastructure has been lackluster, executives said.

"The United States is in need of infrastructure investment," Caterpillar Chief Financial Officer Brad Halverson said.

While Caterpillar's revenue from construction equipment rose 11% overall in the quarter, sales decreased 5% in the region including Europe, the Middle East and Africa. Latin American sales rose 31% as several economies there showed signs of improvement, but Brazil remains a weak spot, executives said.

Signs of turnaround in Caterpillar's retail segment emerged in the first quarter. That trend continued as retail sales of Caterpillar machinery increased 7% world-wide during the three months ended June 30.

Caterpillar reported quarterly earnings per share of \$1.35. Analysts polled by Thomson Reuters had expected \$1.26 in adjusted earnings per share.

—Akane Otani and Austen Hufford contributed to this article.



Caterpillar boosted its earnings outlook for the year.

## WORLD NEWS

# China Plays at Web Lockdown



### CHINA'S WORLD

By Andrew Browne

SHANG-HAI—China's first internet message, tapped out almost exactly 30 years ago to a group of German scientists, was a proud slogan: "Beyond the Great Wall, Joining the World."

That hasn't been exactly true. China deploys a fierce array of censorship tools and methods—throttling bandwidth, filtering words and images, using "deep packet inspection technology" and employing armies of human censors and trolls—to keep its Great Firewall in place. The one crack is a technology called VPN, or virtual private network, that circumvents the controls by connecting users to servers outside China.

Now that is in doubt.

Authorities have shut dozens of VPNs this year. This month, the Ministry of Industry and Information Technology denied a Bloomberg report that it had ordered telecom carriers to bar all personal VPNs, such as those used by many small businesses. The ministry promised "normal operations" for multinationals connecting to the global internet. Yet at least one carrier, **Guangzhou Huoyun Information Technology Ltd.**, pulled foreign VPNs after receiving a letter ordering it to do so from the Ministry of Public Security.

Could China, digitally speaking, go dark? For those looking for clues to China's political direction, the VPN



A customer at a Beijing internet cafe. Authorities have shut dozens of private networks this year.

is a good place to start.

President Xi Jinping has taken Chinese politics back to pre-Internet days of Maoist orthodoxy, when the country sealed itself off from the global economy. His cardinal principle is "internet sovereignty." The question is whether his administration is ready to take that all the way to absolute digital control.

"There's no question there is a camp that wants to block China off from the world," says Duncan Clark, a former Morgan Stanley tech analyst and author of "*Alibaba: The House That Jack Built*," an account of China's e-commerce revolution. "And there's a camp that wants to sell the bricks to do it."

To be clear: Without VPNs, business in China takes a huge knock.

Companies around the world are moving operations to the cloud, but that is hard to implement if VPN problems interfere with access.

The impact is practical as well as political. In a country

that sets just about every record for internet usage—730 million connections, at last count, and 460 million online shoppers—line speeds rank 91st in the world.

**H**ere's the real shock: At a moment when China is making big bets on the Internet of Things, cloud computing, robotics and driverless cars, there are serious questions about whether the country will continue to allow its most innovative minds to communicate easily online with German scientists, or American academics, or Japanese engineers.

Until now, access to VPNs has kept the Great Firewall from being too bothersome for China's elites.

The VPN, in other words, is a political safety valve. Remove it, and annoyance might turn to frustration, and frustration to anger. Wait then for an explosion.

But in this hypersensitive political year—a party congress crucial to Mr. Xi's po-

litical ambitions is coming this fall—it is becoming apparent that the authorities are ready to take such risks.

In cracking down on foreign movies and live-streaming apps in recent months, censors aren't just denying the public its favorite Korean soaps and the antics of figures like "Gourmet Sister Feng," who gobble down live goldfish. They are challenging the tolerance of millions for a censorship regime that has until now seemed far removed from the concerns of everyday life.

Ban VPNs and almost everybody is a dissident. It would be "one control too far for the creative, academic, scientific and business communities," says James McGregor, chairman of the greater China region for consulting firm APCO Worldwide.

A blanket prohibition is unlikely. But restraint isn't a given. Having greeted the internet on Sept. 14, 1987, China has already made 2017 a year of farewells.

put a dent in Mr. Kim's aspirations for a nuclear weapon that can strike the U.S.

That is one reason Congress has rallied behind legislation that will require the administration to levy tougher sanctions against North Korea as part of a larger sanctions bill that also targets Russia and Iran. It also accounts for the unilateral U.S. action.

"We're definitely in the process of trying to elevate that pressure and change the calculus," Ms. Thornton said.

China, a North Korean ally that shares a long border with the country, is the nation's biggest trade partner. Analysts say cutting off financing for Pyongyang's weapons program and military requires ratcheting up sanctions on Chinese banks, firms and individuals.

The U.S. is pushing the U.N. Security Council to approve fresh punitive actions against North Korea in the aftermath of a July 4 test of a new intercontinental ballistic missile with the potential to reach Alaska.

Although administration officials have said they are not targeting China's government, the State Department's senior East Asia official said Beijing needed to do "a lot more work" implementing U.N. sanctions.

# U.S. to Sanction Chinese Entities Over North Korea

By Ian Talley

WASHINGTON—The U.S. soon will issue new sanctions against Chinese entities for violating United Nations sanctions against North Korea, a senior State Department official said Tuesday.

Susan Thornton, acting assistant secretary of the State Department's East Asian bureau, told a Senate Foreign Affairs subcommittee the Treasury Department shortly will target more Chinese entities involved in supporting Kim Jong Un's regime.

Ms. Thornton said the escalation in economic pressure follows the failure of Beijing to take action on its own against Chinese firms and individuals the U.S. warned were in violation of the U.N. sanctions.

The U.S. is pushing the U.N. Security Council to approve fresh punitive actions against North Korea in the aftermath of a July 4 test of a new intercontinental ballistic missile with the potential to reach Alaska.

But amid complaints by the U.N.'s own experts that sanctions compliance among the institution's member countries has been inadequate, many U.S. analysts say such a multilateral strategy has failed to



Kim Jong Un, second from right, at the July 4 missile test.



Prime Minister Trudeau, center right, and British Columbia Premier John Horgan in Ottawa on Tuesday

# Canada Presses for Nafta Panel

By Paul Vieira

OTTAWA—Canadian Prime Minister Justin Trudeau said it was "absolutely essential" that a revised North American Free Trade Agreement contain a dispute-resolution panel, setting the stage for a showdown between Ottawa and the Trump administration ahead of trilateral talks in August.

Trade analysts and U.S.-Canada watchers have identified the Nafta provision known as Chapter 19—which makes it easier for Canada and Mexico to contest trade sanctions from the U.S. Department of Commerce—as crucial to Canada. Without it, attempts to challenge Commerce Department sanctions would have to be argued before U.S. courts, which Canadians see as less friendly to their interests.

But the Trump administration wants that system scrapped, as outlined in its objectives for the Nafta talks released last week.

The dispute-settlement system was a point of contention between Canada and the U.S. in the 1980s when they eventually clinched a U.S.-Canada free-trade deal, a Nafta predecessor. Mr. Trudeau on Tuesday said keeping the system

intact was a top priority.

"A fair dispute-resolution system is absolutely essential for Canada," Mr. Trudeau said at a joint press conference with the new premier of British Columbia, John Horgan. "We expect that will continue to be the case in any renegotiated Nafta—that we will continue to have a fair dispute-resolution system."

**The Trump administration wants to scrap the dispute-resolution body.**

Trade watchers say Mr. Trudeau's comments are the most pointed yet on the issue.

"This is the hill Canada is prepared to die on," said Eric Miller, a former Canadian official and now head of Rideau Potomac Strategy Group, a Washington-based trade consulting firm. "This is a strong signal that Canada takes Chapter 19 very seriously and is willing to work very hard to keep it."

Under Nafta, Chapter 19 provides a mechanism for ex-

porters and importers subject to antidumping or countervailing duties by authorities in the U.S., Canada or Mexico to seek review from a binational panel.

The panels are made up of trade experts from the two countries involved in the dispute, and have a mandate to determine whether trade sanctions have legal justification.

In a recent interview with The Wall Street Journal, Mexican Economy Minister Ildefonso Guajardo warned scrapping Chapter 19 could prove to be an obstacle during trilateral talks, and affect U.S., Canadian and Mexican exporters alike. "We need to take care to preserve something that has been positive," he added.

In addition to the repeal of the so-called Chapter 19 clause, the U.S. Trade Representative said the U.S. will be looking in the Nafta talks to preserve "Buy America" provisions and find ways to reduce the U.S. trade deficit with its Nafta partners. Overall, though, the Nafta objectives the U.S. laid out last week largely step back from some of President Donald Trump's most fiery campaign rhetoric on trade with Mexico and Can-

ada.

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## IN DEPTH

# CHINA

Continued from Page One

Annual surveys by the Pew Research Center since 2010 show more than 80% of Chinese are satisfied with the direction of their country. Three-quarters of the Chinese surveyed by Pew last year see China playing a bigger role in global affairs than 10 years ago, and 60% view China's involvement in the global economy as positive.

On his blog, between digressions on Socrates and Ming Dynasty economic policy, Mr. Li writes at length on the superiority of the Chinese political system. Unlike the U.S., where he says charisma is prized over professionalism and money is needed to win office, he argues that China promotes officials based on their performance in spurring economic growth and managing large cities and bureaucracies.

"Among people in my generation, there aren't many of us now who think we should totally study the West," says Mr. Li. "To them, China is already a great country."

The sense that China is on the right track challenges a decades-old tenet of U.S. foreign policy, one that argued exposure to the West would lead Chinese to embrace Western values.

### Beacon of strength

In the wake of Brexit and Donald Trump's election, and amid global fears about terrorism, a generation of Chinese patriots like Mr. Li are projecting an assurance about China as a beacon of strength and stability in an uncertain world.

President Xi's signature slogan, the "China Dream," appeals to Chinese who aspire to a middle-class lifestyle and cheer China's return to international prominence. On the global stage, Mr. Xi has portrayed China as an alternative to the West, with a unique political system and culture, and as a leader in areas including trade, inequality and climate change.

"What people are starting to feel is pride. It's the pride of being listened to, or forcing people to listen to you," says Orville Schell, director of the Center on U.S.-China Relations at the Asia Society. "The idea of greatness for China—because they've experienced weakness—gravitates around the idea of power."

China's government exercises near-absolute authority over education, media and the internet. That, along with determined campaigns to quash dissent, give the Communist Party unparalleled power to frame public debate. As a result, patriotism and pro-government views are amplified. Criticisms tend to get drowned out.

After communications professor Deng Xiangchao posted messages on Weibo in December lamenting the millions who died in Mao Zedong's political campaigns, he was hounded online as a "public enemy," saw his account deleted and was fired by Shandong Jianzhu University for "erroneous remarks."

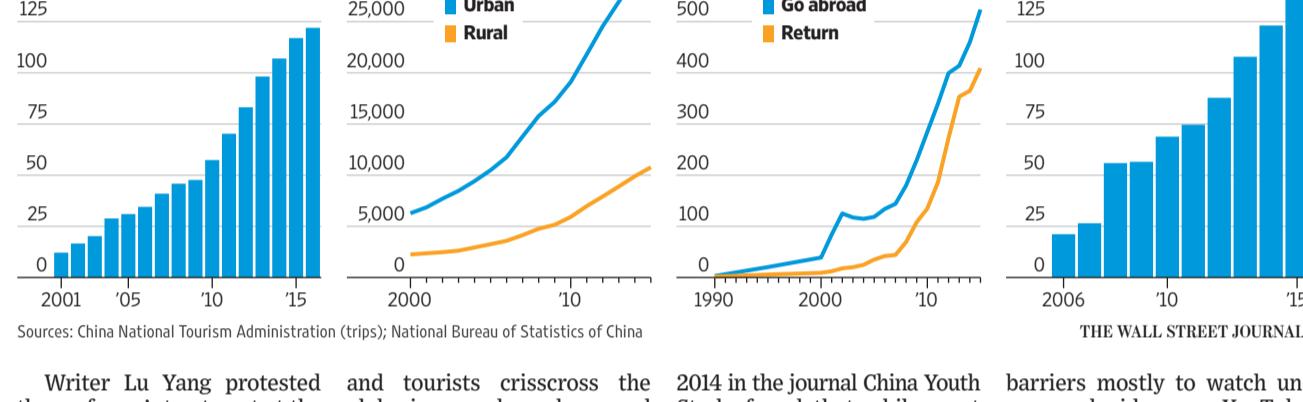


GILLES SABRIE FOR THE WALL STREET JOURNAL

Blogger Li Xiaopeng, center, studied at Cambridge and Harvard. Now he argues that the Chinese political system is superior to the U.S.'s.

### Rising Influence

A growing number of Chinese are traveling and investing abroad as the country becomes wealthier.



Sources: China National Tourism Administration (trips); National Bureau of Statistics of China

Writer Lu Yang protested the professor's treatment at the hands of "a gang of ignorant internet goons" in online posts. His Weibo account was also expunged. "The space for free speech in China grows smaller by the day," says Mr. Lu.

A spokesman for Weibo said he wasn't clear on the circumstances surrounding the closure of accounts belonging to Deng Xiangchao and Lu Yang.

More-aggressive forms of nationalism are usually di-

and tourists crisscross the globe in record numbers, and international news features prominently in the media. More than anything, Chinese say, their current patriotic sentiment is built on pride about how rapidly the country has emerged from poverty and how well its economy compares with others.

In seven out of 10 European countries surveyed by the Pew Research Center, including the U.K. and Germany, China is now considered the world's leading economic power, according to data released in July. The gap in global popularity between the U.S. and China has also narrowed dramatically in recent years, with 47% of people now expressing a positive view of China, compared to 49% for the U.S., according to Pew.

A record 328,547 Chinese students were enrolled in the U.S. in the 2015-2016 academic year, up 160% from six years prior, drawn to the quality of the higher education system and eager to bypass China's grueling college-entrance exams. In the past, most would stay on after graduating. Now around 80% choose to return home, where, many say, better job prospects await.

A small survey of 131 Chinese students studying in the U.S., Europe, Australia, Japan and South Korea published in

2014 in the journal China Youth Study found that while most weren't markedly patriotic before leaving China, close to 80% reported feeling more patriotic after going abroad. Roughly two-thirds said they agreed with Mr. Xi's "China Dream."

Chen Hesheng, a 22-year-old recent college graduate, spent a month in a summer study program at the University of Southern California in Los Angeles in 2014. Two Chinese graduate students were gunned down while sitting in a BMW near campus in 2012. He felt scared to go out at night and shocked at the U.S.'s poor public safety.

### 'Little pinks'

Mr. Chen resents the preaching from the U.S. and other Western governments about democracy and human rights: "Young people aren't convinced that the West is better. Who are you to tell us that it is?"

These days, Mr. Chen is part of a generation of patriotic online activists known as "little pinks"—named for the background color of a website known for passionate, patriotic political discussions.

Like others in this mostly millennial cohort, Mr. Chen says the internet and travel enable them to see China more accurately. He leaps internet

barriers mostly to watch uncensored videos on YouTube and occasionally to counter what he sees as inaccurate views about China on Facebook.

In 2016 he twice joined swarms of mainland activists in posting tens of thousands of pro-China comments on the Facebook pages of Taiwan's president and media outlets seen as favoring the democratically ruled island's formal independence from China—long a hot-button issue for patriotic Chinese.

For Chinese students in the West who take positions that offend their fellow citizens, blowback can be swift. In May, a Chinese graduate at the University of Maryland sparked a furor of online criticism after she praised free speech and America's air quality in a commencement address. Even the country's Foreign Ministry weighed in on the controversy, declaring that "any Chinese citizen should be responsible for the remarks he or she makes."

The student later publicly apologized, saying she hadn't meant to belittle her home country.

For Mr. Li, the urban consultant, his experience overseas was formative.

As a child in rural Sichuan, he lived in a home without running water. Rice was rationed. School closed so students could

help with the harvests. Visiting relatives meant walking for hours through fields.

Still, he was raised to be grateful to the Communist Party. His parents, a schoolteacher and a shop worker, gave him Mao's collected writings to inspire him.

After his high score on the politics portion on the college entrance exam landed him a spot studying law at one of the nation's top schools, Beijing's Renmin University, his world view began to change.

### Internet access

His more liberal teachers brought their ideas into classroom discussions. "They'd say China has no rule of law, no human rights," he recalls. He had internet access in his dorm room and used circumvention software to reach sites outside China to read uncensored news and commentary. "They said that Mao Zedong was a despot, and that China's ancient history was one of autocratic rule," he said.

The more Mr. Li learned, the more his certainties about his society crumbled and the more he came to admire the West, with its wealth, its respect for civil liberties and its political checks and balances. He devoured works on the U.S. legal system. The Watergate scandal's toppling of Richard Nixon impressed him.

"We thought the West's political system was really good, and that we should use it to change China," he says. That change would surely come, he says: "We thought it was just a question of time."

Doubts about the West crept in when he spent a half-year at the University of Cambridge as part of his doctorate in economics. Compared with China's brand-new infrastructure, the buildings in most British cities looked shabby. Getting a bank card took days.

A year at Harvard University's Kennedy School as a visiting fellow starting in 2010 accelerated his change in thinking. He was appalled at the number of panhandlers in subway stations and how unsafe he felt.

The U.S. was just emerging from a financial crisis that left China largely unscathed. Amy Chua's "Battle Hymn of the Tiger Mother," which extolled the benefits of hard-line Chinese parenting, became a best seller. "If Americans admire China so much, maybe the way we saw China before wasn't so accurate," he thought.

He sifted through U.S. census data found online and concluded inequality was weakening America. He saw its divided political system as too in thrall to special interests to serve the broader public.

"For decades, America's politicians have come and gone, and put forward pleasant-sounding slogans about how they'll promote the middle class and social equality. But basically, it's a bad check," he wrote on his blog in December.

In a separate posting, he extolled China's scientific achievements, including its No. 1 spot in supercomputing, as evidence of the country's burgeoning strength. "It's astonishing the world!" he wrote.

# TWEETS

Continued from Page One  
much. Hardee's blocked Wendy's on Twitter. Neither McDonald's nor Burger King have responded to Wendy's tweets. All three chains declined to comment.

Wendy's tweets are part of a strategy to make the brand more appealing to young consumers, who have been migrating to places serving healthier fare than most fast-food chains. "Since we changed our tone of voice, we've seen a number of new consumers following us," said Wendy's Chief Marketing Officer Kurt Kane.

Wendy's said its Twitter following has risen nearly 80% in the last year to almost 2 million—still well short of McDonald's nearly 3.5 million followers—and that those followers are becoming new or more-frequent customers. The chain's brand-perception scores are up significantly among 18-to-21-year-olds in the past few months, according to brand-tracking firm YouGov BrandIndex. In the first quarter of the year, Wendy's notched its 17th consecutive quarter of same-store sales growth in North America.



Companies ranging from Whole Foods Market Inc. to Old Spice have roasted followers as part of a strategy of engaging directly with consumers. Social-media watchers can point to any that challenge competitors and consumers as much as Wendy's.

The identities of Wendy's Twitter writers are a closely guarded secret. The company said they are a group of men and women in their 20s and 30s. Most have marketing or

public-relations backgrounds. One is a stand-up comedian in his free time. The writers are careful not to be too mean, but the company says it's within the company's right to defend its turf.

The day McDonald's announced its impending switch to fresh beef, dozens of people tweeted at Wendy's—which uses fresh beef—asking what it had to say. "We usually respond to a consumer who brings us into this just because you forgot refrigerators existed for a second

We don't actively seek out these jabs," said the woman who oversees Wendy's social media team and who sometimes tweets herself.

Few are safe from Wendy's twitterstream. In one exchange, a consumer asked Wendy's how it could keep beef fresh in transit—and then applauded McDonald's breakfast.

Wendy's said, "You don't have to bring them into this just because you forgot refrigerators existed for a second

there." A woman who tweeted that Wendy's food is trash was answered with: "No, your opinion is though."

Awaiting Wendy's next smackdown has become a spectator sport for some. Jason Yerex, a 17-year-old in Port St. Lucie, Fla., asked Wendy's to roast him. Seizing on a photo of him wearing a backward-facing baseball cap, Wendy's tweeted: "Turn your hat around, you aren't Bart Simpson, and it isn't 1997."

Mr. Yerex said McDonald's and Burger King didn't respond to his requests to make fun of him. When he asked Chipotle Mexican Grill Inc. to roast him, the burrito maker replied, "No, that's mean."

A Chipotle spokesman said: "We always try to engage with customers that reach out to us on social media, and generally like to take a high-road approach in those conversations."

No one has gotten more attention from an exchange with Wendy's than Carter Wilkerson, a 16-year-old from Reno, Nev. A fan of Wendy's Twitter roasts—and its chicken nuggets—he thought it would be fun to ask how many retweets he'd need to get to secure a year's supply of free chicken nuggets. Wendy's response: 18 million. He tweeted back, "Consider it done."

The challenge went viral within weeks of his April tweet. Mr. Wilkerson says he has been wrongly accused of being in partnership with Wendy's. The company says it had nothing to do with his nugget question. Although he is far from meeting Wendy's 18 million target, the chain still granted him a year's worth of free nuggets.

His question was retweeted 3.6 million times, breaking the previous record held by Ellen DeGeneres for her 2014 Oscars "selfie" featuring Bradley Cooper, Brad Pitt, Julia Roberts and others, which was retweeted more than 3.4 million times. Mr. Wilkerson says his generation understands why Wendy's is doing what it's doing: "We find getting into fights on Twitter funny."

To match its newfound social-media sass, Wendy's has been upgrading its restaurants to look more modern and has rolled out items such as bacon queso sandwiches and fries.

Wendy's executives review some tweets aimed at competitors before they go out and discuss posts afterward to make sure they fit the tone they want to convey. "We haven't had too many missteps," Mr. Kane said, declining to point to any specific tweets. "But comedy is always a trick."

# GREATER NEW YORK

## MTA Will Speed Up Work to Fix Subway

Most problems will be resolved within a year under plan that targets deferred maintenance

By MELANIE GRAYCE WEST

The Metropolitan Transportation Authority has a plan to fix the majority of New York City's subway problems within a year by accelerating deferred maintenance and adding workers.

The detailed plan released Tuesday will cost around \$836 million in its first year, with expenses split evenly between the city and state. MTA Chairman Joseph Lhota said the immediate fixes—focused primarily on maintenance—are intended to

resolve about 79% of the problems that lead to delays.

The plan aims to improve reliability, enhance stations and safety, and provide better communications to customers. The focus is on one thing—subway riders, said Mr. Lhota. "The subway system is in distress," he said. "We are failing our customers."

Mr. Lhota said the city and state haven't properly funded the capital and operating budgets for years, and many issues are coming to a head all at once. If the city doesn't pick up its share of the bill, he said he would go to Albany to press legislators for the funds.

"Raising fares is not an option," he said.

Gov. Andrew Cuomo said in a statement that the state "will do its part" and pay for half

the cost of the plan.

Mayor Bill de Blasio, speaking from inside the City Hall subway station, called Mr. Lhota's initiative, a "good faith plan." But he hewed closely to his previous position, saying the state already had the funds in its coffers to pay for the proposal.

New York City taxpayers are already paying a disproportionate share," he said.

Mr. de Blasio said he was willing to add resources for police and fire services in the subway, including efforts to decrease litter in the system.

"It is befuddling that the mayor praised the MTA repair plan, but said he would not agree to fund it 50/50 with the state," Mr. Lhota said in a statement.

Mr. Lhota's plan comes

about a month into his tenure as MTA chairman and after several serious problems across the subway system. Last week, a Q subway train car derailed in Brooklyn, creating a cascade of delays across the system. Signal problems and a track fire on July 17 crippled service during a Monday rush hour. And in late June, an A train derailed in Harlem, injuring dozens.

The MTA's plan has two phases. The first focuses on the key reasons for delays, with a back-to-basics, but accelerated maintenance approach for the repair of subway cars, signal and track maintenance and station cleanliness. Mr. Lhota said 54% of delays are related to signal, track and power issues. More than 40% of the city's signals

are over 50 years old.

Mr. Lhota said the agency knows where its major signal failures are and it will concentrate its efforts on some 1,300 hot spots first. There will be 31 teams dedicated to targeting places with the highest rate of incidents, he said.

The MTA will station dedicated repair teams around the city to reach problems faster. The MTA will add a shift to the repair and maintenance of subway cars, making that work 24 hours, seven days a week. Broken train car doors are the major reason for car breakdowns.

Mr. Lhota identified water as a major source of problems for the subway system, and there will be an enhanced effort to seal the system, as well as clean out grates and drains. Station deep-cleans, currently

every six weeks, will increase to every four weeks. Fixing tiles, broken windows, escalators and elevators is also a priority, he said.

The MTA will place more customer services representatives around the system and step up the installation of countdown clocks in stations.

To relieve overcrowding, the MTA plans to add cars where it can to certain lines and experiment with removing seats on some lines to make cars that are mostly standing room only.

The second phase of the plan will address modernizing the system, focusing on a new signal system, new cars and communications. Mr. Lhota said the rough tab on those capital costs is \$8 billion.

—Mara Gay contributed to this article.

### Marine Corporal Who Died in a Plane Crash Is Given a Final Farewell



LAST RESPECTS: U.S. Marines stand guard near Cpl. Dan Baldassare's casket during a funeral service Tuesday at the Colts Neck High School football field in New Jersey. Cpl. Baldassare, who graduated from the school in 2015, was among 16 members of the military killed when their transport plane crashed July 10 in Mississippi.

### Defendants Locked Up Less Often Before Trial

By CORINNE RAMEY

The number of defendants in New Jersey jails who are awaiting trial has decreased more than 20% since January, when the state's overhaul of its bail policy went into effect.

Data released Tuesday by New Jersey's court system show the impact of changes designed to largely eliminate money bail, which is used as a deposit to ensure that a defendant returns to court.

Previously, bail was set for many defendants and typically only those who couldn't afford to pay ended up being held in jail. Now, state officials say, defendants are held based on factors such as risk to public safety or likelihood to flee.

Of 21,763 defendants statewide who appeared in court during the first six months of this year, about 14% were held in jail. Nearly 10% were released without conditions, and 73% were released with mandatory monitoring, which can include drug and alcohol screening or house arrest.

The percentage of defendants held in jail varied greatly by county. Atlantic County, in southern New Jersey, detained 28% of its pre-trial defendants. Bergen County, in the northeastern part of the state, detained 6%.

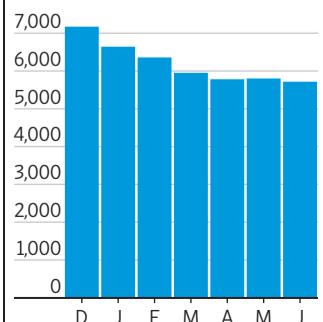
New Jersey has been hailed nationally for its bail changes, which proponents say is fairer to poor defendants who don't have the money to get out of jail, and assures dangerous defendants with financial means can't be released.

As the new system has rolled out this year, some critics say judges have released defendants who have gone on to commit other crimes. In one instance, a man released with a monitoring bracelet in January was charged with a shooting in March, Newark officials said. No one was injured in the incident, they said.

Court officials contend that these same defendants could have been released under the previous system if they had the financial means to pay bail.

### Fewer Behind Bars

The number of defendants awaiting trial in New Jersey jails has decreased since the state overhauled its bail policy.



## Demand Outstrips Funds for Free Tuition

By MELISSA KORN

New York state budgeted \$87 million to fund its new Excelsior Scholarship this year so that roughly 23,000 students could attend public colleges tuition-free.

The wrinkle: More than three times as many students applied for the award.

The state says there won't be a shortfall in the end. It expects some of the applicants won't be eligible for the grant by the time funds are disbursed to schools at the end of the semester because of low grades, family income that is too high or they will drop their commitment to stay in-state after graduation.

"We still think our esti-

mates are going to be close to what the accepted application rate is going to be," said New York State Budget Director Robert Mujica, citing rates of ineligibility for a more-established tuition assistance program.

Still, Robert Kelchen, an assistant professor of higher education at Seton Hall University, said the outsize demand for limited state funds "will leave some students scrambling."

While those with significant financial need still have access to federal and other state grants, many were banking on the Excelsior award to ease the financial burden of attending college.

"This is really late in the

cycle" for students to be finalizing how they actually pay for school, Mr. Kelchen said, as classes start in about six weeks and many schools have depleted their institutional aid accounts.

The scholarship, which is applied after federal and other state aid is exhausted, provides tuition-free access to SUNY and CUNY schools for full-time students from families earning \$100,000 or less. The income cap will rise to \$125,000 over three years, at which point the program will cost the state \$163 million annually.

After graduation, students must remain in New York for as many years as they received the benefit; if they leave, the

grant reverts to a loan.

More than 75,000 students applied in the window that closed Friday, including 30,845 to CUNY colleges.

State education officials said the \$87 million allotment would be "more than sufficient to cover the cost of all eligible students who will receive awards in the first year."

Mr. Mujica of the budget office said that because discussions on next year's budget will begin during the current school year, "we have time" to know what the financial needs will be for next year, based on early indicators from the fall semester.

Mr. Mujica said he doesn't expect New York will need to change its Excelsior eligibility

requirements because of funding issues.

Still, education experts say the imbalance between supply and demand illustrates a weakness of state-funded free-tuition programs: State funds are limited.

Oregon officials announced last week that the state Legislature only approved \$40 million of the \$48 million it would need to cover its program for free tuition at community colleges over the next biennium. It is tightening eligibility requirements for the fall.

The New York state program will get more expensive each year as multiple classes get scholarships and the income cap for eligibility rises.

## Democrat Sets Ticket in Race to Replace Christie

By KATE KING

New Jersey Democrat Phil Murphy picked the state Assembly's former leader as his running mate in the race to replace outgoing Republican Gov. Chris Christie, adding legislative experience to his ticket.

Sheila Oliver, of East Orange, will be the Democratic nominee for lieutenant governor in the Nov. 7 governor's election, said state Assemblywoman Shavonda Sumter, who also was considered for the position. Ms. Sumter said she spoke Tuesday morning with Mr. Murphy.

The Republican nominee in the governor's race, Lt. Gov. Kim Guadagno, hasn't announced her running mate. She faces a Friday deadline to finalize her ticket.

Mr. Murphy's choice of an assemblywoman from northern



Sheila Oliver is the Democratic nominee for lieutenant governor.

New Jersey brings in someone with a long record in state politics. Mr. Murphy, a former Goldman Sachs executive from Monmouth County, has never held elected office. Ms. Oliver, 65 years old, has served in the state Assembly since 2004 and was speaker of the chamber from 2010 through 2013.

During her tenure as speaker, Ms. Oliver worked with Senate President Steve Sweeney and Mr. Christie to pass legislation that reined in pension and health-care benefits for public workers.

Ms. Oliver is the assistant

administrator for Essex County, which is responsible for overseeing day-to-day operations and serving as a liaison between the county's government and its elected officials, known as freeholders. She holds a master's in science degree from Columbia University, where she studied planning and administration.

Recent polls show Mr. Murphy as the front-runner in the race to replace Mr. Christie, who is prevented by term limits from running for re-election. A July Monmouth University Poll gave the Democrat a 27-point lead over Mrs. Guadagno, although 60% of respondents said they had no opinion on either candidate.

Mr. Murphy, who served as the U.S. ambassador to Germany under President Barack Obama, has run on a progressive platform. He supports the

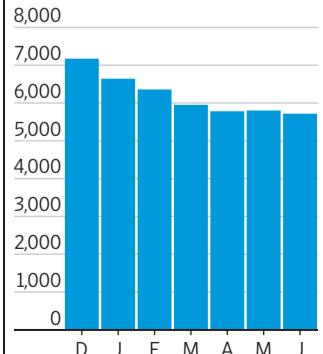
creation of a state bank, curtailing standardized testing in public schools, implementing stricter gun control and boosting state funding for women's health-care programs.

Mrs. Guadagno, a former federal prosecutor and sheriff from Monmouth County, is the first person to serve as lieutenant governor in New Jersey. The position was created through a 2005 ballot referendum held after two governors—in a span of less than five years—left their posts before the end of their terms.

The Republican nominee has focused her campaign on lowering the state's property taxes, and has pledged to not seek reelection unless she is successful. She also supports improved benefits and services for military veterans as well as a wide-ranging audit of state government finances and operations.

### Fewer Behind Bars

The number of defendants awaiting trial in New Jersey jails has decreased since the state overhauled its bail policy.



Source: New Jersey Courts

THE WALL STREET JOURNAL.

## GREATER NEW YORK

METRO MONEY | By Anne Kadet

## Grading the City's Options for Sharing a Ride



Paul Dah is a fierce yellow cab loyalist. "Yellow is a legend!" says the veteran taxi driver. "We know how to drive. We know where to go."

So he's thrilled that this summer, New York cabbies got a new weapon in their war with Uber. Now, passengers using Curb, a ride-hailing app for taxis, can choose a fare-splitting option. In exchange for sharing the back seat with a fellow passenger matched by a routing algorithm, riders get a 40% discount.

"We're going to be very busy. We're going to take Uber out of New York City!" Mr. Dah says.

Perhaps. In a highly unscientific test I conducted last week pitting Curb against two other ride-sharing services—Via and Uber's uberPOOL option—Curb's rates were by far the highest.

Testing the services on three routes during three different rush hours—for a total of nine rides—my average Curb fare, including taxes and surcharges, came to \$12.25 compared with \$5.44 with Via and \$5.09 with uberPOOL.



The problem: Unlike Via and uberPOOL, which always offer discounted fares, Curb only discounts the metered rate if your cab finds an additional passenger along your route. And I took three very lonely rides.

Jason Gross, vice president, head of mobile with Curb parent VeriFone Trans-

portation Systems, says the service, launched in June, should attract more riders as it gains traction.

Meanwhile, Curb's revenue model—a small surcharge per ride—doesn't allow discounts for solo passengers. "We don't take 20 to 30% from the driver," he says.

I had high hopes for Via, given its growing popularity. Since last summer, its New York City ridership more than tripled, to more than a million passengers a month.

But I waited 22 minutes for my first ride. Chief Executive Officer and co-founder Daniel Ramot says the driver took a wrong

turn on Lexington Avenue. "Unfortunately, we still depend on human drivers who can do all sorts of things," he says.

The average wait with Via, he says, is five to six minutes.

My Via experience was wildly varied. In one test, I enjoyed a pristine Mercedes SUV chilled to perfection. For a trip down Ninth Avenue, however, the barefooted driver of a tiny Volkswagen kept the AC off despite the scorching heat.

Mr. Ramot says Via only works with the best drivers. "They are supposed to keep their shoes on," he notes.

Via's best feature is its longstanding \$5 flat rate (\$5.44 with tax) for any weekday ride in Manhattan between 6 a.m. and 8 p.m.

It's not just simple for passengers, it's profitable for Via along busy corridors, Mr. Ramot says.

Indeed, on a ride from East 86th Street to Grand Central Terminal, my car fetched and dropped eight passengers. That's \$40 collected on a jaunt that would have earned a taxi about \$13.

Sorry, Uber haters. The

service performed best on both fares and wait times, with an average wait of just 5 minutes, compared with 11 minutes with Curb and 13 with Via. Uber also provided the sweetest drivers, not to mention, on one ride, a chatty fellow passenger who showered me with stock tips.

Uber says 25% of its New York activity is on uberPOOL; it's the fastest-growing segment.

The big drawback, of course, is Uber's use of surge pricing. The moment you most need a ride—during a subway meltdown, say—increased demand can send rates sky-high. Uber says that while prices can increase, riders are notified when fares are higher than normal, and see the actual fare they will pay before they request a ride.

You'd do well to keep all three apps on your phone for just such an occasion.

Mr. Dah, meanwhile, says there will be many more cabbies following his lead. "We pick up a shared ride, we make more money," he says. "And everybody wants to make money now!"

*anne.kadet@wsj.com*

## Cheers! Local Bars Tops in Cocktails

BY CHARLES PASSY

BlackTail, the Cuban-themed drinking spot in Manhattan's Battery Park, has been named America's best new cocktail bar.

The honor came this past weekend at Tales of the Cocktail, the 15th annual gathering in New Orleans that brings together thousands of the top bar and spirits professionals in the world. The event's Spirited Awards is considered the industry's equivalent to the Oscars.

Other New York City award

recipients included Dante, the Greenwich Village dining and drinking spot that was recognized as the Best American Restaurant Bar and the NoMad Bar, which was honored for the Best American Bar Team.

Jeff Bell, general manager of PDT, a craft cocktail bar in the East Village, was named American Bartender of the Year.

BlackTail has won fans for its fanciful takes on tropical drinks and other classic cocktails, from the daiquiri to the Old Fashioned, since it opened

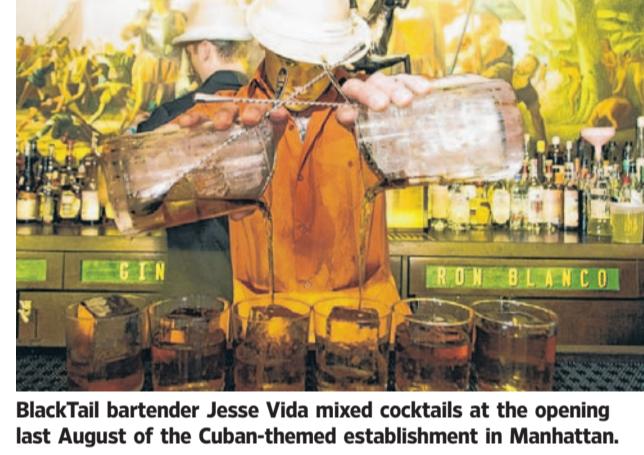
in August 2016. Even the bar's version of the rum-and-cola is an elaborate affair that goes beyond the namesake ingredients to incorporate Champagne and a bitter Italian spirit.

For the BlackTail team, headed by veteran barmen Jack McGarry and Sean Muldoon, the Tales recognition is something of a repeat affair.

Messrs. McGarry and Muldoon took home the World's Best New Cocktail Bar honor at Tales' Spirited Awards in 2013 for the Dead Rabbit, their

Irish-themed establishment in lower Manhattan. The Dead Rabbit also has received other Tales awards over the years, including one for World's Best Bar in 2015.

Still, Mr. Muldoon says the honor for BlackTail was especially gratifying because it showed the team's previous success wasn't a fluke. Moreover, even though the award is best known among members of the trade, he says the recognition doesn't go unnoticed by the general public.



BlackTail bartender Jesse Vida mixed cocktails at the opening last August of the Cuban-themed establishment in Manhattan.

## GREATER NEW YORK WATCH

## BROOKLYN

## Man Charged in Slew Of Sexual Assaults

Police arrested a Bronx man for allegedly following women into their Brooklyn homes and assaulting them on four different occasions this month.

Police accused Dennis Ofuoma, 19 years old, of engaged in "push-in" attacks during a two-day span in the Crown Heights neighborhood. He is charged with four counts of burglary, two counts of sex abuse and harassment.

A spokesman for the Brooklyn District Attorney said Tuesday that Mr. Ofuoma hadn't yet been arraigned. It wasn't clear if he had an attorney.

Police used tips, witness ac-

counts and statements from victims in the continuing investigation, officials said. They said police also found a clue at the scene of the fourth and most recent sexual assault—a gold skull-shaped ring that the victim said came from the suspect. The ring was sent to a police laboratory for DNA testing.

—Zolan Kanno-Youngs

## NEW JERSEY

## State Can't Be Sued Over Bridge Scandal

A federal judge has ruled New Jersey can't be sued for the actions of some of its employees in the George Washington Bridge lane-closing scandal because state law "bars the state from

being held liable for the intentional wrongdoing of its employees."

A continuing lawsuit filed by some residents and businesses in Fort Lee, a town next to the bridge, argues the state should be held liable for the politically motivated traffic jams deliberately caused in September 2013.

Republican Gov. Chris Christie's former high-school classmate David Wildstein admitted using his position at the Port Authority to orchestrate the scheme to retaliate against Fort Lee's Democratic mayor, Mark Sokolich, for not endorsing Mr. Christie's re-election. A former aide to Mr. Christie and two other people have either pleaded guilty or been convicted in the scandal.

—Associated Press

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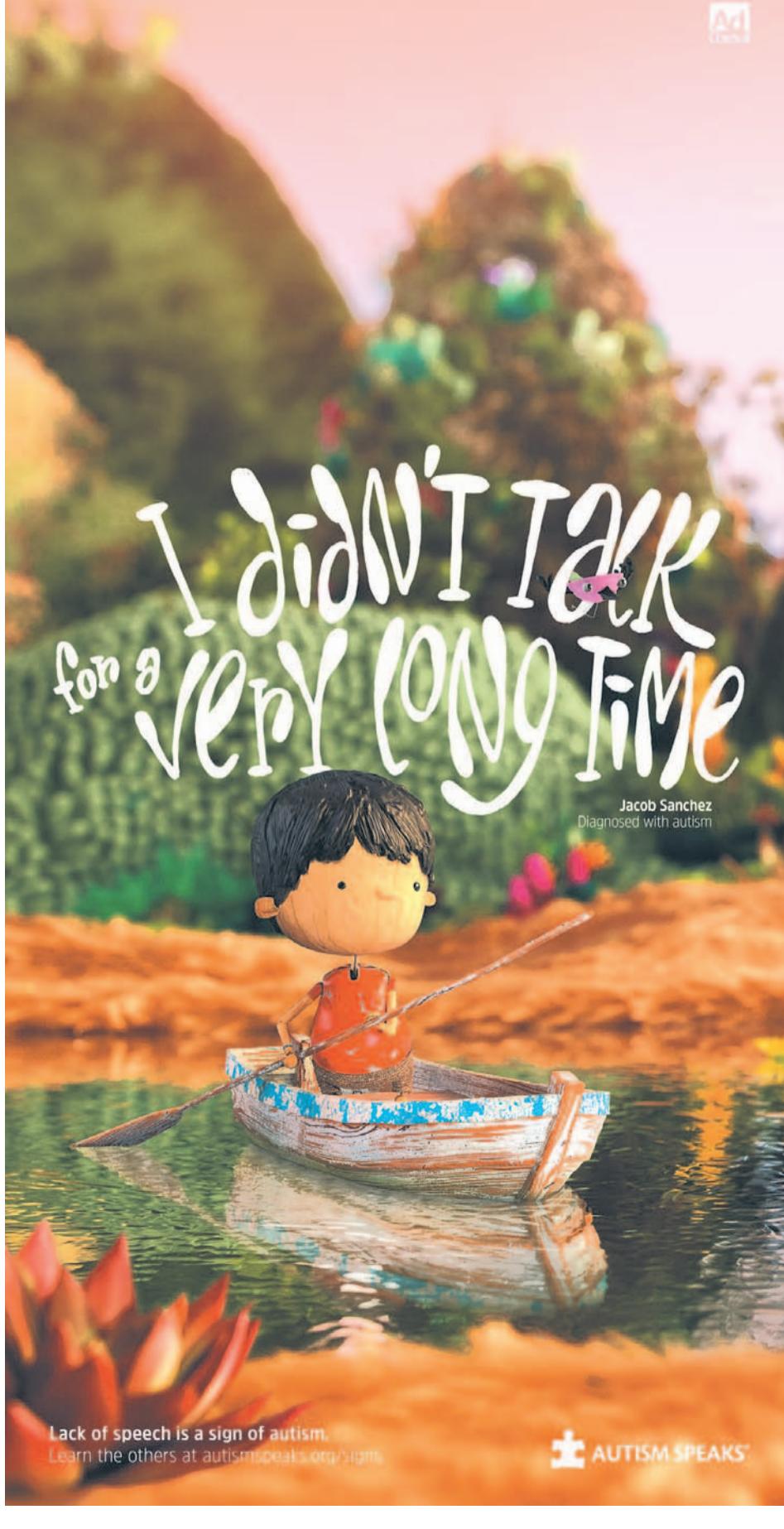
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## NOTICE OF SALE

## Notice Of Secured Party's Public Sale Of Collateral Under Uniform Commercial Code

PLEASE TAKE NOTICE that on **Tuesday, August 1, 2017, at 10:00 A.M. local time**, West 126th Street Mezz Lender LLC ("Secured Party"), will offer for sale at a public auction, and sell to the highest "qualified bidder," **at the office of Cole Schotz P.C., 1325 Avenue of the Americas, 19th Floor, New York, New York 10019**, under Section 9-610 of the Uniform Commercial Code as enacted in the State of New York, all of Secured Party's right, title, and interest as a secured creditor of Columbia Lawrence Holdings 1 LLC, a New York limited liability company ("Debtor 1") and Columbia Lawrence Holdings 2 LLC, a New York limited liability company ("Debtor 2," together with Debtor 1, the "Debtors") in 100% of the membership interests in 126 Columbia Tower 1 LLC, a New York limited liability company, and 126 Columbia Tower 2 LLC, a New York limited liability company (collectively, the "Issuer"), pledged to Secured Party by Debtor. The principal asset of Debtor is 100% of the limited liability company interests in the Issuer and certain related rights and property relating thereto (collectively, the "Collateral"). Secured Party is informed and believes that Issuer owns certain real property known as: 402-410, 412-414, 416, 418, 420 and 422 West 126th Street, NY, NY; 429 West 126th Street, NY, NY; 422 West 127th Street, NY, NY; and 423 West 126th Street, NY, NY. This sale will be held to enforce the rights of Secured Party under (i) that certain Mezzanine Loan Agreement dated as of November 19, 2015, and (ii) those

certain two (2) LLC Membership Interest Pledge Agreements dated as of November 19, 2015, executed by Debtor 1 and Debtor 2, respectively, in favor of Secured Party. The sale will be **FINAL** and on an "**AS-IS, WHERE IS**" basis and will be made **WITHOUT REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, POSSESSION, QUIET ENJOYMENT, OR ANY OTHER MATTER**. Secured Party reserves the right to establish other reasonable bidding procedures and to require potential bidders to reasonably demonstrate their ability to perform and close on the acquisition of the Collateral to the satisfaction of Secured Party. Secured Party reserves the right to credit bid at the auction. Secured Party also reserves the right to adjourn continue, or cancel the auction without further notice. Any parties interested in further information about the Collateral, becoming a "qualified bidder," and/or the terms of the sale should contact Jonathan Cuticelli of Sheldon Good & Company at (800) 516-0015 or jcicutelli@sheldongood.com. Qualified bidders may obtain a confidentiality agreement by visiting <http://www.SheldonGood.com>. Any prospective bidder must satisfy the requirements to be a "qualified bidder" by no later than 9:00 A.M. local time, on Tuesday, August 1, 2017. The sale will be conducted by Jonathan Cuticelli, Sheldon Good & Company, a New York licensed auctioneer, license No. 1387302.



# LIFE & ARTS

FOOD

## Take Control at The Food Hall

Developers and customers are figuring out better ways to navigate the ambitious new food halls sprouting up around the country

1



2



3



4



BY ALINA DIZIK

**AS AMBITIOUS FOOD** halls open in more urban buildings, developers are trying to make it easier for visitors to navigate pricey stalls and vendors without feeling paralyzed by all the choices.

They're tweaking food hall layouts to incorporate bar seating overlooking open-concept kitchens, nixing larger food-court-era tables and simplifying hip menus, says Jason Carney, a New York-based senior designer. He works at Genster, a design firm that's completed 10 food hall projects, including DeKalb Market Hall, which opened in June in downtown Brooklyn, N.Y.

The number of food halls grew by 37% to 105 in 2016, and is predicted to double by 2019 in the U.S., according to commercial real-estate firm Cushman & Wakefield.

Some are opting for a calmer look—and sound—to help battle what the trade calls "decision fatigue." When opening St. Roch Market, a New Orleans food hall, in 2015, Will Donaldson insisted the same signage be used for each vendor. Instead of music coming from individual stalls, he keeps a central music playlist to cut down on extra noise.

An employee appears at each table to bring water and offer a clipboard with all of the offerings. Then visitors get up to find their food. Without a clear, streamlined guide, "people can get confused and subconsciously shut down," says Mr. Donaldson, a former co-working space operator.

Mr. Donaldson plans to open another St. Roch in Miami's Design District in 2018, with other projects in the works in Chicago and Nashville, Tenn. He plans to incor-



St. Roch Market in New Orleans opened in 2015 after renovations to the historic hall that houses it.

porate lessons learned from the New Orleans operation. To help patrons better navigate the space, he switched to wooden bar stools instead of metal stools and lower chairs. They make less noise when they slide around the floor and are tall enough so visitors who are eating avoid getting bumped with bags, he says.

Legacy Hall is a three-story food hall in Plano, Texas, due to open this fall within Legacy West, a 255-acre mixed-use project that's home to J.C. Penney, Toyota and FedEx Office headquarters.

It's among the food halls avoiding potential overlap of offerings by insisting on preapproving menus. Uno Immanivong, a Dallas-based chef who will open a yaki-

tori and noodle bowl stall at Legacy, says vendors must submit menus ahead of time. Any changes go through an approval process.

The agreement helps create boundaries, she says: "I don't want to turn around to have the dump place sell vermicelli bowls."

Developers are implementing plans that make turnover simpler, too. At Legacy Hall, vendors aren't asked to sign a commercial lease. Each side can break off the deal at any time, says Randy DeWitt, co-founder of Front Burner Restaurants, which helped create Legacy Hall. You can stay "if the consumer loves you, and if not, you can just leave," he says.

Operators of Brooklyn's DeKalb Market realized they needed more

ability to switch out underperforming vendors by creating only "bare-bones" design, Mr. Carney says. "What's key in their minds is how quickly they are able to switch vendors," he says.

Some of the 40 stalls there offer just one or two main products on the menu, allowing more operators to squeeze into the subterranean space. Though time to catch a potential customer's eye is short and employees feel crammed in the kitchen, the crowds have made those challenges worthwhile so far, says restaurateur Rob Newton, who runs the Wilma Jean fried chicken stall. "We are all in a shared space together and have to find ways to coexist," he says.

Veteran food-hall diners have

come up with their own game plan to take advantage of everything before them. At the Workshop in Charleston, S.C., Jeff O'Hara and his colleagues at a recruiting firm take turns from visit to visit paying for a chips-and-guacamole appetizer, which helps them pass the time holding down a table as others pick up their food. And there are no hard feelings if a few co-workers need to sit elsewhere in the space.

Another bit of advice from the food-hall veteran: First timers shouldn't jump in the longest line. Instead, scouting lunch dishes on social media can help you make a call on which stalls to visit without aimless wandering. "Around 10 a.m. I watch their Instagram video," which shows various dishes, Mr. O'Hara says. "It's kind of enticing."

### STREAMING SERIES

## 'THE LAST TYCOON' IS JUST THE BEGINNING



BY JOHN JURGENSEN

**IN SEPTEMBER 1939,** F. Scott Fitzgerald sent a letter to a magazine editor, seeking \$15,000 to publish his next novel. "I have figured it as a four months job—three months for writing—one month for revision," Fitzgerald wrote.

The author was off on his estimate—fatally so. Halfway through the novel, about a charismatic movie producer with high principles, the 44-year-old Fitzgerald died of a heart attack on Dec. 21, 1940.

The incomplete book, published in 1941 as "The Last Tycoon," is a tease for some scholars who say it had the potential to be Fitzgerald's best. But for TV writers, it offers a unique advantage: the freedom to construct their own story on the foundation built by Fitzgerald.

"We had all the promise of the first half of that book, and yet limitless possibilities," says Billy Ray, the creator of a series based

on the book, premiering July 28 on Amazon.

Compare that with the baggage of Fitzgerald's "The Great Gatsby." Not only is that book complete, it is among the contenders for the Great American Novel. "I think that has handcuffed people in the past," says Mr.

Ray, whose writing credits include "The Hunger Games" and the Oscar-nominated screenplay for "Captain Phillips."



At the end of his life, Fitzgerald was living in Los Angeles, trying to climb out of debt by selling short stories and writing and revising movie scripts. "The Last Tycoon" is set in mid-1930s Hollywood, at a fictional studio struggling to make hit movies. Fitzgerald based his main character, Monroe Stahr, on Irving Thalberg, a real-life MGM producer he admired. Stahr (played in the series by Matt Bomer) is a dashing executive with an artistic eye and failing health. He butts heads with his boss and father figure, Pat Brady (Kelsey Grammer), Please see TYCOON page A13

## LIFE &amp; ARTS



MY RIDE | By A.J. Baime

## A Classic Lincoln's Italian Pilgrimage

**Jeff Lotman, 56, the Los Angeles-based CEO of Global Icons, a brand-licensing agency, on his 1954 Lincoln Capri, as told to A.J. Baime.**

The Mille Miglia started out in 1927 as an Italian race from Brescia to Rome and back—a thousand miles of flat-out speed. In 1957, a famous driver named Alfonso de Portago lost control of his Ferrari, and an accident left about a dozen people dead. The race was canceled. But in the late 1970s, organizers brought the Mille Miglia back as a controlled rally for vintage cars—vehicles that had competed in the

original race, or a period-correct make and model of one.

I read about this rally, and along with my old college roommate Brian Grozier—who has since passed away—we began to hunt for a car. I was not keen on spending hundreds of thousands—or even millions—on a vintage Ferrari, Maserati or Alfa Romeo, but I learned that there were a few American cars that competed in the original Mille Miglia. So I bought a 1954 Lincoln Capri seven years ago, for just over \$30,000. This was a car we could actually fit in. (Both Brian and I were over 6 feet.)

This past May, the Lincoln finished its fifth Mille Miglia. Compared to the other cars, it's ginormous, and one of the cheapest. The toolboxes of some of these vintage Ferraris cost more than my car. The Lincoln is also very comfortable. It has bucket seats, power windows, an automatic transmission and a big V-8 engine. At times, you're moving at 90 mph, and it's like driving a sofa.

The event itself is astonishing—four days motoring through Italy. In Siena, we took the car down centuries-old thoroughfares normally closed to vehicles, with



**Jeff Lotman, above, stands with his 1954 Lincoln Capri, in Essex, England, in June. The car makes its way through Siena's main piazza on the Mille Miglia route in an undated photo, left. Below, its interior and a headlight.**



stone walls less than a thumb-width on either side of the car. In Rome, the rain came in sheets. In one village after another, you see old couples dressed to the nines sitting at tables with bottles of wine, watching these glamorous cars go by.

I have had plenty of mechanical problems through these rallies. Before my friend Brian passed away, he nicknamed the car Regan after the character in "The Exorcist," because clearly this vehicle is haunted.

But it has never failed to finish a rally, and I am already eyeing next year's drive.

Contact A.J. Baime at [Facebook.com/ajbaime](http://Facebook.com/ajbaime).



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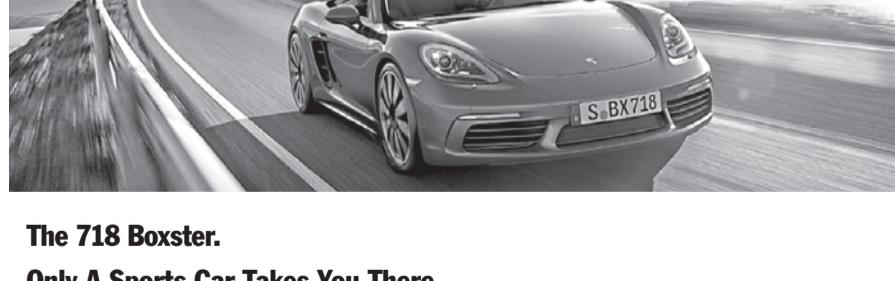
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## LIFE & ARTS

### ART REVIEW

# A Cosmopolitan Creator

Ettore Sottsass traveled the world in search of raw inspiration



ETTORE SOTTSASS (3)

BY JULIE V. IOVINE

**New York**  
**A HOUSEHOLD NAME** in Europe, the Italian designer Ettore Sottsass—best known to Americans, if at all, for his fireplug-red Valentine Portable Typewriter (1968) for Olivetti and carnivalesque Memphis furnishings (1981–86)—was a Zelig with the universal dream complex of a Carl Jung.

Prodigiously creative as an industrial designer, ceramicist, architect, magazine publisher, photographer, and designer of graphics, jewelry and interiors, Sottsass was a fixture on the European design scene from the postwar years in Italy through 2007, when he died at age 90. Along the way he sponged up cultural references both of the moment and from centuries past as he strove to invest his designs with the emotional impact and elemental clarity of a kiss.

"Ettore Sottsass: Design Radical," at the Met Breuer, tries hard to put the designer in context with the ages. But in the process it does not allow his creative output to make its own case for enduring



Clockwise from top: Sottsass's Cabinet No. 56 (2003), Power Distributor Menhir (1967) and Valentine Portable Typewriter (1968)

significance. Always colorful and confrontational, Sottsass's designs range from the slightly inflated but still sleekly geometric to bulbous collages of form reminiscent of graphic comic strips, to accretions of elemental shapes approaching the archetypal.

The show includes some 85 objects and drawings by Sottsass alongside about the same number of works made by other artists and from other times—including Egyptian blue faience from 1400

B.C. and Buddhist shrine figures from the seventh century, classics of the Wiener Werkstätte in Austria circa 1900, and modern and contemporary paintings by Paul Klee, Wassily Kandinsky and Frank Stella. (Works by such talents of today as Studio Job and Oeufice are intended to show how Sottsass continues to inspire, but many look more like products of a postmodernist revival.)

Arranging Sottsass's zig-zag-shaped ceramics together with ceremonial Aztec burial pots and Tantric cosmology drawings is both revealing and intriguing. And the colored glass jars from the fourth to

fifth century look like direct ancestors of his blown-glass vases from the 1980s. But there's a danger in placing, for instance, one of Donald Judd's stacked works next to Sottsass's pinstriped laminated nearly 7-foot-tall cabinet ("Superbox," c. 1970), where the former's mesmerizing precision is likely to upstage the latter's insouciant utilitarianism.

Presenting Sottsass's fervid imagination as having been fertilized by centuries of precedents is too simplistic. A manufacturing re-



surgence in postwar Italy—especially among fashion, design and furniture factories in the north—fueled new wealth as well as passionate ambivalence about American-style consumerism. Then came the '60s, churning with disenchantment and political disarray that in Italy disintegrated into chaotic violence. Many creative intellectuals withdrew into utopian theory, experiment, an embrace of American pop culture, and—for Sottsass especially—Eastern cultures and mysticism. That's the context that really informed Sottsass's restless imagination.

But it was world travel in search of raw inspiration that increasingly shaped his emotionally resonant forms. For decades he seemed to land wherever the talent and the action was, from a brief stint in New York in the 1960s working for George Nelson, the influential midcentury-modern designer, to San Francisco, where he hung out with the poet Allen Ginsberg, who introduced him to Bob Dylan. Back East he participated in the landmark 1972 exhibition "Italy, the New Domestic Landscape" at the Museum of Modern Art, and along the way vacationed with Ernest Hemingway and visited Andy Warhol at the Factory. He followed the truth-seekers to India, returning there almost yearly, and then started going to China, where the ancient round houses stimulated new ideas for architecture in his final years. The show includes vivid snapshots of those travels taken by Sottsass and others, as well as a riveting weird film from the 1972 MoMA exhibition.

The last and largest gallery space focuses on Memphis, the company Sottsass co-founded with an international troupe of designer

renegades intent on casting off the straitjacket of modernism (already quite threadbare) and injecting household objects with a life force more colorful, irreverent and emotionally charged than the dull mass-produced wares on the market. Described as the New International Style, the first Memphis collection of chairs, cabinets, lamps, jewelry and ceramics shown at a Milan gallery in September 1981 was an instant sensation, with some 2,500 people stampeding the opening. But by 1986 the group that had included the American architect Michael Graves and the Japanese artist designer Shiro Kuramata disbanded. Since then, Memphis has become a byword for expensive postmodernist collectibles.

Sottsass did not consider himself a postmodernist and was not trying to make objects holding witty repartee with history. His works for Memphis—particularly the famed Carlton room divider and bookcase (1981), with its Mondrian palette and akimbo-posturing shelves—may be better known, but it is his totemic columns from the 1960s, multicolored, cheerfully phallic and made of shiny industrial ceramic, that better address that impulse.

In a show chockablock with interesting objects, ancient and contemporary, the gallery holding these sentinel columns speaks the most persuasively about Sottsass as an imitable force of 20th-century design—one less concerned with design movements and style labels than with creating works that would touch modern lives with their reverberating authenticity.

**Ettore Sottsass: Design Radical**  
The Met Breuer, through Oct. 8

**Ms. Iovine reviews architecture for the Journal.**

## TYCOON

*Continued from page A11*  
who is fixated on profit. Brady's daughter (Lily Collins) is in love with Stahr, but he falls for Kathleen (Dominique McElligott), who bears similarities to his late, beloved wife.

Robert De Niro played the Stahr role in a 1976 movie adaptation directed by Elia Kazan that flopped.

Fitzgerald, in summarizing the plot for the magazine editor (who, like others, turned him down) wrote, "It is an escape into a lavish, romantic past that perhaps will not come again into our time."

To help conjure a lavish and romantic atmosphere in the series, Amazon stacked the production with veterans of the heavily decorated period drama "Mad Men." They include actress Rosemarie DeWitt, costume designer Janie Bryant, makeup head Lana Grossman and executive producer and director Scott Hornbacher.

The "Tycoon" writers kept the core setting, characters and relationship dynamics from the novel and filled out that world with new elements, such as a Hooverville



shantytown across the street from the studio. Another added storyline reflects money's perennial influence on the entertainment industry. Stahr rails against an emissary from the lucrative German market sent to

Hollywood to revise or block any movie that "offends the racial sensibilities" of the Nazi regime. Drawing a comparison to the Chinese market's clout today, Mr. Ray says, "I've been in meetings for movies

I've worked on where the studio would say, 'The bad guy can't be Chinese, make him Russian.' The script for "The Last Tycoon" was first developed for HBO but the network passed on it

Kelsey Grammer as a Hollywood executive and Lily Collins as his daughter in the Amazon series.

because, producers say, HBO decided to invest in a different period drama about the entertainment business. That was "Vinyl," which HBO canceled after one season. Overhauled for Amazon, "The Last Tycoon" received a green light from Roy Price, a Fitzgerald fan and head of Amazon Studios, which also produced the recent jazz-age series "Z: The Beginning of Everything," starring Christina Ricci as Fitzgerald's wife and muse, Zelda.

The "Tycoon" team worked with author and Fitzgerald expert A. Scott Berg as a consultant to keep them from straying too far from the novelist's blueprint. "I considered myself the Fitzgerald cop," says Mr. Berg, who accompanied executive producer Christopher Keyser last month to an annual conference of Fitzgerald scholars in Minnesota to screen footage and discuss their approach.

If "The Last Tycoon" succeeds on TV and runs for many seasons, it can avoid an ironic fate. "Right now the show is unfinished, too," Mr. Keyser points out. "If we air a single season, it'll be like the novel."



# OPINION

## James Comey Is Maxwell Smart



BUSINESS WORLD

By Holman W. Jenkins, Jr.

Terry McAuliffe, governor of Virginia and former prolific Clinton fundraiser, is no idiot when it comes to politics. In response to a general question about Hillary Clinton's post-election deportment, he not only turned a recent Politico podcast discussion to Russia's election meddling but zeroed in on fake Russian intelligence implicated in FBI chief James Comey's election interventions.

This underplayed episode, among all the overplayed theories of Russian meddling, might weigh on his mind is no mystery. Put aside the obvious objection that if Hillary Clinton had been a better candidate, she would have won. Joshua Green, author of a new book about the election, "Devil's Bargain," says internal Trump polls showed a clear view of the race's final days. Voters who liked neither candidate broke decisively for Mr. Trump after Mr. Comey's Oct. 28 letter reopening the investigation into Mrs. Clinton's email server.

Nate Silver, the polling authority at FiveThirtyEight.com, reached the same conclusion using public surveys: "Hillary Clinton would probably be president if [Mr. Comey] had not sent a letter to Congress on Oct. 28."

Mr. Comey, in public testimony, attributed his serial interventions to the Arizona

tarmac meeting of Bill Clinton and Attorney General Loretta Lynch. A Washington Post headline blared: "Now we know: Bill Clinton cost his wife the presidency."

Except that, in later reporting by the Post and other news organizations, it wasn't the tarmac meeting at all; it was planted Russian intelligence about Attorney General Lynch that led to Mr. Comey's intervention.

This story actually makes a lot more sense. The public knew about the tarmac meeting. Voters were already factoring it in. If the Justice Department worried how its Clinton decision would play, it could have leaked the Comey recommendation. It could have authorized him to speak publicly.

Plenty of Hillary surrogates, from President Obama on down, stood ready to lend credibility to a decision not to prosecute Mrs. Clinton. Mr. Comey's unprecedented, protocol-violating step simply wasn't required.

It's far more likely that Mr. Comey conceived of his intervention as a *counterintelligence operation*. Hillary would win. Russia's fake email about Ms. Lynch conspiring to prevent a Hillary indictment would become public and be used by Trump partisans and America's adversaries to discredit her victory. Therefore he would neutralize this Russian threat by clearing Mrs. Clinton himself. In doing so, it now appears he accidentally secured Mr. Trump's win.

Free yourself from any hindsight bias: All actors at

the time were convinced Hillary would win; for U.S. officials, the urgency was to protect Mrs. Clinton's inevitable presidency from Russian dirty tricks.

Mr. McAuliffe, in last month's podcast, opined flatly that Russia also expected Mrs. Clinton to win and wanted to destabilize her presidency.

### How Comey's botched mission to safeguard a Hillary presidency elected Trump.

Mr. Comey himself, in public testimony, gave mumbly assent to the "intelligence community's" now-claim that Russia wasn't just trying to weaken Mrs. Clinton but elect Donald Trump, arguing that in a two-person race, hurting one necessarily helps the other.

Such sophistries aside, this is implausible. Against all polling, Russia would not have thought trying to elect Mr. Trump a good investment. In effect, this claim about Russian motives is another counterintelligence operation by our own intelligence community to distract from its botched counterintelligence operation that elected Mr. Trump.

To be clear, we're not talking about a conspiracy exactly, but about intelligence leaders adjusting their statements and emphases on the fly to pretty up an embarrassing picture.

Nonetheless, the effect has

been not unlike that of a counterintelligence operation mounted against a duly elected president.

Let's have a dose of realism. Other countries take an interest in our leadership decisions; we take an interest in theirs. We'd say the U.S. actually did a pretty good job of inoculating itself against Russia's interest in our recent election. Hillary and her surrogates tirelessly flogged an apparent Trump-Putin affinity to her advantage. Mrs. Clinton's mistake was devoting too many of her resources to the wrong states.

Mr. Comey's intervention was the one exception. Voters weren't told about his Russian concern. They couldn't factor it into their big picture of the election. What was the exact nature of the planted info? How did it come into U.S. hands? (For the record, Mr. McAuliffe speculated, wildly, that "treasonous" Americans must have helped Russia devise its intelligence ruse.)

A verb from the Nixon era is "stonewall"—to hold back the truth in any way possible. It's useful to recall that what the FBI handed over to Special Prosecutor Robert Mueller was a "counterintelligence investigation"—an inquiry into the facts of Russia's meddling, not a criminal investigation seeking something, anything to pin on Donald Trump.

If Mr. Mueller does not see the importance of coming clean on the Comey intervention (whether or not he wants to acknowledge that the Comey intervention may have elected Mr. Trump), then Mr. Mueller is part of the stonewall.

BOOKSHELF | By Morton Kondracke

## Closing the 'Empathy Gap'

### The Working Class Republican

By Henry Olsen

(Broadside, 345 pages, \$27.99)

Donald Trump's election has riveted attention on blue-collar voters, whose economic and social woes—and discontent with the status quo—gave Mr. Trump his margin of victory. It is this group that Henry Olsen discusses in "The Working Class Republican," an attempt to understand the future of "blue-collar conservatism." Mr. Olsen's title character—hero, really—is Ronald Reagan, the last Republican before Mr. Trump to win the blue-collar vote. His book explores how Reagan did so and what his example means, in the long term, for the GOP and the country.

A career conservative think tank now with the Ethics and Public Policy Center in Washington, Mr. Olsen admits that he long thought of Reagan as basically a tax- and government-slashing near-libertarian, succeeding politically where Barry Goldwater failed but following a similar script. Mr. Olsen decided to re-examine the record and concludes that Reagan was a proponent of "New Deal conservatism" who believed that government should help those in need and enable America's working class to enjoy "dignity, comfort and respect."

Both political parties, Mr. Olsen says, have ignored the needs of a working class rocked by globalization, technology and immigration, setting the table for Mr. Trump's election. Like Reagan, Mr. Trump is opposed to cutting Social Security and Medicare benefits and seems committed to combating what he sees as unfair foreign trade practices. Like Reagan, he has appealed to white workers who are today disdained by conservative elites as "takers" and by liberals as "deplorables."

But Mr. Olsen disputes the idea that Mr. Trump is "the new Reagan." Mr. Trump has employed "racialism and white nationalism," he says, while Reagan was "free of bigotry" and welcoming toward immigrants. Mr. Olsen also doubts Mr. Trump's ability to deliver on his promises to better the lot of workers. "He has shown no inclination to develop the type of comprehensive philosophy that drove Reagan's political ambitions." Like Reagan, Mr. Trump expresses a "love" for ordinary Americans, but Reagan meant it.

Mr. Olsen repeats this thesis incessantly and irritatingly, but he has Reagan's outlook right. Reagan grew up in a working-class home, experienced the Depression and knew what hardship was. He cast his first vote for FDR in 1932, wrote that he "idealized" Roosevelt and called himself a one-time "hemophiliac liberal." He was president of the Screen Actors Guild, opposed right-to-work laws and campaigned for Harry Truman.

Reagan began doubting the liberal faith in the 1950s after fighting communists in Hollywood and having to pay taxes as a movie actor at the top marginal rate of 94%. He started making speeches for General Electric in 1954 and discovered virtues in business and businessmen. But he did not become a Republican until 1962. He often said that he did not leave the Democratic Party—it left him, by becoming weak on national security and ever more wedded to high taxes, regulation, welfare and metastasizing bureaucracies.

### The arch-conservative Ronald Reagan won the allegiance of blue-collar voters. How he did so may offer a lesson (or two) for today.

Critics can cite plenty of evidence that Reagan became a hardline conservative, notably his 1964 speech a week before the election boosting Goldwater and his early efforts (blocked by congressional Democrats) to slash domestic spending. But a close review of Reagan's speeches and actions, Mr. Olsen says, shows that he "always recognized that government could and should legitimately act to ensure that every American had sufficient material goods and opportunity." In the 1964 speech, he defended Social Security and declared that "no one in this country should be denied medical care for lack of funds."

Reagan won workers away from the Democratic Party in 1980 by asking "are you better off than you were four years ago?" In the Carter era of stagflation and gas lines, the answer was obviously "no." Reagan made it clear, as Mr. Olsen emphasizes, that he valued workers and respected their values. But his appeal to this bloc wasn't merely rhetorical. He won the allegiance of working-class voters—"Reagan Democrats," as they came to be called—by conquering inflation and rekindling economic growth through across-the-board tax cuts and tax reform, creating millions of jobs. What he sought to cut from the budget, Mr. Olsen maintains, was bureaucracy and spending not targeted at the "truly needy."

Mr. Olsen is at odds with current attempts at entitlement reform, especially the proposals of House Speaker Paul Ryan, Sen. Ted Cruz and Tea Party Republicans. He also opposes tax cuts skewed to the wealthy. After Barack Obama's 2012 victory, he notes, GOP strategists said that they had to close a gender gap and ethnic gap. Mr. Olsen says that what really hurts the party is "an empathy gap." To make empathy concrete, he favors cutting payroll taxes for workers and allowing tax cuts for corporations that hire Americans or raise wages.

What would Reagan do at the current moment? Mr. Olsen speculates that he would repeal ObamaCare's coverage mandates but guarantee that people would not lose the coverage they had obtained through the program's exchanges or Medicaid expansion. To deal with out-of-control entitlements, he would means-test Social Security and Medicare on the Reaganite principle that, in Mr. Olsen's words, "benefits should go to people who need them."

As to a 2020 posing of the question "are you better off?": Mr. Olsen fears that if Republicans continue to misread Reagan—and assuming that Mr. Trump does not fulfill his pro-working-class promises—the answer will be "no." He implies that "Reagan Democrats" will then return to FDR's party if it can figure out how to appeal to them. What will happen if Democrats continue heading left toward high-tax, high-unemployment, European-style social democracy is anyone's guess.

Mr. Kondracke is the former executive editor of *Roll Call* and co-author, with Fred Barnes, of "Jack Kemp: The Bleeding-Heart Conservative Who Changed America."

## Brexit and the Disunited Kingdom



POLITICS & IDEAS  
By William A. Galston

I met last week with Robin Niblett, director of the London-based Royal Institute of International Affairs, widely known as Chatham House. It was a bracing discussion.

Regarding his country's domestic scene, Mr. Niblett said that "I've never seen British politics as chaotic as it is now."

The two major parties, he declared, are "tearing themselves apart." The disastrous snap election undermined Conservative Prime Minister Theresa May's authority. If she had prevailed by the margin she expected when she called it, many new members of Parliament would have supported her approach to Brexit. Instead, more than half of the Conservatives' diminished parliamentary ranks probably favor remaining in the European Union. Although a leadership challenge could occur this fall, there is no obvious candidate around whom the party is prepared to rally.

Many MPs from the opposition Labour Party were as disappointed by the election results as were the Tories. They had hoped that a poor outcome would help them oust their hard-left leader, Jeremy Corbyn, whom they regard as an inconceivable prime minister. Instead, they got the worst

possible outcome: Labour's performance was strong enough to undercut the anti-Corbyn effort but too weak to form a government. In Mr. Niblett's view, Labour probably will be stuck with Mr. Corbyn for the next five years, during which the party will continue to struggle with the tension between its upscale, urban-based professional supporters and anti-immigration, pro-Brexit working-class voters in Northern England.

This disarray comes at the worst possible time, because there is serious business to be done on a tight timetable. As things now stand, the U.K. and EU have less than two years to negotiate the terms of their separation. Because Prime Minister May's authority is so diminished, it will be impossible for Britain to do so from a position of strength. Instead, each step will have to be fought out among contending Conservative factions as well as outside forces. The business community, for example, is intensifying its pressure on cabinet ministers to shape a post-Brexit world compatible with its core interests.

The British public is gradually awakening to the implications of its decision to leave the EU. As with all hangovers, it is not much fun. The public's desire to have its cake and eat it too is giving way to reality. "There is only one Brexit," declared Mr. Niblett—hard Brexit. If Brexit goes through, Britain will not be a member of the

common market or the customs union. If it wants to end the free flow of labor from EU countries and regain sovereignty over its own affairs, Britain will have to pay the price.

**I've never seen British politics as chaotic as it is now; says an expert.**

Because this price is higher than many people understood a year ago, said Mr. Niblett, "There is a sense emerging that Brexit may not go through." While separation from Europe remains the most likely outcome, the current Parliament lacks the authority to ratify the eventual deal. The odds of a second public referendum are small but rising. If the people are asked to render judgment on terms of an actual agreement—rather than an abstract concept onto which they projected their various hopes—who knows what they will do?

On Europe's relations with the U.S., Mr. Niblett was equally trenchant: "Once you say 'America First,' you can't take it back." Soothing remarks from senior administration officials don't make much difference. The idea of the U.S. as the ever-present guardian of Europe "doesn't have the currency it once did." Europeans are becoming more comfortable,

instead, with the idea that America serves as an "insurance policy of last resort" and that they will have to take more responsibility for themselves. "Europe is growing up," he said, and that's not altogether a bad thing.

It remains to be seen whether the institutions designed to foster European cooperation will prove equal to the task. Europe may be moving out of the woods economically, but it remains politically fragile. Economic growth will not efface concerns about immigration, identity and sovereignty that have come to the fore during the past decade. A divided Europe will find it hard to take on the added responsibilities that "America First" imposes.

In the end, said Mr. Niblett, "the values dimension is what's most worrying." Along with his repeated criticisms of the EU, President Trump's support for Poland's Law and Justice Party and for Hungarian Prime Minister Viktor Orban's hard-line immigration policy have led increasing numbers of Europeans to wonder whether the U.S. remains aligned with them on political fundamentals. In the immediate wake of Mr. Trump's visit to Warsaw, the Polish government's move to curb the independence of the Constitutional Court underscores these doubts.

Such a breach in the unity of the West would represent the ultimate success of the long game Vladimir Putin is playing.

## The Deadline to Kill the Death Panel

By Grace-Marie Turner  
And Doug Badger

All eyes are on the Senate as it debates what to do about ObamaCare. But the House has a last chance this week to abolish one of the law's most dangerous creations: a board with sweeping, unchecked power to ration care.

The Independent Payment Advisory Board—what critics call the death panel—would be an unelected, unaccountable body with broad powers to slash Medicare spending. But the law contains a living will for IPAB. If the president signs a congressional resolution extinguishing the panel by Aug. 15, it will never come into existence.

to remain in session until mid-August.

The IPAB's powers would be vast. If government actuaries find that Medicare spending would exceed caps established by ObamaCare, the board is required to write a plan to stay under the caps. Congress can pass its own bill to reach

the target if it acts promptly—but if not, the secretary of Health and Human Services must implement IPAB's plan, which would be exempt from judicial review.

Medicare spending has so far not exceeded the IPAB trigger, but eventually it will. Although the statute expressly forbids IPAB from "rationing," that is scant comfort.

Government-run health systems typically ration care by cutting payments to doctors and hospitals, something IPAB has the authority to do.

Medicare's trustees warn in their new annual report that "access to physicians treating Medicare patients may become a significant issue in the long term." In the same report they predict that "approximately half of hospitals, 70 percent of skilled nursing facilities, and over 80 percent of home health agencies" would be losing money by 2040 under IPAB-enforced spending caps, "raising the possibility of access and quality-of-care issues for Medicare beneficiaries."

The IPAB repeal provision has a catch: Passage of the resolution requires a three-fifths vote in the House and Senate. House leaders would need 261 votes (there are 240 Republicans), a tall order. But not all Democrats supported

IPAB when ObamaCare was enacted. If an unelected panel is calling the shots, asked then-Rep. Pete Stark, a liberal Democrat, "why have legislators?"

The resolution against IPAB would be unamendable and immune to filibuster—meaning it would have a much easier time in the Senate than would ordinary legislation to abolish IPAB.

The outcome of this week's Senate debate on ObamaCare will likely disappoint many of the law's opponents. But repealing the ObamaCare "death panel" would give Congress a much-needed accomplishment and give legislators breathing room to reform Medicare the right way. The pathway will get much harder unless the House acts before leaving town on Friday.

Ms. Turner is president, and Mr. Badger a senior fellow, at the Galen Institute.

## OPINION

### REVIEW & OUTLOOK

## Trump's Sessions Abuse

**D**onald Trump won't let even success intrude on his presidential ego, so naturally he couldn't let the Senate's health-care victory stand as the story of Tuesday. Instead he continued to demean Jeff Sessions, and in the process he is harming himself, alienating allies, and crossing dangerous legal and political lines.

For a week President Trump has waged an unseemly campaign against his own Attorney General, telling the New York Times he wished he'd never hired him, unleashing a tweet storm that has accused Mr. Sessions of being "beleaguered" and "weak."

Mr. Trump is clearly frustrated that the Russia collusion story is engulfing his own family. But that frustration has now taken a darker turn. This humiliation campaign is clearly aimed at forcing a Sessions resignation. Any Cabinet appointee serves at a President's pleasure, but the deeply troubling aspect of this exercise is Mr. Trump's hardly veiled intention: the commencement of a criminal prosecution of Hillary Clinton by the Department of Justice and the firing of special prosecutor Robert Mueller.

On Tuesday morning Mr. Trump tweeted that Mr. Sessions "has taken a very weak position on Hillary Clinton crimes." This might play well with the red-meat crowd in Mr. Trump's Twitterverse, but Sen. Lindsey Graham was explicit and correct in describing the legal line Mr. Trump had crossed.

"Prosecutorial decisions should be based on applying facts to the law without hint of political motivation," Sen. Graham said. "To do otherwise is to run away from the long-standing American tradition of separating the law from politics regardless of party." Republican Sen. Thom Tillis also came to Mr. Sessions' defense, citing his "unwavering commitment to the rule of law," and Sen. Richard Shelby called him "a man of integrity."

We will put the problem more bluntly. Mr. Trump's suggestion that his Attorney General prosecute his defeated opponent is the kind of crude political retribution one expects in Erdogan's Turkey or Duterte's Philippines.

### His demand that his AG prosecute Clinton crosses a red line.

Mr. Sessions had no way of knowing when he accepted the AG job that the Russia probe would become the firestorm it has, or that his belated memory of brief, public meetings with the Russian ambassador in 2016 would require his recusal from supervising the probe. He was right to step back once the facts were out, not the least to shelter the Trump Administration from any suspicion of a politicized investigation.

If Mr. Trump wants someone to blame for the existence of Special Counsel Robert Mueller, he can pick up a mirror. That open-ended probe is the direct result of Mr. Trump's decision to fire FBI Director James Comey months into his Russia investigation and then tweet that Mr. Comey should hope there are no Oval Office tapes of their meeting. That threat forced Deputy Attorney General Rod Rosenstein to appoint a special counsel.

As a candidate, Mr. Trump thought he could say anything and get away with it, and most often he did. A sitting President is not a one-man show. He needs allies in politics and allies to govern. Mr. Trump's treatment of Jeff Sessions makes clear that he will desert both at peril to his Presidency.

No matter how powerful the office of the Presidency, it needs department leaders to execute policy. If by firing or forcing out Jeff Sessions Mr. Trump makes clear that his highest priority is executing personal political desires or whims, he will invite resignations from his first-rate Cabinet and only political hacks will stand in to replace them. And forget about Senate confirmation of his next AG.

Even on the day that Senate Majority Leader Mitch McConnell was scraping together enough Republican votes to avoid a humiliating defeat for the President on health care, Mr. Trump was causing Senators to publicly align themselves with Mr. Sessions. Past some point of political erosion, Mr. Trump's legislative agenda will become impossible to accomplish. Mr. Trump prides himself as a man above political convention, but there are some conventions he can't ignore without destroying his Presidency.

## Repealing the Arbitration Rule

**C**onsumer Financial Protection Bureau chief Richard Cordray has been on a regulatory tear as he prepares to run for Governor in Ohio. But many of the Obama appointee's midnight rule-makings need not see the light of day—for instance, his arbitrary ban on mandatory arbitration that the House voted to repeal on Tuesday.

The Congressional Review Act lets a majority of both chambers rescind a final agency rule issued in the past 60 legislative days. The 231-190 House vote overturns the CFPB's new rule prohibiting class-action waivers in virtually all financial consumer-service agreements. Twenty-four GOP Senators have introduced a similar resolution.

Mr. Cordray said the ban would protect consumers, but his own agency's study suggests otherwise. Consumers who prevailed in arbitration recovered on average \$5,389 while those who joined class actions received \$32. Trial lawyers on average raked in \$1 million.

Most claims can't be litigated on a class basis—though trial attorneys try—and arbitration provides an affordable and expeditious alternative. Companies typically pick up most if not all of the filing, administrative and arbitrator costs. Consumers usually obtain relief within two months, while class actions typically take years to resolve.

## A GOP Gallows Reprieve

**L**ouisiana Republican John Kennedy cracked to Politico this week that "the sight of the gallows focuses the mind," and perhaps that explains why after months of group therapy Senate Republicans finally voted Tuesday to open debate on repealing ObamaCare. Whatever the impetus, the vote kept GOP reform hopes alive and may have saved the GOP Congress.

The 51-50 vote—with Vice President Mike Pence breaking the tie—was as close as it gets but vindicates Majority Leader Mitch McConnell's decision to force Senators to be accountable. Maine Senator Susan Collins's defection was expected, and at least she was consistent with her opposition to repeal in 2015.

The same can't be said for Alaska's Lisa Murkowski, who also voted against allowing even a debate on repeal. We look forward to her explaining how this squares with her May 2016 press release in which she "called for action in the Senate to repeal and fix this unworkable law." She added that "while a full repeal of the law would be the best course of action, it is simply not possible under the Obama Administration." Apparently she only meant that when her vote didn't matter.

Democrats continued their pattern of total resistance, but Mr. McConnell corralled every other Republican to pass the bill under the Senate's arcane reconciliation rules. John McCain made a heroic entrance after his recent diagnosis with brain cancer to cast a necessary vote. And perhaps his fortitude inspired reluctant colleagues to take responsibility after seven years of repeat promises.

### Senate Republicans avoid a political self-hanging—for now.

Ron Johnson of Wisconsin cast the 50th vote, though only after a visibly tense conversation on the Senate floor with Mr. McConnell. Mr. Johnson has been unhappy with the Majority Leader's consultation, and he fears the bill won't repeal as much of the law as it should. But Mr. Johnson has always said that ObamaCare propelled him to leave private business and run for the Senate in 2010, and killing debate would have blocked any chance at even partial repeal.

The Senate will now move to debate and an amendment vote-a-rama, and where that ends nobody knows. One vote to watch would repeal ObamaCare with a two-year window to replace it, which is similar to a bill that 51 Senate Republicans voted for in 2015. We'll see how many have changed their minds.

The GOP will need enormous discipline to defeat poison-pill amendments—from Democrats and maybe some Republicans—to emerge with a bill that can get 50 votes at the end of the debate. Toward that end GOP leaders began floating the possibility of passing a "skinny bill" version of reform. This could include killing the individual and employer mandates and perhaps the medical-device tax. But it would not include the House bill's biggest prize, which is Medicaid reform.

This would be disappointing, but it beats failure and would allow the bill to go to a House-Senate conference. Republicans could then work out how much reform the politics will bear. They might keep in mind that the political gallows they avoided on Tuesday can always be reconstructed—and will be if they renege on this core campaign promise.

## LETTERS TO THE EDITOR

### Getting to the Next Step With Health Care

Regarding your editorial "The ObamaCare Republicans" (July 19): The best way forward for the Republicans is to immediately implement all provisions of ObamaCare. The fastest way to eliminate a bad law is to fully enforce every letter of it. Cadillac plans: Gone. The unions will punish the Democrats and salaried employees will hit the Republicans. Individual mandate: IRS to freeze all tax returns until proof of insurance is supplied. Members of Congress and their staffs will immediately move to ObamaCare coverage, as originally specified. All states will expand Medicaid, 100% paid for until 2020, ensuring that millions of Americans have insurance. Good luck finding a doctor. Implement all taxes retroactively to pay for this.

I am sure none of the wealthy Americans and medical-device companies will object. If all of this doesn't get everyone around the table, nothing will.

RICHARD A. FORTNER  
*Fort Lauderdale, Fla.*

The issue of government health-care reform should be framed as "federalism," not "repeal." Repeal is a blunt-instrument verb, not a constitutional principle. The most workable design will let our states, our constitutional laboratories of democracy, be the primary agents of their indigenous health-care problem-solving. Let's put some thought into framing the health-care issues within our existing constitutional principles.

BRUCE I. PETRIE JR.  
*Cincinnati*

I have a pen and check book and will support team players in the next election.

MARCIA FEINSTEIN  
*Washington*

The senators who chose not to support the Republican-sponsored bill to replace ObamaCare did so because in their eyes the replacement bill was even less appealing than ObamaCare.

PROF. PAUL H. RUBIN  
*Emory University*

*Atlanta*

### Electric Cars Help America Depend Less on Oil

Regarding "Capital Account: Electric Cars Are the Future? Not So Fast" (U.S. News, July 13): Low oil prices are no excuse to lose sight of the potential for electric vehicles to help us overcome the influence of petrostates, OPEC, oil-funded terror, resource conflicts and the many other consequences of our dependence on an opaque global oil market. This unfree market undermines our national interests, as the actions of states that don't share our strategic priorities can influence the price of a commodity we rely on. Government policies should be enacted to support this national security imperative.

If America is to remain prosperous and secure in the 21st century, we must reduce our oil dependence by ensuring fuel diversity. Electric vehicles running on diverse and domestic fuels like nuclear, natural gas, coal or renewables are our opportunity to break oil's monopoly.

Unless we act, 90% of our transportation network will remain oil dependent through 2030, and oil will continue to reorder our national security priorities.

GEN. CHARLES F. WALD, USAF (RET.)  
*McLean, Va.*

Gen. Wald is a member of Securing America's Future Energy.

Weight is what wears out roads and bridges. Vehicles of equal weight, whether powered by internal combustion engines (ICEs) or by electric batteries, cause the same wear and tear on roads and bridges. Gasoline and

diesel-fuel taxes are an equitable and easy-to-administer method of obtaining funds to finance road and bridge maintenance. What metric is to be used to obtain funds from the owners of EVs so that they pay their fair share? Owners of ICEs pay gasoline taxes and are subsidizing the owners of EVs in this matter of road and bridge maintenance. How long will the owners of ICEs tolerate this inequity? When will legislators address the fuel-tax issue or, more specifically, the lack of taxes from EVs?

BOB DEVANEY  
*Dell Rapids, S.D.*

### The Dreamers Are a Good Part of America's Future

Your editorial "A Bad GOP Dream" (July 20) is spot on. In March more than 550 college and university presidents sent a letter to President Trump thanking him for his positive comments about the outstanding group of young people known as "Dreamers." Your editorial correctly notes that the president and a bipartisan majority in Congress understand that the Dreamers are talented and high-achieving individuals who contribute in many ways to American society. In terms of the illegal-immigration challenges facing our nation, these people should not be on the list because, well, they are not problems. They are assets.

The small group of state attorneys general who are asking the Secretary of Homeland Security to end the program allowing Dreamers to work and, in many cases, attend college in this country should stop immediately while the Trump administration and Congress work on a solution that will allow these bright and productive young people to live here without fear and uncertainty.

TERRY W. HARTLE  
*American Council on Education*  
*Washington*

### Pepper ... And Salt

THE WALL STREET JOURNAL



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## OPINION

# Repeal the Budget Control Act

By Tom Cotton

**W**e need Congress to do its job," President Trump said Saturday at the commissioning ceremony for the USS Gerald R. Ford. "Pass the budget that provides for higher, stable and predictable funding levels for our military needs that our fighting men and women deserve."

The president is right, but what's standing in the way is the Budget Control Act of 2011. So why don't we repeal it already?

In retrospect, the Budget Control Act of 2011 was ill-conceived from the start. Rather than attack America's spending problem at its root, the law only clipped a few stray leaves off the branches. In the early Obama years,

**The 'sequester' hasn't reduced spending, but it has crippled the military's ability to plan.**

the federal deficit spiraled out of control, reaching \$1.4 trillion in 2009 before settling in around \$1.3 trillion for the next two years. Entitlement programs—which, combined with interest payments on the national debt, make up two-thirds of federal spending—are the key driver of our long-term debt challenges.

But President Obama refused to address this problem and instead made a deal with Senate Majority Leader Harry Reid and House Speaker John Boehner—neither of



GETTY IMAGES

**U.S. soldiers arrive for training in Australia, July 11.**

whom is in office today—to squeeze some savings from the remaining one-third of the budget, what's called "discretionary" spending.

The BCA put budget caps on discretionary spending for 10 years, ending in 2021, and established a 12-member congressional "supercommittee" to find at least \$1.2 trillion in additional savings over that same 10-year window. The law stipulated that should the committee fail, there would be an across-the-board cut, or "sequester," to keep spending below the caps. Half the savings would come from the defense budget and half from nondefense spending, meaning the military would absorb 50% of the cuts, even though it accounts for only about 16% of all spending.

The BCA proved flawed in execution as well. To everyone's dismay and no one's surprise, the supercommittee deadlocked. In 2013, a sequester took effect, though the cuts in overall spending were short-lived.

It's true that after the BCA became law, there was a modest decline in federal spending: from \$3.6 trillion in 2011 to \$3.5 trillion in 2012 and \$3.4 trillion in 2013. But this diet proved as short-lived as most others. By 2015, federal spending was back to \$3.6 trillion, and it's been growing ever since.

Why? Because in 2013 and again two years later, Congress raised the BCA's budget caps. We already know how 2017 will end. In September, Congress will pass what's known as a continuing resolution, which essentially freezes spending at last year's levels. Later in the fall, congressional leaders will meet behind closed doors to write a two-year budget deal that again raises the BCA caps. In December, Congress will pass a massive omnibus spending bill with all sorts of not-so-goodies slipped in undetected. Then, in December 2018, there'll be another omnibus, and the cycle will likely repeat in 2019-20.

How do we know? Because that's

exactly what Congress did in 2013-14 and in 2015-16.

This bust-and-boom budgeting cycle—in which Congress pretends for years to adhere to budget caps until it frantically raises them at the last minute—cripples the military's long-term planning abilities. Pentagon planners have to buy year by year, when it takes decades to do something as basic as build a Navy ship. It's inexcusable to keep this charade up when we have only 275 ships—former chief of naval operations Adm. Jonathan Greenert has testified that the Navy needs 450—in a world that's growing only more dangerous. It's irresponsible not to write a budget and stick to it based on current needs and needs.

The law's defenders say repealing the BCA would increase spending, but spending is already increasing. A cap is a cap only if you stick to it. Repealing the BCA in itself wouldn't increase spending. It would be up to Congress to set spending levels in annual budget and appropriations legislation, as the Constitution envisions. Besides, it'd be far better to write a budget out in the open—instead of through backroom deals—and repealing the BCA would be the first step toward reviving the long-dormant budget process.

So there's no need for my colleagues to fear a future without the BCA. The 112th Congress wasn't the Constitutional Convention, and the Budget Control Act isn't the Constitution. It's a flawed law whose repeal is overdue. It's time to stop the Kabuki theater, get down to business, and build the military this country needs and the troops deserve.

*Mr. Cotton, a Republican, is a U.S. senator from Arkansas.*

## Pardons Aren't Only For the Guilty

By Brian C. Kalt

**T**he news broke last week that President Trump and his legal team are exploring the extent of his pardon powers. In the ensuing discussion, a widespread misunderstanding kept cropping up—one that is understandable but important to correct. A pardon, the misunderstanding goes, entails a declaration of some underlying guilt, so that if the president pardoned his aides, he would be acknowledging that they had done something wrong.

This isn't true. While the overwhelming majority of pardons are issued as forgiveness for guilty people, the authority to pardon also includes the power to exonerate the innocent. A president could issue a pardon while saying: *This investigation has run amok. The charges are bogus; my people are innocent. I have the power to stop this, and I'm going to use that power.*

## The Supreme Court's 1915 'imputation of guilt' doesn't mean what Trump foes think it does.

I would strongly disapprove of Mr. Trump's issuing a pardon like this. But if he did so, people would be free to draw their own conclusions. The president and his tens of millions of supporters could follow this alternative script.

A common source for the notion that a pardon requires underlying guilt is an out-of-context quotation from the Supreme Court's 1915 decision in *Burdick v. United States*. The justices held that George Burdick, a newspaper editor, could reject a presidential pardon whose purpose was to strip him of the right against self-incrimination and compel him to reveal sources. The court's comment that a pardon "carries an imputation of guilt; acceptance a confession of it" was a general empirical observation, made in the service of a peripheral part of the argument—what lawyers call "dicta." It was not a finding of law that pardons are only for the guilty.

The president's power to pardon is based on the notion that the criminal-justice system does not always work perfectly. Pardons provide a safety valve. In almost all cases the imperfection is that a contrite guilty person who long ago served his sentence is worthy of having his civil rights restored. Most federal pardon applications go through the Justice Department's Office of the Pardon Attorney, which requires applicants to wait until they have been out of prison for at least five years, and typically to accept responsibility for their crimes.

But there are other circumstances in which safety valves may be needed, and presidents have the authority to bypass the usual process. A president may think that people in prison should be released earlier, such as when President Obama commuted the sentences of hundreds of nonviolent drug offenders. A president may think that people who have not even been charged or convicted should avoid the possibility of prosecution, such as when President Carter pardoned hundreds of thousands of Vietnam-era draft evaders, or when President Ford pardoned Richard Nixon.

And a president may think that an innocent person deserves exoneration. Consider Ford's pardon of Iva Toguri d'Aquino. She had been convicted of treason in 1949 and served six years in prison for broadcasting anti-American propaganda from Japan during World War II as Tokyo Rose. But d'Aquino was no traitor; the case against her was based on perjury suborned by federal officials. After investigative journalists publicized the truth, Ford issued her a full and unconditional pardon. He had the power to clear her name, and he used it.

This year, Indiana Gov. Eric Holcomb kept a campaign promise to pardon Keith Cooper, who had been wrongfully convicted and imprisoned for 10 years. The premise of the pardon was that Cooper was innocent.

There would be a huge difference between Ford's and Mr. Holcomb's pardons and President Trump's preemptively pardoning his aides, declaring them innocent and ravaging the Mueller investigation. The latter would be completely unacceptable—if not impeachable—to much of the country, myself included. But that would be a political problem. His assertion of his aides' innocence would present no legal contradiction at all.

*Mr. Kalt is a law professor at Michigan State University and author of "Constitutional Cliffhangers: A Legal Guide for Presidents and Their Enemies" (2012).*

# Why Israel Removed the Metal Detectors

By Daniel Pipes

**P**alestinian Authority President Mahmoud Abbas's Fatah Party announced Saturday that the "campaign for Jerusalem has effectively begun, and will not stop until a Palestinian victory and the release of the holy sites from Israeli occupation." Fatah demanded the removal of metal detectors and other security devices from the entrance to the Aqsa Mosque on the Temple Mount. A week earlier two Israeli policemen were killed by terrorists who had stashed their weapons inside the mosque.

The Fatah statement was illogical and hypocritical. Many mosques in Muslim-majority countries use the same security technology to protect worshippers, tourists and police. Yet Mr. Abbas managed to force the Israeli government to remove them. He did it by deflecting attention from the policemen's murders and stoking fear of a religious conflagration with vast repercussions.

The Temple Mount crisis highlights with exceptional clarity three factors that explain why a steady 80% of Palestinians believe they can eliminate the Jewish state: Islamic doctrine, international succor and Israeli timidity.

Islam carries with it the expectation that any land once under Muslim control is an endowment that must inevitably revert to Muslim rule. The idea has abiding power: think of Osama bin Laden's dream of resurrecting Andalusia and Turkish President Recep Tayyip Erdogan's hopes of regaining influence over the Balkans. Palestinians consistently report their belief that the state of Israel will collapse within a few decades.

A confrontation over the Temple Mount uniquely excites this expectation because it reaches far beyond the local population to arouse the passions of many of the world's 1.6 billion Muslims. The most prominent Muslim leaders and institutions overwhelmingly supported Fatah's position on the Temple Mount security provisions. Islamic voices outside the pro-Palestinian consensus are rare. Palestinians rejoice in their role as the tip of an enormous spear.

Palestinians' illusions of might enjoy considerable international support. The United Nations Educational, Scientific and Cultural Organization routinely passes critical resolutions aimed at Israel. Columbia University

**The security services will do anything to prevent another *intifada*, including prop up Mahmoud Abbas.**

houses something called the Center for Palestine Studies. Major corporations such as Google and news organizations like the British Broadcasting Corp. pretend there's a country called Palestine. Foreign aid has created a Palestinian pseudo-economy that in 2016 enjoyed a phenomenal 4.1% growth rate.

In the Temple Mount crisis, the U.S. government, the Europeans and practically everyone else lined up to support the demand for the elimination of metal detectors, along with high-tech cameras or any other devices to prevent jihad attacks. The Quartet on the Middle East welcomed "the assurances by the Prime Minister of Israel that the status quo at the holy sites in Jerusalem will be upheld and respected." With this sort of near-unanimous support, Palestinians easily imagine themselves stronger than the Jewish state.

Israel's security services timidly avoid taking steps that might upset the Palestinians. This soft approach results not from starry-eyed idealism but from an exceedingly negative view of Palestinians as unreformable troublemakers. Accordingly, the police, intelligence agencies and military agree to just about anything that ensures calm while rejecting any

initiative to deprive the Palestinians of funds, punish them more severely or infringe on their many prerogatives.

The Israeli security establishment knows that the Palestinian Authority will continue to incite and sanction murder even as it seeks to delegitimize and isolate the state of Israel. But those security services emphatically prefer to live with such challenges than to punish Mr. Abbas, reduce his standing and risk another *intifada*. The collapse of the Palestinian Authority and a return to direct Israeli rule is the security services' nightmare. Mr. Abbas knows this, and this week's fiasco demonstrates that he's not afraid to exploit Israeli fears to advance his dream of debasing and eventually eliminating the Jewish state.

*Mr. Pipes is president of the Middle East Forum.*

# 'A Better Deal,' or Just a Better Spiel?



**UPWARD MOBILITY**  
By Jason L. Riley

Have Democrats finally come to grips with why they lost the presidential election? On Monday party leaders traveled to a rural Virginia county that Donald Trump won by 20 points. There they unveiled their 2018 campaign platform, called "A Better Deal." The plan keeps in mind both kinds of Democratic candidates—blue-state progressives and red-state moderates. It includes a \$15 minimum wage, a proposal to lower prescription-drug costs, new child-care support and tougher regulation of Wall Street.

One of the document's authors, Rep. Cheri Bustos, is among the dozen Democrats who won a congressional district last fall that went for Mr. Trump. Ms. Bustos, who represents working-class northwestern Illinois, is precisely the type of Democrat party leaders ought to be listening to, and bully for them if they're taking her counsel.

"In the last two elections, Democrats, including in the Senate, failed to articulate a strong, bold economic program for the middle class and those working hard to get there," Senate Minority Leader Chuck Schumer wrote in an op-ed announcing the new agenda. "We also failed to communicate our values to show that we were on the side of working people, not the special interests. We will not repeat the same mistake." This is a long way from blaming Hillary Clinton's loss on those deplorables.

**Democrats have unveiled their 2018 agenda, and it suggests they understand why they lost to Trump.**

Still, not everyone on the left wants to focus on winning back the voters in Michigan, Pennsylvania and Wisconsin who backed Barack Obama but rejected Mrs. Clinton. Some would rather try to rebuild the twice-successful Obama coalition of young voters, minorities and socially liberal whites. The mathematical reality is that Democrats will probably have to do a little bit of both.

Those white voters who switched from Mr. Obama to Mr. Trump are simply too numerous to write off. Yes, Democrats could win the popular vote without them, but maybe not the Electoral College. Therefore, the party needs a message that resonates with its base but also with voters who are turned off by the overt racial and ethnic appeals Democrats have long relied on.

Whether "A Better Deal" will do the trick may be up to President Trump. His low job-approval numbers don't much faze him. He has done little to broaden his appeal, perhaps because he isn't on the ballot next year. His base seems to care more about his in-your-face style than concrete legislative accomplishments. The president ought to understand, however, that some of his

support is quite soft and has already started to erode. Republican and independent voters who reluctantly backed Mr. Trump have lost confidence in his ability to address their concerns.

His approval rating among white college-educated women has fallen to 31% from 44% since the election, according to Washington Post/ABC News polls. Fifty-nine percent of these voters would now prefer a Democratic Congress, compared with 35% who favor the GOP. Independent voters who initially were "somewhat approving" of Mr. Trump are increasingly "somewhat disapproving." The stadium rallies the president holds don't seem to be doing it for them, and they may swing back toward a Democratic Party that appears eager to pursue them.

The president's unpopularity is affecting his ability to control the Republican caucus and push his agenda in Congress. Mr. Trump can earn loyalty from lawmakers and officials in his administration by demonstrating it himself. If he wants to change the subject to tax reform from Russia investigations and internecine strife in the West Wing, maybe he should stop sounding off to New York Times editors about matters best handled out of public view.

Even if the president's job-approval numbers don't concern him, they most definitely concern Republicans up for election next year. Lawmakers like to run on accomplishments, and so far this Congress doesn't have many. Now that voters have handed the GOP control of the Oval Office and both the House and Senate, the party is out of excuses.

It's progress if Democratic leaders have accepted why they really lost last year. But the party still needs to spend the next 15 months figuring out how to win again. Demonizing Mr. Trump didn't work last time. Reaching out to his voters instead of scoffing at them might be a better tactic. If Mr. Trump and Republicans want to hang on to their majorities, they'll have to show voters that they understand, however, that some of his

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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## WORLD NEWS

# Courts Struggle Over Ill Children's Fates

Gard case shows balancing act U.K. judiciary faces around incurable diseases

By JOANNA SUGDEN

LONDON—The high-profile battle in the British courts over the fate of Charlie Gard, a brain-damaged baby with an incurable genetic disorder, put a spotlight on the difficult role the U.K. judicial system often has to play when children's lives hang in the balance.

Judges in the U.K. are regularly asked to decide whether doctors should end lifesaving care for grievously ill children. Given the secrecy of the family-court system, these cases traditionally get little attention.

Over the past two years, Britain's High Court has weighed in on roughly 30 disputes over a child's medical care, according to a government agency that provides legal guardians for children in such cases. There have been 10 so far this year. In the majority of them, doctors have sought to remove life-sustaining treatment against parents' wishes.

Most escape public notice because of court privacy rules. In recent weeks, a judge heard the case of another child suffering from a mitochondrial disorder similar to Charlie's, a lawyer with knowledge of the case said. The judge's ruling hasn't been published.

Charlie Gard's parents' legal fight to keep him on a ventilator and take him abroad for experimental therapy, against the opinion of his doctors, ended on Monday when they dropped the case, saying his muscular damage was worse than feared and the treatment wouldn't help. The parents had raised more than \$1.7 million to fund the cost of travel and treatment in the U.S.

The monthslong battle touched off a debate about the role of courts in such matters.

Dominic Wilkinson, a professor of medical ethics at the University of Oxford, said that the approach to conflict between doctors and parents differs from country to country. "The U.K., though, is relatively unusual in the number of cases that it has dealt with in this way and in the preparedness of the courts to make decisions that are contrary to the

### Boy's Mother Aims To Bring Him Home

LONDON—The mother of Charlie Gard returned to court on Tuesday to seek permission to bring the terminally ill 11-month-old home to die.

The hearing came the day after Charlie's parents, Chris Gard and Connie Yates, abandoned their 5-month-long legal effort to take the boy abroad for experimental therapy because his muscles have been irreversibly damaged by his rare genetic disease.

Grant Armstrong, the lawyer for Charlie's parents, told the U.K. High Court that the parents were desperate for "a

wishes of the parents," he said.

U.K. judges often use balance sheets—though they didn't in Charlie's case—to weigh the benefits and burdens of continuing life support when calculating what is in a child's best interests. In the U.K., where the National Health Service is straining for resources, the use of funds,

few days of tranquility with Charlie outside of a hospital setting" but that Great Ormond Street Hospital, where the boy has been treated, had been putting up obstacles.

Great Ormond Street argues that ventilator equipment he requires so that the family can spend his last few days with him can only be provided in a hospital. It said it also suggested a hospice and a mediator to help the two sides come to an agreement.

Katie Gollop, the hospital's lawyer, said Great Ormond Street has "moved heaven and earth" to try to address the parents' needs and the child's interests.

Judge Nicholas Francis said he preferred that the hospital and the parents reach a deci-

sion on their own, but that he would intervene if necessary. The judge said he would decide on the case Wednesday afternoon once he heard further evidence from an expert for the parents.

Charlie suffers from a mitochondrial disorder that renders him unable to move his arms or legs or breathe without assistance.

His case has attracted the attention of President Donald Trump and Pope Francis, and put a spotlight on the role of British courts in making decisions for the very young.

Courts in the U.K. have the final say when parents and doctors disagree over the treatment a child should receive.

—Amanda Coletta

who reviewed the case.

Usually, end-of-life decisions for hundreds of very sick children each year are made in intensive-care units by parents, doctors and medical ethicists.

Medical advances have led to discussions about whether a treatment is reasonable and "that's where arguments can start," said Michael Vloe-

berghs, a pediatric neurosurgeon at Nottingham University Hospital, who has appeared as an expert witness in withdrawal-of-treatment cases.

Guidance from the Royal College of Paediatrics and Child Health, a national group of pediatricians, says a child's best interests should always trump the costs. But the professional body also acknowledges that the tough financial climate means "offering expensive treatment inevitably uses funds that may be better used elsewhere."

In Charlie's case, the hospital treating him, Great Ormond Street Hospital in London, considered providing him with an experimental nucleoside therapy funded by the National Health Service but decided not to do so after the child suffered a series of seizures and doctors decided the treatment would no longer help him.

In the U.S., clinicians also regularly evaluate the burdens and benefits of keeping patients on life-support. But doctors tend to continue treatment if a patient's family wishes them to do so, U.S. medical ethicists said.

## Gulf Allies Escalate Pressure On Qatar

By MARGHERITA STANCATI

BEIRUT—Saudi Arabia, the United Arab Emirates, Egypt and Bahrain have added new organizations and individuals allegedly linked to Qatar to their terror lists, intensifying the protracted diplomatic standoff between U.S. allies.

They include three Qatari citizens who have been accused of raising funds in support of extremist groups fighting in Syria, including the Syria Conquest Front, formerly known as the al Qaeda-linked Nusra Front, according to a joint statement released Tuesday.

Overall, nine individuals and nine organizations have been added to the list, among them entities in Yemen that the Saudi camp alleges have aided al Qaeda using funding from Qatari charities.

Also on the list are several Libyan media outlets that have received Qatari funding and that the four countries say contributed to "spreading chaos" in Libya. Boshra News Agency, one of the designated entities, is known for coverage that is sympathetic to Libyan militants.

Qatari officials didn't respond to requests for comment.

Saudi Arabia, the U.A.E., Egypt and Bahrain in June abruptly severed diplomatic relations with Qatar, citing its ties to Islamist groups like the Muslim Brotherhood and Hamas and its alleged links to terrorist groups like al Qaeda.

Pointing to its counterterrorism legislation, Doha has denied supporting extremist groups while saying it has the right to pursue an independent foreign policy.

The crisis in the Gulf has complicated joint efforts to fight Islamic State. Qatar is home to the largest U.S. military base in the Middle East, key to the fight against the extremist group.

The U.S. and countries including Kuwait, France and Turkey have dispatched top officials to the Gulf in a bid to help defuse the crisis. This month, during a visit to Doha by U.S. Secretary of State Rex Tillerson, the U.S. and Qatar signed an agreement to crack down on terrorist financing. Qatar also amended its terrorism law.

Saudi Arabia and its allies said that agreement is insufficient to guarantee Qatar will change its behavior.

"Qatari authorities have a long history in breaking all signed and binding agreements and legal obligations," they said in Tuesday's statement, noting Qatar "continued harboring terrorists, financing attacks and promoting hate speech and extremism."

The Saudi-led group said it will continue to campaign against Qatar until the country commits to meeting all their demands, including prosecuting individuals and groups on the terror list.



Palestinians prayed as Israeli border-police officers stood guard at the Lions' Gate entrance to Jerusalem's Old City on Tuesday.

## Israel Eases Security Stance at Holy Site

By RORY JONES

cials.

A weekend of violence left three Israelis and at least three Palestinians dead.

Israel said it would replace the detectors—which authorities installed after Arab gunmen shot and killed two Israeli policemen this month—in the coming months with sophisticated technology that could identify weapons, but it didn't offer details on the type or how it would be implemented.

In the meantime, authorities said more police would be deployed around the entrance.

Muslims kept up a prayer protest called by Muslim leaders outside the compound

even after police had dismantled all the equipment by the afternoon.

The plaza in Jerusalem's Old City is sacred to both Muslims and Jews. It is home to the Al Aqsa mosque and the site of an ancient Jewish temple whose Western Wall is still visible and holy for Jews.

Only Muslims are allowed to pray on the plaza, but Jewish groups have been lobbying for that right. While Jews can visit, they aren't permitted to pray there.

Waqt, the religious authority overseen by Jordan that administers the site, said it would review Israel's plan for

security and make a decision later on whether to continue its call on Muslims to boycott the compound.

The White House envoy to the Israeli-Palestinian conflict, Jason Greenblatt, arrived in Israel on Monday to meet with Prime Minister Benjamin Netanyahu in a bid to calm tensions before flying to Amman, where he met with Jordanian officials.

A representative for the U.S. Embassy in Tel Aviv didn't reply to a request for comment.

Thousands of Jordanians took to the streets on Friday in Amman to protest the metal detectors in Jerusalem.

Two days later, an Israeli security guard at the country's embassy compound in Amman shot and killed two Jordanians after one of the men attacked the guard with a screwdriver.

Jordan held the Israeli guard until Monday, when he returned to Israel following discussions between Israeli and Jordanian officials. In a statement Tuesday, Mr. Netanyahu thanked Mr. Greenblatt and senior White House adviser Jared Kushner for mediating efforts to bring home the Israeli guard and other Israeli embassy staff.

—Nuha Musleh in Jerusalem contributed to this article.



### Winds Fuel Wildfires in Southern France

PARIS—Hundreds of firefighters in the Riviera region of southern France and on the island of Corsica battled wind-whipped blazes on Tuesday.

Eight firefighters and 15 police officers have been hurt in the fires that broke out Monday and have consumed nearly 10,000 acres of vegetation, French officials said. There have been no reports of injuries among residents or tourists.

At left, beachgoers watched the fires from La Croix-Valmer, near Saint-Tropez.

The French civil-security authority asked the European Union for help and to provide planes to contain and extinguish the wildfire.

Flames burned some 2,000 acres around the Var area of Provence. The largest blaze was in northern Corsica, with nearly 5,000 acres burned.

—Associated Press

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, July 26, 2017 | B1

S&P 2477.13 ▲ 0.29% S&P FIN ▲ 1.27% S&PIT ▼ 0.17% DJ TRANS ▲ 0.65% WSJ \$IDX ▲ 0.19% LIBOR 3M 1.317 NIKKEI (Midday) 20048.62 ▲ 0.47% See more at [WSJMarkets.com](http://WSJMarkets.com)

## GM's European Exit Takes Toll on Profit

Earnings drop 42%, overshadowing strength of core North American business

By MIKE COLIAS

General Motors Co. provided a clearer portrait of its future, revealing how big a bet it is placing on the continued strength of U.S. buyers.

The company's financial performance, reported Tuesday, was dented by moves it is making to exit from Europe and certain emerging markets. More than \$1 billion in costs led to a 42% plunge in second-quarter earnings to \$1.7 billion and overshadowed the underlying strength of its core North American operation.

The Detroit auto giant said the short-term pain is worth it, with Chief Executive Mary

Barra saying that selling its money-losing Opel unit and shuttering operations in India and South Africa "will allow us to deploy resources and capital to higher-return opportunities." Topping that list: a new line of hulking pickup trucks due in 2018 and the revitalization of Cadillac's premium product line.

Ms. Barra has benefited from a strengthening U.S. market since taking GM's helm in 2014, banking record profits and fat margins that helped the company pay for costly safety recalls and jump-start its self-driving car efforts. In the second quarter, North American margins exceeded 12%, among the healthiest anywhere in the global auto industry, as customers continued to snap up Chevy Silverados and Cadillac Escalades amid cheap gasoline prices.

Ms. Barra, however, faces one of her thorniest challenges

in more than three years at the helm. She needs to maintain production discipline and hold sales incentives in check, a job that is complicated by the company's drastic pullback from selling to rental-car fleets that have long been Detroit's biggest customer.

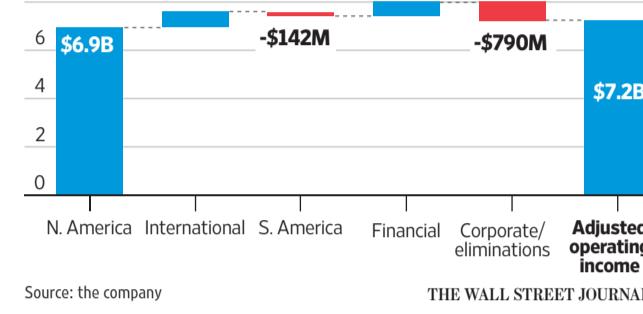
GM's North America unit contributed nearly all of the company's \$3.68 billion in operating profit in the second quarter, dwarfing the operating profit and equity income derived from its other key operations—China and the GM Financial lending arm.

The auto maker enters the second half of 2017 with excess inventory in North America, resulting from robust production schedules in the first six months of the year. Nearly one million unsold GM vehicles are sitting on dealer lots, representing 105 days of supply. Inventories ballooned amid slower-

### Home Cooking

GM's profits are coming primarily from North America, as the auto maker exits Europe and some emerging markets.

Earnings for the first six months, ended June 30



Source: the company

THE WALL STREET JOURNAL.

than-expected sales of passenger cars, which prompted GM to begin cutting production at several U.S. factories. Other plants will be temporarily idled this fall so that assembly lines can be prepared for new sport utilities, pickups and crossover

wagons, the hottest models on dealer lots.

GM Chief Financial Officer Chuck Stevens said the company will report weaker third-quarter earnings as a result of needed production cuts. He committed to whittling down

excess stock by year-end.

Mr. Stevens said history is on the company's side. The strongest selling season for trucks is traditionally the second half of the year, a factor that could offset the negative impact of production cuts.

"The North American business model is proving to be very resilient to some of the challenges that we're facing," Mr. Stevens said. GM should finish 2017 with 10% pretax operating margin and could hit that level again next year, he said.

Barclays analyst Brian Johnson said GM "deserves credit" for sticking by its 2017 profit forecast of \$6 to \$6.50 a share even amid weaker-than-expected demand, and he believes the company could finish at the high end of that range.

◆ More cars are being manufactured in Mexico.... B2

## Digital Coin Sales Set Off SEC Alarm

BY PAUL VIGNA AND DAVE MICHAELS

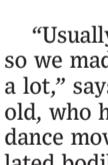
The Securities and Exchange Commission on Tuesday moved to restrain a hot new fundraising method involving sales of digital coins, saying rules meant for everyday stock sales may apply to these offerings, too.

The comments were the first from the SEC specifically to address initial coin offerings, a nascent area where more than \$1 billion has been raised so far this year but which has also been criticized for a lack of standards.

The SEC's report will likely "chill the waters a bit for these offerings," said David B.H. Martin, a senior counsel at Covington & Burling LLP and a former top SEC official.

PERSONAL TECHNOLOGY By Geoffrey A. Fowler

## Young Coders Bring Lego Bricks to Life

 Learning programming is awesome when you're making Lego robots fast.

"Usually Legos cannot fart, so we made these Legos fart a lot," says Eleanor, 9 years old, who helped me code dance moves, jokes and simulated bodily functions into Lego Boost, a new take on the iconic bricks. "Also burp. Don't forget the burping," she adds.

Making Lego bricks come to life is a big deal for children aged 7 to 12—as well as for parents who want to teach them the basics of programming.

The Lego Boost kit, which arrives in stores for \$160 on Aug. 1, updates the beloved

plastic bricks with simple motors and sensors that connect wirelessly to a tablet. In the box, you get the pieces that can make a rolling robot named Vernie, a cat, a rover, a factory or an electric guitar. (Just not all at once.) You create basic programs by dragging and dropping icons, little blocks of code, in a companion tablet app.

With the assistance of junior reviewers Eleanor, Wes and Andrew, I found Lego Boost to be a hefty project for young children—but a remarkably fun way to learn how to think like a programmer. It's an early contender for best toy of 2017.

Andrew, 10, had Vernie built and zipping around the house in about four hours,

Please see FOWLER page B4

## INSIDE

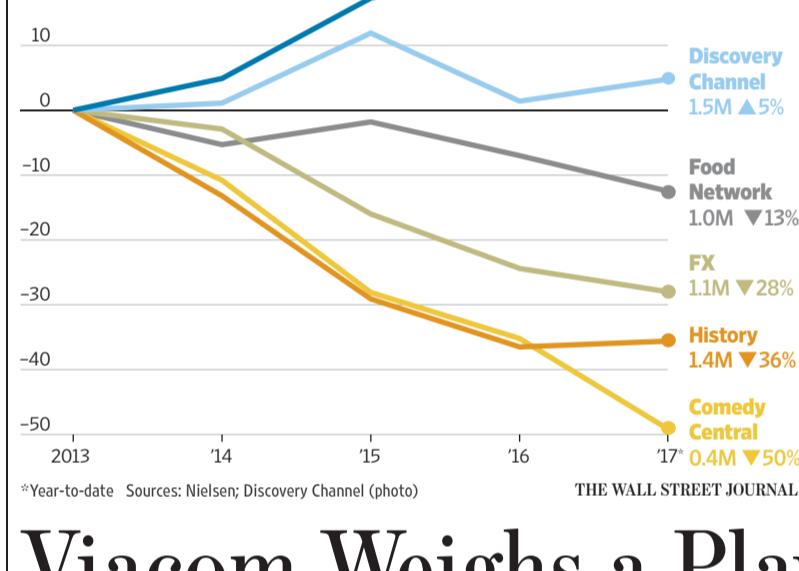


MICHAEL KORS FINDS JIMMY CHOO A GOOD FIT

APPAREL, B3

### Separate Paths

HGTV and other Scripps networks have been solid performers, while Viacom's offerings, like Comedy Central, have struggled.



\*Year-to-date Sources: Nielsen; Discovery Channel (photo)

THE WALL STREET JOURNAL.



A scene from Discovery Channel's 'Deadliest Catch'

## Viacom Weighs a Play for Scripps

BY JOE FLINT

Since taking over as Viacom Inc.'s chief executive last year with the blessing of powerful shareholder Shari Redstone, Bob Bakish has been working to win over Wall Street with moves meant to stabilize the embattled entertainment giant.

Now Mr. Bakish is contemplating what would be his boldest bet yet: an acquisition of rival media outfit Scripps Networks Interactive, operator of HGTV and Food Network. People familiar with the situation say Viacom is in talks to acquire the company, as is Discovery Communications Inc.

Members of the Scripps family were expected to meet Tuesday to discuss a potential sale, according to people familiar

with the matter. The family members collectively control a 91.8% voting stake in the company and are expected to make a decision soon.

In a sign that investors are optimistic about the odds of a deal, Scripps shares have risen by about 20% since The Wall Street Journal first reported last week that the company was in play.

At Viacom, Mr. Bakish has sharpened the company's focus on six key cable channels, including MTV, Nickelodeon and Comedy Central, brought in new management at the Paramount film studio, given the green light to spend more on talent, and unloaded the company's stake in pay-television channel EPIX for about \$600 million.

At first glance, Viacom and Scripps would be odd partners.

The Scripps channels are lifestyle brands primarily aimed at families or people looking to upgrade their homes and kitchens.

Viacom's core brands target teens and young adults, often with reality shows.

However, such a deal could potentially strengthen Viacom's hand in channel-carriage negotiations with cable companies and emerging streaming TV players.

The Scripps networks have been solid performers. In the second quarter, domestic ad revenue for Scripps was up 4% while Viacom's was off by 2%, according to MoffettNathanson, a media analyst firm. Subscriber fees grew by 6% in the second quarter for Scripps,

compared with 1.9% for Viacom, MoffettNathanson said.

Together, the companies would account for about 18% of TV ratings, on par with conglomerates like Walt Disney Co. and Comcast's NBCUniversal, according to RBC Capital Markets.

For Viacom, the question is how financially feasible such a takeover would be. Scripps had an \$8.8 billion market capitalization before the Journal reported on July 18 that the company was in talks with Discovery. Reuters later reported that Viacom had talks with Scripps. The company is now valued at \$10.4 billion.

Viacom had \$12.2 billion in debt as of March 31 and is clinging to the lowest level of

Please see VIACOM page B2

## Employers Pull Plug on Remote Work

BY JOHN SIMONS

Big businesses have embraced flexible work practices, but fewer of them seem to favor full-time work from home.

International Business Machines Corp., Aetna Inc., Bank of America Corp., Best Buy Co. and Reddit Inc. are among employers that have ended or reduced remote-work arrangements recently as managers demand more collaboration, closer contact with customers—and more control over the workday.

Bringing workers back to the office isn't easy, managers say. Remote employees often set their own hours and ways of working, and bridle when faced with open-plan offices and set meeting schedules.

A large majority of U.S. employers let staffers telecommute sometimes, according to the Society for Human Resource Management.

Yet the portion of U.S. workers who performed all or some of their work at home fell to 22% last year, from 24% in 2015. Such workers spent an average

of 3.1 hours a day toiling at home last year, down slightly from 2015, according to the Labor Department's American Time Use Survey.

Coming back to the office can be "honestly terrifying" for remote workers, says Andrew Marder, a research analyst with Capterra Inc., a business-software review site owned by Gartner Inc.

Mr. Marder telecommuted for about three years while blogging about investing for the Motley Fool financial website. He was a full-time caregiver for his newborn during part of that time.

Moving to an office role at Capterra in 2014, Mr. Marder had to get used to the lack of privacy at work and an hour-plus commute to Arlington, Va. As a telecommuter, he was used to working at any hour to meet Please see WORK page B5



JONI SAYLOR FOR THE WALL STREET JOURNAL

Product-design director Joni Saylor helps integrate former telecommuters into IBM's office culture.

time.

Moving to an office role at Capterra in 2014, Mr. Marder had to get used to the lack of privacy at work and an hour-plus commute to Arlington, Va. As a telecommuter, he was used to working at any hour to meet

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## BUSINESS NEWS

# Michael Kors Snags Luxury Shoe Brand

Buying Jimmy Choo for nearly \$1.2 billion gives handbag maker new route to growth

BY SAABIRA CHAUDHURI

LONDON—Michael Kors Holdings Ltd. has gone shoe shopping to regain its stride.

On Tuesday, the luxury handbag maker said it has agreed to acquire luxury shoe maker Jimmy Choo PLC for £896 million (\$1.17 billion) in its first-ever acquisition, as it seeks new avenues for growth amid a slowdown in the handbag business.

Buying Jimmy Choo gives Michael Kors a bigger presence in the fast-growing luxury shoe market while also increasing its exposure to Asia and Europe. Chief Executive John Idol in an interview said the acquisition will be the first of many, with the company planning to use its arsenal of cash to make more deals of a similar size for ready-to-wear clothing, shoes and accessories.

"We're not going to do small acquisitions," he said. "We are creating a global fashion luxury group and we have a platform in place to be able to do that."

Jimmy Choo didn't issue a statement, nor did its owner, European investment fund JAB Holding Co., but a spokeswoman for the brand con-



Sales of high-end shoes have generally fared better than those of handbags. A fashion model at a Jimmy Choo presentation in 2015.

firmed the deal. JAB had put Jimmy Choo on the block in April as the fund focuses more on its restaurant and coffee holdings.

Tuesday's news comes as handbags, once the main driver of growth in the luxury-goods industry, have been losing steam, particularly in the U.S. Price competition, including heavy discounting, has pressured profits of handbag sellers.

Sales growth for luxury

handbags slowed to about 2% globally last year from as high as 19% in 2012, according to Exane BNP Paribas. The market for luxury shoes, however, has remained relatively buoyant. The category enjoyed compound annual growth of 9% over the past decade, compared with growth of 5% for the larger luxury sector, according to Exane.

High-end brands like Michael Kors have stalled after

pushing distribution too hard

and selling through discount channels, said Luca Solca, Exane BNP Paribas's head of luxury research.

Michael Kors reported a \$26.8 million loss for the quarter ended April 1 and has embarked on a turnaround program. In May the company said it would close 100 to 125 of its full-price retail stores and renovate existing shops.

The company has reined in the amount of products it sends to department stores—

which often discount its product—and has set out to get more creative with its designs.

Pressure on Michael Kors to seek out new growth intensified after rival Coach Inc. in May agreed to buy Kate Spade & Co. for \$2.4 billion in a bid to woo younger consumers. Coach in 2015 made its own luxury shoemaker acquisition, buying Stuart Weitzman in a deal valued at up to \$574 million.

Upscale women's shoes remain Jimmy Choo's core busi-

ness, but it has been branching out into men's shoes. Last year it reported a 15% rise in sales to £364 million (\$475 million) and a 43% rise in operating profit to £42.5 million (\$55.5 million). The company has about 150 directly operated stores, leaving what analysts have described as a long runway for brick-and-mortar expansion.

Mr. Idol said he sees an opportunity to increase Jimmy Choo sales to \$1 billion by opening new retail stores for the shoemaker and developing its online presence. Jimmy Choo will continue to be run by Pierre Denis, a former LVMH executive who has led the shoe company since 2012.

—Suzanne Kapner  
in New York contributed  
to this article.

## McDonald's Sales Show Improvement

BY JULIE JARGON

McDonald's Corp.'s bet that low prices will bring in customers is paying off for now.

The burger giant, which beat analysts' expectations with its second-quarter results, said its \$1 drinks promotion and a new line of burgers helped reverse a sales slump in its U.S. business.

"It's a market-share fight," Chief Executive Steve Easterbrook told investors on Tuesday, saying McDonald's has won back some customers after deciding that price promotions were a way to quickly boost traffic.

But the company isn't relying on such short-term tactics to retain customers it lost to rival fast-food chains in the last few years. McDonald's has been introducing new menu items priced with its core budget-conscious customers in mind and adding more conveniences like self-order kiosks, food delivery and a mobile order and payment app. It has also been remodeling many of its restaurants.

"People had quit giving McDonald's a chance," said Trip Miller, managing partner at Gullane Capital Partners, a Memphis-based investment firm that owns shares of McDonald's. "To get people to see the changes you're making, you have to drive them in the door. They may not be getting as fast of an experience as they were a year

or two ago but it's a higher quality experience."

McDonald's speed of service has been declining, Mr. Easterbrook confirmed with analysts. But order accuracy and quality perception scores have improved, he said, adding that he hopes the self-order kiosks and mobile-order and pay app will shave seconds off order times.

McDonald's recently found that most of the consumers it had lost in recent years had defected to rival fast-food chains serving cheaper food rather than the higher-priced fast-casual restaurants it had been trying to emulate with healthier items such as salads and snack wraps. The company said its renewed focus on the fast-food customer led to its recent decision to begin using fresh, rather than frozen, beef in its quarter-pound burgers.

The chain reported better-than-expected domestic same-store sales growth in the second quarter, contributing to the strongest global same-store growth in more than five years.

Overall revenue fell to \$6.05 billion from \$6.27 billion in last year's second quarter, as McDonald's sold more of its restaurants to franchisees and is no longer collecting the full amount of revenue from them. Profit rose to \$1.4 billion from \$1.09 billion.

Its shares rose 4.8% to \$159.07 on Tuesday.

## Takeover Talks Collapse Between Auto Technology Companies



German car parts maker ZF Friedrichshafen AG recently held advanced takeover talks with Wabco Holdings Inc. before they fell apart amid resistance from ZF's board.

Wabco, valued at \$7.5 billion, disclosed when it reported second-quarter earnings last week that it had received a takeover offer from an unnamed party; according to people familiar with the matter, ZF is the mystery bidder.

Wabco said in a securities fil-

ing that its operating margin during the period was hurt by "extraordinary professional fees" related to the bid. The filing goes on to say that the two sides "engaged in advanced discussions" but that after due diligence the talks were terminated when the buyer's board balked.

It isn't clear whether ZF could return with another bid, and according to people familiar with the matter it's possible Wabco could draw another suitor.

Wabco supplies technology and services to improve safety,

efficiency and connectivity of commercial vehicles, according to its website. It makes products that help with driver assistance, braking, aerodynamics and transmission automation for truck, bus and trailer makers.

The company, which traces its roots back nearly 150 years, is based in Brussels. In the 1960s, Wabco was acquired by American Standard Cos., but in 2007 became an independent, publicly traded company.

The company, with 13,000

employees in 40 countries, had \$2.8 billion in sales last year.

Closely held ZF is one of the world's biggest auto-parts makers. It specializes in active and passive safety technology, according to its website. It employs 137,000 worldwide and had sales last year of €35.2 billion (\$41.2 billion).

ZF displayed a Plexiglas truck, above, at a trade fair in Hanover last year.

—Dana Cimilluca  
and Dana Mattioli

## Chipotle Wavers on Road to Recovery

BY JULIE JARGON

Chipotle Mexican Grill Inc. presented a mixed financial picture, as it continues to struggle to bring back customers despite giving away food and airing its first national ad campaign.

Its second-quarter results, which exceeded earnings expectations but missed analysts' projections for revenue and same-store sales growth, came about a week after a norovirus outbreak at a Chipotle restaurant in Virginia. More than 135 customers reported getting sick after eating at the Sterling, Va., location, marking a setback for the company's efforts to recover from a series of food-safety crises in 2015.

"We saw encouraging signs in our improved financial results during the first half of the year. Recent events, however, have shown that we still have a lot of opportunity to improve our operations and deliver the outstanding experience that our customers expect," said Chipotle Chief Executive Steve Ells.

The company's shares lost

nearly 13% of their value last week, erasing the nearly 5% gain made this year before the norovirus outbreak was disclosed. The shares rose 2.6% to \$348.95 on Tuesday and continued to climb in after-hours trading following the company's report.

Chipotle said its second-quarter profit rose to \$66.7 million, or \$2.32 a share, from \$25.6 million, or 87 cents a share, a year ago. Revenue increased 17% to \$1.17 billion and same-store sales rose 8.1%. Analysts had forecast earnings of \$2.18 a share on revenue of \$1.19 billion.

Chipotle raised menu prices by an average of 5% in many of its markets in April, the first time in more than two years, after returning to profitability in the first quarter. The latest outbreak may hamper Chipotle's ability to raise prices again to offset investments in marketing and upgrades to food-safety systems, and make it even harder to catch up to competitors that have passed along modest yearly price increases to their customers.

The company on Tuesday

### Comeback?

Chipotle's quarterly same-store sales, change from a year earlier



said it has seen little resistance so far to the price increases and feels that it has room to raise prices in other markets.

While Chipotle's brand perception scores were starting to climb in recent months, it hadn't returned to precrisis levels, according to brand tracking firm YouGov BrandIn-

dex. Since the reports from Virginia surfaced, Chipotle's brand scores have slid. The percentage of consumers saying they would consider Chipotle the next time they buy fast food fell 2 percentage points to 16%, and its quality score among consumers dropped to less than half of what it was on July 18, when the reports surfaced, the firm said.

Mr. Ells told investors Tuesday that an employee in Virginia was working while sick, in violation of company policy. "We took swift action and made it clear we have a zero-tolerance policy for not following our protocols," Mr. Ells said, adding that when its food-safety protocols are followed, "they work perfectly."

Chipotle has experienced some other problems in the past year, including a credit-card data breach. Chipotle on Tuesday said that it has completed its investigation into that security incident and found that the spring time frame it had previously disclosed for affected transactions was accurate for almost 99% of the restaurants.

## Service Bundles Help AT&T Boost Its Profit

BY DREW FITZGERALD  
AND MARIA ARMENTAL

AT&T Inc. kept losing phone and TV subscribers in its core U.S. market but enjoyed a more profitable second quarter, thanks to customers with bundled services.

"Our competitors tried just about every promotion in the marketing book," finance chief John Stephens said on a conference call with analysts, citing discounts from rivals that have pressured industry revenues and profits.

For many consumers, the cost of cellular services is plugging this year after AT&T and Verizon Communications Inc. brought back unlimited data plans. Sprint Corp. last month launched an offer that promised a year of free wireless service.

AT&T countered those deals with bundle offers designed to keep customers satisfied with savings from combined phone, TV and internet service. The company lost another 199,000 video customers in the U.S.,

though its new DirecTV Now streaming service gained 152,000 subscribers. Mr. Stephens said "the vast majority" of DirecTV Now customers were bundling the online TV service with wireless service.

AT&T is counting on bundled-service offers to stanch customer losses that have sapped its top line for two years.

The company, already the biggest pay-television operator in the U.S. since it acquired satellite provider DirecTV, is now looking to add Time Warner Inc. to the fold, which would give the Dallas company high-profile media brands including CNN, HBO and the Warner Bros. film and TV studio.

AT&T's overall second-quarter profit rose 15% to \$3.92 billion, or 63 cents a share. Excluding merger and integration costs and other items, profit rose to 79 cents a share, from 72 cents a year earlier. Revenue fell 1.7% to \$39.84 billion, its third consecutive quarterly decline.

## TECHNOLOGY

WSJ.com/Tech

# Venture-Capital Funds Reach Dot-Com Era Levels

By ELIOT BROWN

Giant venture-capital funds are piling up in Silicon Valley, a sign that foundations, pension funds and endowments are still willing to rush money into the risky startup sector despite lingering concerns about overheated valuations.

The latest firm to raise a jumbo-size fund is **Canaan Partners**, a fixture on the venture-capital scene that collected \$800 million for new investments in tech and health-care startups. Canaan's 11th fund is the largest in its

30-year history, up from \$675 million three years ago, it said.

Canaan's new war chest furthers a trend since early last year of venture funds ballooning to levels not seen since the dot-com boom. The capital influx has helped startups stay private longer with money that in past eras would have been raised publicly.

Last year, U.S. venture firms raised 30 funds totaling at least \$500 million each, according to Dow Jones VentureSource. That is up from 17 in 2015 and by far the most in

a year since 2000, when there were 54.

Through the first half of this year, there were eight such megafunds recorded by VentureSource that collected a total of \$9.3 billion, which represented about half of the entire sum of capital raised by 302 venture-capital funds. The median fund size is generally around \$100 million.

Fund managers raising outsize funds over the past year include firms such as New Enterprise Associates and Technology Crossover Ventures, which raised \$3.3 billion and

\$2.5 billion, respectively, both their largest to date.

"It feels like people are saying, we want to double down on the winners," said Maha Ibrahim, a managing partner at Canaan. "It's a very active environment."

The influx of money from limited partners—the foundations, pension funds, endowments and other big money managers that invest in venture capital—suggests investors hope the startup frenzy of recent years will march on.

Investment returns in recent years have been notably

strong amid a low-interest-rate environment, thanks to startup valuations soaring to new heights.

As of July, 100 U.S. startups were valued at \$1 billion or more, about triple the number from three years ago, according to The Wall Street Journal's Billion Dollar Startup Club.

Those returns, however, are mostly on paper because so few startups are holding initial public offerings, the main vehicle for venture firms to reap big profits.

The lack of appetite from

the public markets spooked venture capitalists, pushing startup funding down 29% to about \$55 billion last year, according to VentureSource. Investment in venture firms, meanwhile, rose 18% to about \$44 billion last year, the most since the height of the dot-com boom.

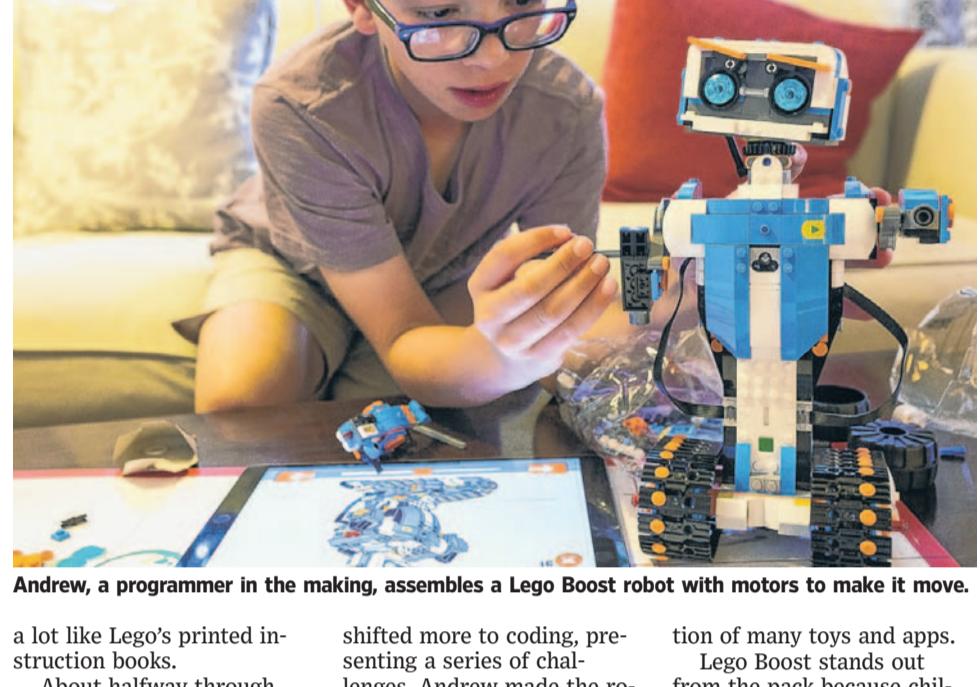
Ms. Ibrahim said Canaan's existing investors collectively wanted to invest about 50% more money than the last fund while new investors were eager to get in, leading to demand well in excess of the \$800 million.

## FOWLER

*Continued from page B1*  
with little assistance from me. "Even though it is complicated, it's very cool how you get to build all these things," he says.

Building the robot with Andrew began like all Lego projects: ripping open a box and then desperately attempting to not lose little bricks in the carpet. While most of the 847 pieces resemble the billions out there in the wild, Boost kits include a Move Hub. Inside is a computer, a Bluetooth wireless chip, motors and motion sensors. There's also a piece containing a color and distance sensor, and an additional motor piece.

The other new part is an app for iPads and Android tablets. (Alas, it doesn't work on phones.) You start in an introductory lesson, building a simple truck. That teaches you the basics, including how to install six AAA batteries (not included) and how to make programs. Andrew assembled Vernie by following on-screen diagrams that look



Andrew, a programmer in the making, assembles a LEGO Boost robot with motors to make it move.

a lot like LEGO's printed instruction books.

About halfway through, the app paused the build and asked Andrew to assemble code to make Vernie come alive. "My neck is sore," said the robot, to Andrew's delight.

Once Andrew gave Vernie his tank-tread legs, the app

shifted more to coding, presenting a series of challenges. Andrew made the robot say "Hello" when he shook its hand by combining two bits of code, an input from Vernie's tilt sensor and an output to the iPad's speaker.

Encouraging children to code is a growing preoccupa-

tion of many toys and apps.

LEGO Boost stands out from the pack because children build both the objects and the code to make them come alive, multiplying the opportunities for creativity. LEGO executives say they don't consider Boost to be a "teaching" product. It isn't goal-oriented like educational

programs, though children come away with coding fundamentals like sequencing and looping.

Among my test crew, Boost also appealed because it's classic LEGO—a toy kazillions of young people understand intuitively. (A more complicated LEGO kit called Mindstorms is often used to teach robotics to older students.) LEGO encourages children to use the brainy new Boost components with their other creations. How about a dragon that walks? The app offers help to make one.

When Eleanor and her brother Wes, 6, began programming the cat, one of the first exercises was to give it a LEGO-brick bottle of milk, which it "drinks," triggering simulated feline flatulence. Later, Wes had a Eureka moment, figuring out how to make Vernie move forward and shout "OMG" when he clapped his hands.

"In regular coding games you look at the screen to see the things happen, but in this coding game you look at the robot to see if you did it right," Wes says.

The Boost coding experience is similar to a visual

language called Scratch, developed at MIT. The code blocks are identified by icons and colors, not words. The LEGO app communicates how to use it without any text or tutorials. You learn by doing.

My testers were disappointed that the Boost pieces have limited lights and no speakers; noises only come from the tablet.

One of my few complaints about the Boost app is that it doesn't offer any help for parents. There's no search function for code blocks, and since they don't come with explanatory text, it can be hard to help when a child gets frustrated. My advice: Take it slow. LEGO Boost's capabilities go wide, and a child could spend a week working out all the possibilities of just one or two bits of code.

What impressed me most about LEGO Boost was how much my testers say they enjoyed the coding aspect.

LEGO-obsessed Wes, who's slightly younger than Boost's advertised age, says coding is better than building because it's "faster and funner." I think there are plenty of engineers in Silicon Valley who'd agree.

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## CLASS ACTIONS

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
SOUTHERN DIVISION

IN RE ALLERGAN, INC. PROXY VIOLATION  
SECURITIES LITIGATION

Case No. 8:14-cv-2004-DOC (KES)

CLASS ACTION

Honorable David O. Carter

## SUMMARY NOTICE OF PENDENCY OF CLASS ACTION

To: (I) All persons who sold Allergan, Inc. ("Allergan") common stock during the period February 25, 2014 through April 21, 2014, inclusive (the "Class Period") and were damaged thereby ("Class Members"); and

(II) All persons who traded price-interdependent derivative securities of Allergan ("Non-Class Member Derivative Investors").

## I. To Class Members:

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Central District of California, Southern Division, that the above-captioned action (the "Action") has been certified to proceed as a class action on behalf of the Class as defined in Roman Numeral (I), above. Please Note: At this time, there is no judgment, settlement or monetary recovery. Trial in this Action is currently scheduled for January 30, 2018.

IF YOU ARE A MEMBER OF THE CLASS, YOUR RIGHTS WILL BE AFFECTED BY THIS ACTION. A full printed Notice of Pendency of Class Action (the "Notice") is currently being mailed to known potential Class Members. If you have not yet received the full printed Notice, you may obtain a copy of the Notice by contacting the Administrator:

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Dublin, OH 43017-4036  
(855) 474-3851

[www.AllerganProxyViolationSecuritiesLitigation.com](http://www.AllerganProxyViolationSecuritiesLitigation.com)

Inquiries, other than requests for the Notice, may be made to the following representative Class Counsel:

Jeremy P. Robinson  
**BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP**

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New York, NY 10020  
(800) 380-8496  
(212) 554-1400

Lee Rudy  
**KESSLER TOPAZ MELTZER & CHECK, LLP**

280 King of Prussia Road  
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If you ask to be excluded from the Class, you will not be bound by any order or judgment of this Court in this Action, and you will not be eligible to receive a share of any money which might be recovered for the benefit of the Class. To exclude yourself from the Class, you must submit a written request for exclusion postmarked no later than September 11, 2017, in accordance with the instructions set forth in the full printed Notice. Pursuant to Rule 23(e)(4) of the Federal Rules of Civil Procedure, it is within the Court's discretion as to whether a second opportunity to request exclusion from the Class will be allowed if there is a settlement or judgment in the Action.

## II. To Non-Class Member Derivative Investors:

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Further information regarding this notice may be obtained by directing your inquiry in writing to the Administrator at the address provided above.

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BY ORDER OF THE COURT:  
United States District Court  
For the Central District of California  
Southern Division



Most of the growth in the OLED market is concentrated in smaller OLED panels for smartphones.

## LG Backs Small Displays

BY EUN-YOUNG JEONG

SEOUL—LG Display Co. said it would invest an additional 7.8 trillion South Korean won (\$7 billion) to churn out more smaller organic light-emitting-diode display panels used largely in premium smartphones, a bid to challenge Samsung Display's dominance.

Seoul-based LG Display has already said it would invest \$6.5 billion in OLED produc-

tion at its two factories in South Korea.

The global OLED market is expected to reach \$25.2 billion this year, according to research firm IHS Markit, up 63% from last year.

Most of that growth is concentrated in smaller OLED panels, a sector dominated by Samsung Electronics Co.'s display-making affiliate, Samsung Display, which holds 97.1% market share by revenue.

While LG Display holds a monopoly in the market for large OLED panels used in televisions, the company has stuck to older liquid-crystal display technology for smaller devices such as smartphones.

The bulk of smartphones use LCD displays, but premium smartphones are switching to OLED, including Apple Inc., which will use OLED screens for its coming iPhone 8. That shift has pushed LG Display to jump into the fray for smaller OLEDs.

OLED displays are thinner and more flexible, allowing phone makers to sell devices that are curved and sleeker in appearance.

Advocates say OLED also offers better color contrast and energy efficiency.

LG Display said Tuesday that its new OLED investment would be divided between large and smaller OLED displays at its factory in Paju, near South Korea's border with North Korea.

About two-thirds of the investment, or \$4.5 billion, will go into the production of smaller OLEDs, while the remainder will be invested in large OLEDs.

In addition to its investment in its home country, LG Display said it would start producing large OLEDs at its facility in Guangzhou, China, a plant previously used solely to make LCDs for televisions. The company didn't confirm the size of its investment in Guangzhou.

Tuesday's announcement came after the company said it made \$720.5 million in operating profit for the three months ended June 30, a 22% decline from the previous quarter.

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## MANAGEMENT

# The State of Good Jobs in America

More than 30 million jobs that pay \$35,000-plus are open to noncollege graduates

BY LAUREN WEBER

At a time when politicians and pundits decry the end of middle-class jobs, it may come as a surprise that there are 30 million jobs paying more than \$35,000 a year for U.S. workers without four-year college degrees.

Now for the bad news: there are 75 million U.S. workers without college diplomas, or 2.5 workers for every one of those good jobs, meaning that high-school grads have far lower odds of winning the career lottery than they did 25 years ago, according to a new report from Georgetown University's Center on Education and the Workforce. Good jobs, as defined by the report's authors, pay more than \$35,000 a year, or more than \$45,000 for workers over the age of 45.

The number of good jobs for noncollege graduates rose to 30 million in 2015 from 27 million in 1991, but the labor market grew, too. By 2015, the share of all good jobs that went to noncollege graduates fell to 45% from 60% in 1991—leaving 45 million workers in low-paying, sometimes part-time roles that don't offer a path to the middle class.

In the post-World War II era, jobs in manufacturing and production propelled millions of American workers into the middle class. To-



**Workers assemble television chassis in New York in 1947.**

day, more middle-class jobs for nongraduates are in financial services and health care. A high-school diploma alone won't cut it for a lot of those jobs, however.

Among noncollege degree holders, only workers with an associate degree had better odds of finding a good job in 2015 than they did 1991, Georgetown found. High-school graduates and dropouts, and people with some college, are all faring worse now than before, the report says. "There's an as-

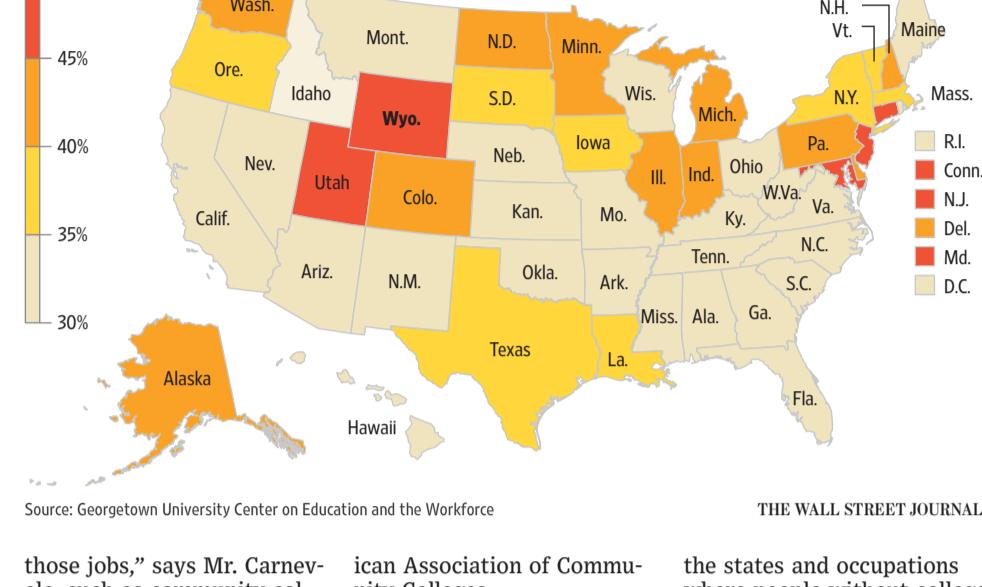
sumption that there are no good jobs available if you don't have a B.A.," says Anthony Carnevale, the Center's director. There are still pathways to well-paying careers, but fewer jobs pay a living wage—at least \$17 an hour for a full-time job—or higher for noncollege graduates relative to the total labor market. A growing share of those jobs require some postsecondary training, he says.

"You need to be in a program that leads directly to

## Where the Good Jobs Are

It is getting harder for workers without college degrees to find jobs that pay more than \$35,000 a year. Of all jobs in Wyoming held by people without bachelor's degrees, 50% are good jobs, the most of any state.

Percentage of jobs held by noncollege graduates that pay more than \$35,000 a year



Source: Georgetown University Center on Education and the Workforce

THE WALL STREET JOURNAL.

the states and occupations where people without college degrees can find economic opportunities that pay at least a living wage.

In 1991, 27% of good jobs open to noncollege workers were in manufacturing; by 2015, the proportion had fallen to 16%; that share may fall further as employers reduce labor costs through globalization and automation.

The authors analyzed Census surveys from that period to draw their conclusions.

those jobs," says Mr. Carnevale, such as community college or a certification course. "And you need to hold your institution accountable to being able to prepare you for a job."

Workers are getting the message. The number of career-focused certificates awarded by community colleges, in fields such as electronics engineering, emergency management and video production, more than doubled between 2000 and 2014, according to the Amer-

ican Association of Community Colleges.

In 2015, Wyoming had the highest share of noncollege good jobs thanks to a boom in mining and other natural-resource industries, coupled with a low overall population. It was followed by New Jersey and Maryland, densely populated states with more diverse economies.

This fall, Georgetown, in concert with J.P. Morgan Chase & Co., will launch a Good Jobs Index that maps

ating on their own.

Best Buy's work-from-home program gave 5,000 headquarters employees free rein to choose where they worked, a perk that complicated tasks such as scheduling meetings, says Best Buy spokesman Jeff Shelman. "There was no control," he says. "Managers didn't have the tools to do their jobs."

The company ended the policy in 2013. Workers now arrange time out of the office with their managers.

The four years since the tele-work rollback have coincided with Best Buy's resurgence. Net income has more than doubled in the period and shares have climbed over 200%, though the company is reluctant to draw a connection between the results and the end of remote work.

# WORK

Continued from page B1

deadlines. Once in the office, he struggled with prioritizing tasks and managing his time during work hours, frequently missing deadlines in the first months on the job.

His manager, J.P. Medved, set weekly meetings to plan Mr. Marder's workflow, plotting deadlines. Mr. Medved says those changes improved Mr. Marder's ability to submit work on time.

Bosses acknowledge that remote workers don't suffer from productivity problems. Research has found telecommuters who can work outside normal office hours and don't have

to spend time commuting often are more productive than their cubicle-bound counterparts. Rather, managers want their teams within view and are willing to trade some efficiency for the serendipity that office-based conversations might yield.

Companies tend to clamp down on telework during periods of turmoil, says Ken Matos, vice president of research at Life Meets Work, a workplace consultancy.

As a finance vice president at Tetra Pak International SA, George Benaroya observed colleagues return to company workspaces when new leaders would take over divisions and rein in remote work.

Office comebacks were often a letdown, recalls Mr. Benaroya,

who left the company in 2012. Workers accustomed to personal space and sole use of their equipment at home had to adjust to cramped spaces and jammed printer queues.

The formerly remote employees' egos were bruised, too: The top managers who made special time for them during office visits paid less attention once those workers were a regular presence, he says. Managers spent extra time hand-holding former home workers, leaving less time for other duties.

"You lose efficiency," Mr. Benaroya says.

Tetra Pak spokeswoman Carol Yang says the issues that Mr. Benaroya describes don't reflect the company's current situation.

This spring IBM, long a promoter of remote work, offered thousands of work-from-home employees a choice to follow their position back to an office or apply for a new role. Those who chose to do neither could leave the company.

Marketing manager Dave Wilson spent a decade working from home in Nashua, N.H. With two young children home during work hours, distractions abounded and Mr. Wilson says he felt isolated from colleagues.

So when his job was relocated to Raleigh, N.C., he took a position marketing artificial-intelligence products at IBM's Littleton, Mass., campus.

He relishes the verbal sparring of the office. During a recent meeting to critique IBM's e-commerce offerings, partici-

pants got in each other's faces to make their points—when he attended meetings via conference call, people would disengage unless they were leading the conversation, he recalls.

IBM's leaders want to provoke those creative tensions, and have spent \$750 million to redevelop its workplaces around a new system of teamwork; the company has also trained 160,000 employees on working more nimbly.

As former telecommuters arrive at IBM's Austin, Texas, location, Joni Saylor will help to integrate them into office culture. Ms. Saylor, a product-design director who worked remotely for IBM until 2013, says telecommuters sometimes struggle to adjust to working in teams after oper-

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# THE PROPERTY REPORT

## At SL Green, a Rebuke Over Pay

Shareholders reject compensation plan, joining other REITs with similar outcomes

By PETER GRANT

Shareholders of **SL Green Realty Corp.** this year for the first time rejected the office-building landlord's 2016 compensation, saying it was too generous and wasn't sufficiently aligned with investors' interests.

In a nonbinding say-on-pay vote in June, investors rejected the company's 2016 compensation, which awarded SL Green Chief Executive Marc Holliday \$17.3 million, the highest amount in the real-estate investment trust industry.

SL Green was one of several REITs in the recently ended proxy season that had their executive pay rejected, marking an unusually strong rebuke of a sector that is generally lauded for its compensation practices.

Executives of SL Green, one of the largest U.S. office REITs, said the amount was justified given Mr. Holliday's performance and the fact that the plan was modified to address investors' concerns in the past.

But analysts and investors criticized numerous provisions, including a 29% increase in Mr. Holliday's base salary without an explanation in the company's proxy filing with the Securities and Exchange Commission.

Some also noted this year's rejection followed several years when investors voiced similar concerns.

Shares of REITs have been lagging behind the broader stock market. Office REITs are up only about 0.6% this year, compared with 11% for the S&P 500. Retail REITs are down 10%.

Shares of SL Green, the biggest office landlord in New York, closed at \$102.02 on Tuesday, down about 5% for the year. Like many other office companies, it is being hurt by concerns over new supply and slowing rent and occupancy growth.



SL Green CEO Marc Holliday and President Andrew Mathias were allowed to buy stakes in the One Vanderbilt project in Manhattan.

Three other REITs besides SL Green had their compensation rejected by investors in the non-binding say-on-pay votes, a large number given that there were only 29 no votes in the entire corporate world, according to Jeremy Banoff, a senior managing director with **FPL Associates LP**, a compensation-consulting firm that focuses on the real-estate industry.

The other three REITs were **Whitestone REIT**, of Houston, and **Senior Housing Properties Trust** and **Hospitality Properties Trust**, both of Newton, Mass. Executives of those three companies didn't return calls seeking comment.

In the past two years, SL Green has eked out relatively slim victories on say-on-pay votes. Proxy advisory firm **Institutional Shareholder Services Inc.**, a longtime critic of SL Green's pay, said in a report that a no vote was warranted

this year "in light of the [compensation] committee's poor responsiveness to shareholder concerns following multiple consecutive years for low say-on-pay support."

This year, only 43% of SL Green's voting shareholders supported the company's compensation.

In an interview with The Wall Street Journal, the chairman of SL Green's compensation committee, John Alschuler Jr., said management was disappointed by the outcome and takes the opinion of its shareholders seriously. But he also criticized the ISS report, calling parts of it "vacuous intellectually."

Mr. Alschuler said Mr. Holliday's increase in base salary amounted to \$300,000, which he described as a rounding error given the size of the chief executive's total pay package.

Partly because of SL Green's share price, Mr. Holliday's to-

tal compensation in 2016 was 25% less than his 2015 package.

Mr. Alschuler said his committee made changes in the 2016 plan that made it simpler, clearer and more performance-based than previous compensation plans.

Mr. Alschuler said Mr. Holliday asked for the higher base salary because much more of his compensation is now at risk. "We thought that was fair," he said.

But Mr. Holliday's total compensation is more than triple the median remuneration of the largest 100 public REITs as calculated by FPL. His base salary increase gave him the second-highest base salary in the REIT industry.

Critics also called attention to SL Green's award to Mr. Holliday of options valued at more than \$2 million, which he will automatically receive after one more year of employment.

Mr. Alschuler said that SL Green is a frugal company, given that its total overhead costs are low compared with comparable REITs.

"What ISS is saying is: You're a really frugal company, but we don't like how you're frugal."

Mr. Alschuler said some shareholders may have voted no because they were concerned Mr. Holliday and SL Green President Andrew Mathias were allowed to buy stakes in the company's development at One Vanderbilt in Midtown Manhattan. Some investors, he said, wrongly believe that might give Messrs. Holliday and Mathias incentives to favor One Vanderbilt over other office buildings SL Green owns.

Mr. Alschuler said that concern isn't valid partly because the two executives also own a "very significant amount" of stock in the whole company.

### PLOTS & PLOYS

#### COMMERCIAL REAL ESTATE

##### Los Angeles Beats New York in Sales

Los Angeles overshadowed New York as the largest U.S. commercial real-estate sales market in the first half of this year, according to preliminary data from Real Capital Analytics.

Investors purchased \$12.6 billion of Los Angeles property during the six-month period, compared with \$10.6 billion in Manhattan, said the data firm, which plans to update the numbers later this week.

Usually Manhattan far overshadows other markets because it is bigger and more attractive to global investors.

But investors are migrating to other markets because prices in New York have reached high levels, said Jim Costello of Real Capital.

Overall, U.S. sales volume continues to lag behind last year, according to the preliminary statistics. In the first half, \$209.4 billion of office buildings, stores, warehouses and other commercial real estate changed hands, down 9% from the same period in 2016, Real Capital said.

Declines were especially sharp in major markets. Deal activity fell 55% in Manhattan and 11% in Los Angeles, according to Real Capital. Volume, meanwhile, increased 19% in Dallas and 18% in Atlanta.

—Peter Grant

#### HOUSING

##### Lack of Workers Results in Shortage

One of the reasons for the housing shortage that is gripping the U.S. is especially perplexing: it is a dearth of construction workers.

The size of the construction workforce in the U.S. declined to 10.4 million in 2015 from 10.6 million near the bottom of the market in 2010, according to a new analysis of U.S. Census data by Issi Romem, chief economist at BuildZoom, a website for contractors.

Contrast that with the period from 2000 to 2005, when the construction labor force—the

sum of employed and unemployed workers—swelled to 11.5 million from 9.3 million.

A critical reason for the recent declines is the graying of the American construction workforce.

In 2000, the average construction worker was 7.5 months younger than the typical U.S. worker. By 2005, the gap widened to nearly 18 months. But now the average construction worker is older than the average employee by 5.5 months.

"The industry has lost a lot of its younger workers and hasn't been able to bring them back," Mr. Romem said.

The result is that fewer new housing units are being built, and those that are tend to be more expensive, in part because of rising wages.

—Laura Kusisto

#### SABRA HEALTH CARE Funds Oppose Deal

Two major investors of **Sabra Health Care REIT Inc.** are coming out against its proposed deal to acquire another health-care REIT, saying Sabra is overpaying for skilled nursing assets that are in bad shape.

Hedge funds **Eminence Capital LLC** and **Hudson Bay Capital Management LP** said they plan to vote against Sabra's proposal to buy another real-estate investment trust, **Care Capital Properties Inc.**, noting that Care Capital's portfolio of 305 skilled nursing facilities is struggling and will likely continue to worsen.

"I clearly disagree with their assessment," said Richard Matros, chief executive and chairman of the board at Irvine, Calif.-based Sabra.

Eminence Capital currently has a 3.9% stake in Sabra, while Hudson Bay Capital has roughly a 3.4% stake. Eminence started investing in Sabra in May while Hudson Bay Capital invested in June.

"We think Sabra is making a big mistake in getting bigger in skilled nursing facilities," said Ricky Sandler, founder of Eminence Capital. "Our view is that it's a bad transaction."

—Esther Fung

These buildings have triple-net-lease structures, which are typically leased to single tenants such as **McDonald's Corp.** or **CVS Corp.** Landlords simply own the buildings, while tenants under long-term leases of about 10 to 20 years manage the properties and pay the operating expenses and taxes. These real-estate holdings are seen to generate low but sta-

ble yields.

The buyers are typically baby boomers and other high-net-worth individuals looking for something with no landlord maintenance," said Eric Carlton, senior vice president at Colliers International, a real-estate services firm.

The Wal-Mart locations each changed hands for \$12 million to \$15 million, prices that implied capitalization rates, a measure of yield, of 5.15% to 5.75%.

Wal-Mart is a creditworthy tenant with a strong brand name that attracts a lot of buyers that are "turning to coupon clipping," said Mr. Carlton, who is the broker representing Hutton in these transactions.

Older investors of past generations clipped coupons from bonds, sent them to a utility company and received quarterly checks as interest payments on the debt.

Investors these days generally prefer retail real estate featuring tenants that are more resistant to competition from the internet, such as grocery stores, fitness centers, health clinics and laundromats.

Online grocery sales accounted for less than 1% of the

\$1 trillion U.S. grocery retail market in 2016, making it one of the lowest online-penetrated categories in retail, according to **Moody's Investors Service**.

Grocery-anchored shopping centers are priced to deliver superior private-market returns compared with power centers, said real-estate research firm Green Street Advisors in a recent research note. Power centers are open-air shopping centers that typically have off-price, apparel or office-supply retailers as tenants.

"It's been a profitable and high-profile assignment for us to invest in, build and now offer for sale these Wal-Mart occupied stores that have brought with them jobs, lower prices, and convenience to many communities where the closest grocery store was sometimes 100 miles or more distant from where customers live," said Karen Hutton, chief executive of Hutton Cos.

Hutton was one of the developers retained by Wal-Mart to build 30 sites two years ago, and an additional 15 sites are for sale, mainly in secondary markets in Louisiana, Alabama, South Carolina, Tennessee and Georgia.

## Digital Upheaval Is a Boon For Some

By ESTHER FUNG

E-commerce has been blamed for the struggles of retail real estate, but is proving to be a benefit for owners of data centers and cell towers.

As more people consume digital content and make purchases online, landlords and owners of data centers and cell towers that house cables and beam data to smartphones are looking to expand faster.

Cell-tower operator **REIT Crown Castle International Corp.** on July 18 said it is making a \$7.1 billion acquisition of **Lighttower Fiber Networks**, a purchase that would double its fiber-optic footprint and expand its reach to Northeast U.S. markets.

Data-center owner and operator **Digital Realty Trust Inc.** said in June that it would acquire competitor **DuPont Fabros Technology Inc.** in an all-stock deal valued at \$7.6 billion. San Francisco-based Digital Realty said the transaction will strengthen its existing portfolio in northern Virginia, Chicago and Silicon Valley.

## 22%

Total returns for infrastructure REITs in the first half of 2017

The moves show how technology is creating numerous winners in real estate even as it disrupts traditional industries such as retailing.

While mall owners face pressure from the rise of e-commerce, the increase in web activity is fueling demand for wireless infrastructure and racks of telecommunication equipment that need to be stored somewhere.

"Technology innovation has impacted a lot of the real-estate asset classes. Just look at today versus five years ago," said Andrew Power, chief financial officer of Digital Realty, who pointed to the disruption Airbnb Inc. has wrought on the hotel industry.

Information-technology firms and cloud-service companies such as **Amazon Inc.** and **Facebook Inc.** are driving demand for data centers, while the growth of supply of data centers has been slow to catch up, he said.

All of that is being reflected in share prices. Total returns from data centers were 22% in the first half of this year, higher than the 4.9% return of all equity REITs, according to data from the National Association of Real Estate Investment Trusts, and the 11% return for the S&P 500 stock index.

Total returns from infrastructure REITs, which include cell towers, were 22% over the same period.

"Data centers are truly a growth real-estate sector. We're all using these electronic file cabinets," said Joel Beam, managing director and senior portfolio manager of real-estate strategies at asset-management firm Salient Partners LP, which had increased its investments in data centers in recent months.

Houston-based Crown Castle is focused on providing infrastructure to lease to wireless carriers such as **Verizon Communications Inc.**, **AT&T Inc.** and **T-Mobile US Inc.** in urban areas. Its latest all-risk deal is its biggest to date.

Cell towers are the main platform of the digital economy, said Crown Castle Chief Executive Jay Brown.

"It's very similar to railroad tracks and toll roads," he said.

Yet there are questions over how quickly advances in technology could shrink the amount of space necessary for storage and transmission of data, and whether there could be alternative uses for the highly specialized real estate.

"You wonder if all this stuff could eventually be stored on the head of a pin. I'm not a tech expert," Mr. Beam said.



Stable revenue is a lure for those buying sites that house Wal-Mart Neighborhood Market stores.

## Investors Embrace Grocers

By ESTHER FUNG

Investors have been pulling back from retail real estate lately as online shopping continues to encroach on brick-and-mortar locations. But investors are still hungry for one category of retail property: grocery stores.

Small investors are buying up stand-alone retail sites that house **Wal-Mart Stores Inc.**'s smaller grocery stores in the South, eyeing the stable revenue being generated by the largest U.S. grocer.

Last week, an investor bought four buildings that house Wal-Mart Neighborhood Market in Tennessee for \$49.5 million from Chattanooga-based developer **Hutton Cos.** Another three buildings are in escrow for three separate buyers.

These buildings have triple-net-lease structures, which are typically leased to single tenants such as **McDonald's Corp.** or **CVS Corp.** Landlords simply own the buildings, while tenants under long-term leases of about 10 to 20 years manage the properties and pay the operating expenses and taxes.

Investors these days generally prefer retail real estate featuring tenants that are more resistant to competition from the internet, such as grocery stores, fitness centers, health clinics, and laundromats.

Online grocery sales accounted for less than 1% of the

## BUSINESS NEWS

# Former Fox Executive Sues Over Alleged Fraud

By JOE FLINT

A former Fox News executive who left the company after being accused of sexual assault and harassment by an on-air contributor has sued the channel's parent, **21st Century Fox**, alleging fraud and breach of contract.

Francisco Cortes, a vice president at Fox News Latino, left the channel last fall after Tamara Holder accused him of exposing himself to her and attempting to force her into a sexual act, people familiar with the matter said. He denies the misconduct alleged by Ms. Holder.

In the suit, filed Tuesday in the Southern District of New York, Mr. Cortes claims that 21st Century Fox violated the terms of a settlement agreement the parties reached by issuing a statement to the New York Times that he claims disparaged him and damaged his reputation.

The Times story in question, which was published on March 8 and lays out Ms. Holder's claim that she was

sexually assaulted by Mr. Cortes, includes a statement from Fox News and Ms. Holder that says the network investigated her claim promptly. The statement doesn't refer to Mr. Cortes by name.

Ms. Holder, who no longer has ties to Fox News, received a \$2.5 million settlement payment, a person with knowl-

*Francisco Cortes left Fox after being accused of sexual assault and harassment.*

edge of the pact said.

A Fox News spokeswoman said, "The allegations in this lawsuit are frivolous and without merit."

In his complaint, Mr. Cortes says he will provide evidence including emails and photos to show the relationship with Ms. Holder was consensual. Mr. Cortes is seeking \$48 million in damages.

21st Century Fox and Wall Street Journal parent News Corp share common ownership.

The Cortes-Holder matter was one of many incidents of alleged sexual harassment Fox News dealt with over the past year. Roger Ailes resigned as the network's chairman and chief executive in July 2016 amid a company investigation into allegations by multiple women that he harassed them. Fox has paid to settle several lawsuits related to Mr. Ailes's alleged misconduct. On-air star Bill O'Reilly also exited after payments he and the channel had made to settle complaints became public.

Mr. Ailes, who died in May, denied all charges of harassment as did Mr. O'Reilly.

Federal prosecutors have been investigating whether 21st Century Fox made sufficient disclosures to its investors about earlier settlements of sexual-harassment claims against Mr. Ailes, people familiar with the matter said. The company has said it is cooperating with the probe.

## Time Looks to Sell U.K. Division

By JEFFREY A. TRACHTENBERG

Time Inc. has hired an investment bank to explore a possible sale of its Time Inc. UK division and is in early-stage discussions with potential buyers, according to a person familiar with the situation.

The move is part of the magazine publisher's efforts to sell off noncore assets after deciding against a sale of the entire company in April.

The U.K. division's brands include Horse & Hound, Country Life, and Decanter, according to its website. It also publishes

such fashion and beauty titles as InStyle and Marie Claire UK.

In its 2016 annual report, Time Inc. said its U.K. operations generated \$313 million in revenue, down from \$370 million in 2015. The division's revenue represented 10% of the company's total 2016 revenue of almost \$3.1 billion.

It is unclear how much money Time Inc. may be able to get in a sale of the U.K. business.

The decision to re-examine its brand portfolio comes as Time Inc. is betting more heavily on its digital and video fu-

ture, and as its print advertising and circulation revenues continue to decline.

Time Inc. shares had topped more than \$19 earlier this year, when discussions were ongoing with potential suitors for the whole company but now trade around \$14.30, giving the company a market value of \$1.4 billion.

On Monday, Time Inc. said it was looking to sell a majority stake in Essence, the monthly African-American women's lifestyle publication focused on entertainment, fashion, beauty and culture.

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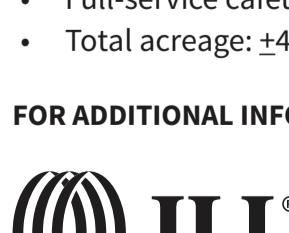
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Tuesday, July 25, 2017

NYSE highs - 226				52-Wk %				Stock Sym Hi/Lo Chg				52-Wk %				Stock Sym Hi/Lo Chg				52-Wk %				Stock Sym Hi/Lo Chg											
Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg								
AGCO	AGCO	72.32	0.2	DowChemical	DOW	67.50	1.0	MGM Resorts	MGM	34.53	0.8	Tesoro	TSO	98.69	1.1	DirexSPBotechB3	LABU	76.00	-4.3	iSh&S+TotUSMkt	ITOT	56.79	0.3	PwrShDyMkt	PWC	89.11	0.6	ProShUltraProShFrl	FINZ	11.70	-2.8	iShNasdaqBiotech	IBB	329.90	-1.1
Aaron's	AAR	40.90	1.4	DD	86.36	1.4	MSCI	MSCI	110.53	0.2	TexasPacLand	TPL	338.06	2.4	DirexSP+P00BIL25	DLSP	32.83	0.6	iShCurHdgMSICM	HEEM	54.56	-1.1	PwrShDySoftware	PSJ	58.63	0.5	ProShRus2000	SRTY	39.77	-2.7	JD.com	JD	44.35	2.1	
Accenture	ACN	129.31	0.1	ElieMae	ELLI	114.92	0.5	MVC Capital	MVC	10.46	0.1	ThirdPointReins	TPRE	14.65	2.5	DirexSCBull2	SMLL	44.84	1.2	iShUSBasicMaterial	IVYM	93.63	1.3	PwrShFTSE US1000	PRF	105.39	0.6	JanusSGCrAlpha	JXML	34.63	1.2				
AdamsEqityFd	ADXF	14.81	1.0	EatonVance	EMIN	86.60	0.4	MacqGlbInfr	MGU	25.46	0.8	TotalSystem	TSS	63.74	0.8	DirexSCBull3	TNA	60.28	2.7	iShUSaerospaceDef	ITA	164.91	0.1	ProShUrbScMs	SMM	16.30	-2.9	KontourOutdoors	JOUT	50.13	1.7				
AdvDisposalsVcs	ADSW	24.23	2.4	DynagasLNG PfdA	DLNcPdA	26.95	0.5	MVC Capital	MVC	10.46	0.1	TransCanada	TRP	51.81	0.1	DirexSCBull4	IBNL	30.32	0.7	iShUSaerospaceDef	ITB	164.91	0.1	PwrShDyWkt	XFS	42.97	0.3	ProShUrbScMs	EUO	22.04	0.1	K2MGroup	KTWO	25.99	0.8
AerojetRocket	AJRD	23.94	0.4	Enfudis	EFX	145.35	0.2	Marsh&McLennan	MMC	81.00	0.6	Tritonlnt'l	TRTN	24.94	0.4	DirexBull5	TEF	16.98	1.2	iShMktMthlyCyle	TEF	16.98	1.2	PwrShDyMkt	PWD	37.53	0.3	ProShUrbScMs	FIN	12.26	0.3	KaiserAlum	KALU	98.72	0.2
Aetna	AET	157.56	0.4	Equifax	EL	99.10	1.0	McDonalds	MCD	159.98	4.8	Turkellitism	TKC	182.31	0.5	DirexBull6	TYL	182.31	0.5	iShUSFinServices	IVG	116.69	1.3	PwrShDyMkt	PSK	58.63	0.5	ProShRus2000	SRTY	39.77	-2.7	LGI Homes	LGH	45.09	2.1
AffiliatedMtrs	AMG	182.67	1.3	EastmanChem	EMIN	86.60	0.4	MadisonSqGarden	MSG	27.18	0.5	UBS Group	UBS	31.81	0.7	DirexBull7	EV	20.56	0.8	iShUSInsurance	IAI	64.64	0.8	JanusSGCrAlpha	JXML	34.63	1.2	LPL Financial	LPLA	46.04	1.6				
AlamoGroup	ALG	95.59	1.0	Everi	EVRI	7.96	3.0	Moelis	M	44.85	7.7	U.S. Bancorp	U	10.50	1.6	DirexBull8	UTL	52.00	1.0	iShUSInsurance	IAI	64.64	0.8	MonolithicPower	MPWR	19.40	1.0								
AllianzGenRe	AMX	17.94	0.1	Fidelity	FMC	15.14	1.5	MarathonPetrol	MPC	56.64	0.8	Tronox	TXO	20.20	2.2	ETF Exposure	TEF	16.98	1.2	iShEdgMSClntNm	IMTM	28.99	0.6	LegoMasonDev	DBDI	28.64	0.4	LegedMasonDev	EDBI	31.39	0.4				
AmEqtyLf	AEL	28.32	-0.9	Fidelity	FICO	145.76	1.0	MidCap	MFC	102.98	0.6	Titan	T	105.85	-0.9	FidelityMSCHg	PSK	40.93	0.3	LendingTree	TREE	190.30	0.9	OrbitSpace	LORL	45.75	0.7								
Americorp	AMX	139.91	0.9	Fidelity	FDC	19.20	1.3	NVR	NVR	269.00	0.3	U.S. Bancorp	UBS	47.10	0.6	FidelityMSCHg	PSK	40.93	0.3	Macom Tech	MTSI	65.54	2.0	Matrise	MTLS	15.74	9.2								
ArrowElec	ARW	84.21	1.4	Fidelity	FRC	32.79	6.4	NatlPrestolts	NPS	114.06	0.4	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	Microsoft	MSFT	74.31	0.8	MonolithPower	MPWR	10.26	0.1								
ArtisanPlsAsset	APAM	33.75	2.3	Fidelity	FRT	58.33	0.9	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	NordWest	NDRW	73.35	0.1	LegedMasonDev	EDBI	31.39	0.4								
Assurant	AIZ	106.99	0.3	Fidelity	FRD	10.50	1.0	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	NorthStar	NTRI	62.00	0.7	NorthstarCruise	NTRI	19.10	0.0								
AsturedGuaranty	AGO	45.59	0.4	Fidelity	FRG	10.50	1.0	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OrbitSpace	LORL	45.55	0.7	OrbitSpace	OVC	15.50	-1.8								
AtmosEnergy	ATM	86.98	1.1	Fidelity	FRG	10.50	1.0	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OldDomFreight	ODFL	100.71	1.3	OldDomFreight	PTCT	218.15	-0.7								
Avon	AON	141.31	0.3	Fidelity	FRT	58.33	0.9	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OldDomFreight	ODFL	100.71	1.3	OldDomFreight	PTCT	218.15	-0.7								
BaillieGifford	BGF	18.82	1.4	Fidelity	FRT	58.33	0.9	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OldDomFreight	ODFL	100.71	1.3	OldDomFreight	PTCT	218.15	-0.7								
Bancor	BAN	139.91	0.9	Fidelity	FRT	58.33	0.9	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OldDomFreight	ODFL	100.71	1.3	OldDomFreight	PTCT	218.15	-0.7								
Bechtel	BTC	10.50	0.1	Fidelity	FRG	10.50	1.0	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OldDomFreight	ODFL	100.71	1.3	OldDomFreight	PTCT	218.15	-0.7								
BectonDickinson	BDX	206.63	-0.7	Fidelity	FRG	10.50	1.0	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OldDomFreight	ODFL	100.71	1.3	OldDomFreight	PTCT	218.15	-0.7								
BerkRkEqnFd	BCE	15.32	0.7	Fidelity	FRG	10.50	1.0	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OldDomFreight	ODFL	100.71	1.3	OldDomFreight	PTCT	218.15	-0.7								
BirkRkEqnFd	BCE	15.32	0.7	Fidelity	FRG	10.50	1.0	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OldDomFreight	ODFL	100.71	1.3	OldDomFreight	PTCT	218.15	-0.7								
BirkRkEqnFd	BCE	15.32	0.7	Fidelity	FRG	10.50	1.0	Netwks	N	127.00	0.2	U.S. Bancorp	U	47.27	-0.6	FidelityMSCHg	PSK	40.93	0.3	OldDomFreight	ODFL	100.71	1.3	OldDomFreight	PTCT	218.15	-0.7								
BirkRkEqnFd</																																			

## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average



#### S&P 500 Index



#### Nasdaq Composite Index



#### 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	21670.62	21577.37	<b>21613.43</b>	100.26	<span style="background-color: #00A000; color: white;">▲0.47%</span>	21640.75	17888.28	<b>17.0</b>	9.4	<b>8.4</b>
Transportation Avg	9543.64	9471.65	<b>9489.48</b>	61.28	<span style="background-color: #00A000; color: white;">▲0.65%</span>	9742.76	7648.44	<b>18.9</b>	4.9	<b>4.0</b>
Utility Average	719.46	714.49	<b>715.86</b>	-3.16	<span style="background-color: #FF0000; color: white;">-0.44%</span>	737.51	625.44	<b>0.4</b>	8.5	<b>8.8</b>
Total Stock Market	25732.67	25658.69	<b>25692.25</b>	89.50	<span style="background-color: #00A000; color: white;">▲0.35%</span>	25692.25	21514.15	<b>14.7</b>	10.4	<b>7.6</b>
Barron's 400	662.88	660.12	<b>661.93</b>	3.66	<span style="background-color: #00A000; color: white;">▲0.56%</span>	661.93	521.59	<b>20.8</b>	10.0	<b>7.5</b>
<b>Nasdaq Stock Market</b>										
Nasdaq Composite	6425.45	6396.87	<b>6412.17</b>	1.37	<span style="background-color: #00A000; color: white;">▲0.02%</span>	6412.17	5046.37	<b>25.5</b>	19.1	<b>13.0</b>
Nasdaq 100	5945.06	5916.29	<b>5930.65</b>	-10.72	<span style="background-color: #FF0000; color: white;">-0.18%</span>	5941.37	4660.46	<b>26.9</b>	21.9	<b>14.4</b>
<b>Standard &amp; Poor's</b>										
500 Index	2481.24	2474.91	<b>2477.13</b>	7.22	<span style="background-color: #00A000; color: white;">▲0.29%</span>	2477.13	2085.18	<b>14.2</b>	10.6	<b>7.8</b>
MidCap 400	1795.14	1782.53	<b>1791.93</b>	15.13	<span style="background-color: #00A000; color: white;">▲0.85%</span>	1791.93	1476.68	<b>15.3</b>	7.9	<b>8.4</b>
SmallCap 600	877.73	871.35	<b>876.06</b>	7.73	<span style="background-color: #00A000; color: white;">▲0.89%</span>	876.06	703.64	<b>17.8</b>	4.5	<b>9.9</b>

#### Other Indexes

	Russell 2000	1452.09	1438.86	<b>1450.39</b>	12.33	<span style="background-color: #00A000; color: white;">▲0.86%</span>	1450.39	1156.89	<b>19.2</b>	6.9	<b>8.2</b>
NYSE Composite	11985.80	11952.22	<b>11965.72</b>	61.01	<span style="background-color: #00A000; color: white;">▲0.51%</span>	11965.73	10289.35	<b>11.1</b>	8.2	<b>2.9</b>	
Value Line	534.70	529.41	<b>533.62</b>	4.21	<span style="background-color: #00A000; color: white;">▲0.80%</span>	533.62	455.65	<b>10.8</b>	5.4	<b>2.6</b>	
NYSE Arca Biotech	4089.56	4012.46	<b>4027.08</b>	-48.87	<span style="background-color: #FF0000; color: white;">-1.20%</span>	4075.95	2834.14	<b>23.4</b>	31.0	<b>13.6</b>	
NYSE Arca Pharma	540.39	534.55	<b>535.37</b>	-2.31	<span style="background-color: #FF0000; color: white;">-0.43%</span>	554.66	463.78	<b>-2.1</b>	11.2	<b>1.1</b>	
KBW Bank	97.45	96.55	<b>96.76</b>	1.28	<span style="background-color: #00A000; color: white;">▲1.34%</span>	99.33	66.90	<b>42.8</b>	5.4	<b>10.6</b>	
PHLX® Gold/Silver	83.86	82.27	<b>83.55</b>	1.68	<span style="background-color: #00A000; color: white;">▲2.05%</span>	112.86	73.03	<b>-18.9</b>	5.9	<b>-6.3</b>	
PHLX® Oil Service	137.22	135.08	<b>135.52</b>	1.84	<span style="background-color: #00A000; color: white;">▲1.37%</span>	192.66	126.75	<b>-16.4</b>	-26.3	<b>-23.3</b>	
PHLX® Semiconductor	1105.41	1092.16	<b>1102.59</b>	-0.42	<span style="background-color: #FF0000; color: white;">-0.04%</span>	1138.25	755.73	<b>42.3</b>	21.6	<b>21.4</b>	
CBOE Volatility	9.52	9.04	<b>9.43</b>	unch.		22.51	9.36	<b>-27.7</b>	-32.8	<b>-9.4</b>	

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours High	Low
Duke Realty	DRE	43,951.7	27.73	...	unch.	27.85	27.52
Transocean	RIG	36,831.3	8.89	0.12	<span style="background-color: #00A000; color: white;">▲1.37%</span>	8.95	8.77
British Amer Tobacco ADR	BTI	32,794.1	69.21	...	unch.	69.52	68.77
MGM Resorts Intl	MGM	26,453.2	34.14	-0.13	<span style="background-color: #FF0000; color: white;">-0.38%</span>	42.07	33.57
Bed Bath Beyond	BBBY	15,676.1	28.30	-0.01	<span style="background-color: #FF0000; color: white;">-0.04%</span>	28.40	28.30
Murphy Oil	MUR	15,351.8	25.72	...	unch.	25.81	25.70
AO Smith	AOS	14,832.1	55.01	...	unch.	55.18	54.50
ResMed	RMD	14,303.5	77.68	...	unch.	77.89	76.30

#### Percentage gainers...

Tetraphase Pharma	TPHP	533.4	8.72	1.82	<span style="background-color: #00A000; color: white;">▲26.38%</span>	9.00	6.97
iRobot	IRBT	458.1	108.35	20.45	<span style="background-color: #00A000; color: white;">▲23.27%</span>	116.00	86.65
US Steel	X	2,175.6	26.73	2.29	<span style="background-color: #00A000; color: white;">▲9.37%</span>	27.22	24.35
Tesco	TESO	5.1	4.75	0.40	<span style="background-color: #00A000; color: white;">▲9.20%</span>	4.75	4.35
Halozyme Therapeutics	HALO	28.1	14.33	0.87	<span style="background-color: #00A000; color: white;">▲6.46%</span>	14.49	13.42
<b>...And losers</b>							
USANA Health Sciences	USNA	6.6	55.85	-8.90	<span style="background-color: #FF0000; color: white;">-13.75%</span>	64.75	52.00
Chegg Inc.	CHGG	103.6	12.99	-1.26	<span style="background-color: #FF0000; color: white;">-8.84%</span>	14.25	12.05
Orion Engineered Carbons	OEC	5.4	21.76	-1.90	<span style="background-color: #FF0000; color: white;">-8.01%</span>	23.65	21.76
Akamai Technologies	AKAM	303.6	49.50	-3.78	<span		

# COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

## Futures Contracts

### Metal & Petroleum Futures

	Contract				Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.									
July	2,7345	2,8385	2,7275	2,8405	0.1115	982				
Sept	2,7445	2,8540	▲	2,7345	2,8465	0.1100	141,702			
Gold (CMX)	-100 troy oz.; \$ per troy oz.									
July	125,720	125,630	124,920	125,170	-2,20	19				
Aug	125,520	125,580	124,880	125,210	-2,20	118,637				
Oct	125,950	126,120	125,210	125,40	-2,20	28,847				
Dec	126,190	126,420	125,110	125,850	-2,20	262,889				
Feb'18	126,550	126,700	125,390	126,000	-2,20	15,963				
June	127,500	127,630	126,600	126,890	-2,20	8,023				
Palladium (NYM)	-50 troy oz.; \$ per troy oz.									
July	864,00	865,00	864,00	861,95	7,90	7				
Sept	850,35	864,35	849,05	856,95	7,90	29,329				
Dec	848,80	858,10	848,80	850,70	7,05	3,398				
Platinum (NYM)	-50 troy oz.; \$ per troy oz.									
July	929,30	930,20	928,60	928,90	-0,50	7				
Oct	933,40	938,80	925,50	931,80	-0,50	63,833				
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.									
July	16,410	16,410	16,265	16,497	0,099	188				
Sept	16,460	16,605	16,225	16,542	0,099	148,700				
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.									
Sept	46,46	48,66	46,38	47,89	1,55	621,022				
Oct	46,63	48,78	46,53	48,02	1,51	182,991				
Dec	47,06	49,05	46,98	48,37	1,42	334,290				
Jan'18	47,27	49,17	47,19	48,55	1,38	120,101				
June	47,81	49,48	47,81	48,98	1,19	123,026				
Dec	48,39	49,81	48,36	49,40	1,06	172,523				
NY Harbor ULSD (NYM)	-42,000 gal.; \$ per gal.									
Aug	1,5187	1,5800	1,5163	1,5685	0,0516	31,552				
Sept	1,5241	1,5856	1,5215	1,5730	0,0509	127,291				
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.									
Aug	1,5597	1,6129	1,5550	1,5962	0,0394	29,204				
Sept	1,5343	1,5889	1,5328	1,5720	0,0384	127,952				
Natural Gas (NYM)	-10,000 MMBtu; \$ per MMBtu.									
Aug	2,907	2,950	2,899	2,944	0,045	25,645				
Sept	2,893	2,936	2,881	2,931	0,049	316,563				
Oct	2,923	2,969	2,915	2,963	0,046	191,960				
Nov	3,002	3,047	3,000	3,040	0,045	85,955				
Jan'18	3,250	3,289	3,250	3,282	0,036	120,277				
April	2,840	2,851	2,828	2,842	0,019	104,199				

### Agriculture Futures

	Open	High	hilo	Low	Settle	Chg	Open interest
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.							
Sept	382.00	383.75		368.50	368.75	-8,50	527,612
Dec	395.50	397.50		382.00	382.25	-8,50	558,820
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.							
Sept	293.00	297.00		281.00	282.00	-6,75	1,390
Dec	290.50	293.00		280.00	280.50	-6,75	4,962
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.							
Aug	1012.00	1022.75		981.00	981.50	-16,00	49,695
Nov	1025.00	1035.50		992.00	992.75	-17,25	343,048
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.							
Aug	329.70	334.10		318.00	318.30	-7,60	25,567
Dec	337.10	341.00		324.60	324.90	-7,80	162,780
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.							
Aug	33.96	34.14		33.45	33.50	-11	37,891
Dec	34.42	34.62		33.91	33.97	-0,08	170,854
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.							
Sept	1207.00	1240.00	▲	1206.00	1230.00	16,00	8,275
Nov	1233.50	1263.00	▲	1232.00	1253.00	19,50	1,004
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.							
Sept	494.75	495.25		473.25	474.00	-14,75	184,956
Dec	519.00	519.75		498.00	499.00	-14,50	135,104
<b>Wheat (KCO)</b> -5,000 bu.; cents per bu.							
Sept	493.25	493.25		472.25	472.75	-14,75	113,852
Dec	520.00	520.25		499.25	499.50	-15,00	75,743
<b>Wheat (MPLS)</b> -5,000 bu.; cents per bu.							
Sept	757.75	764.00		714.50	715.70	-33,00	27,415
Dec	764.00	772.00		724.00	727.00	-31,50	33,895
<b>Cattle-Feeder (CME)</b> -50,000 lbs.; cents per lb.							
Aug	148,450	149,175		146,300	146,525	-1,92	22,776
Sept	148,775	149,825		147,000	147,150	-1,525	16,849
<b>Cattle-Live (CME)</b> -40,000 lbs.; cents per lb.							
Aug	114,475	115,050		113,000	113,175	-700	57,376
Oct	114,600	115,075		112,650	112,775	-1,625	188,556
<b>Hogs-Lean (CME)</b> -40,000 lbs.; cents per lb.							
Aug	81,200	81,725		80,775	81,450	1,075	36,820
Oct	67,000	67,225		66,625	66,850	400	117,829
<b>Lumber (CME)</b> -10,000 bd ft.; \$ per 1,000 bd.							
Sept	379.30	380.70		375.60	377.20	-1,70	3,497
Nov	360.60	363.00		359.20	361.30	1,20	786

## Cash Prices | WSJ.com/commodities

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Tuesday

Tuesday

Tuesday, July 25, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Tuesday, July 25, 2017</

# BIGGEST 1,000 STOCKS

WSJ.com/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 BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE 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.

**Footnotes:**  
 i-New 52-week high.  
 d-Indicates loss in the most recent four quarters.  
 f-FIRST day of trading.  
 h-Does not meet continued listing standards.  
 l-Late filing.  
 q-Temporary exemption from Nasdaq requirements.  
 t-NYSE bankruptcy.  
 v-Trading halted on primary market.  
 y-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, July 25, 2017

		Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg
<b>NYSE</b>		BurlingtonStores	BUR 86.83 0.01	ExtraSpaceSt	EXR 79.48 0.84	RogersComm	B RCI 51.99 -0.84	WesternGasEquity	WGP 41.90 0.17	LibertyVenturesA	LNTVA 55.33 -0.16	OldDomFreight	ODFL 99.92 0.12	T-MobileUS	TMUS 62.36 -0.17
ABB	ABB 23.47 -0.08	CBG 38.42 0.13	ExxonMobil	EM 80.27 0.40	Rollins	ROL 45.68 0.93	WesternGasP	WES 53.11 0.12	ON Semicond	ON 15.08 -0.05	1TraveSoftware	TROW 83.83 2.73	1RowPrice	TROW 83.83 2.73	
AES	AES 11.24 -0.08	CBS/A	66.79 -0.59	FMC	FMC 77.99 1.19	RoperTech	POT 233.42 -1.60	WesternUnion	WU 19.48 0.32	OpenText	OTEX 34.35 0.02	TakeTwoSoftware	TTWO 80.85 1.18	1Software	TTWO 80.85 1.18
Aflac	AFL 78.06 0.44	CFI	66.08 -0.18	FactSet	FDS 166.74 0.40	RoyalBankCanada	RY 75.10 0.16	WeststakeChem	WLK 71.00 0.68	LibertyBraves	C BATRK 24.92 -0.06	Tesla	TSLA 339.60 -2.92	1Technology	TSLA 339.60 -2.92
AGCO	AGCO 71.85 0.11	CIT	48.60 -0.30	FederalRealty	FRT 132.13 0.87	RoyalDutchB	RD5A 54.37 0.46	WestRockBank	WRK 58.23 0.17	Paccar	PCAR 68.64 -0.50	TextronInstruments	TXN 81.39 0.47	1Industrial	TXN 81.39 0.47
AT&T	AT&T 36.22 -0.01	CIT Group	GIB 53.09 0.07	LeggettPlatt	LEG 53.80 0.12	RoyalCaribbean	RCI 112.94 -0.82	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	C LLSMK 42.16 0.14	Trimbelle	TRMB 38.79 0.59	1Transportation	TRMB 38.79 0.59
AbbottLabs	ABT 50.83 0.03	CMS	46.16 -0.23	Lazard	LAZ 47.89 -0.21	RoyalCaribbean	RCI 112.94 -0.82	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AbbVie	ABV 125.25 -1.39	CNA	50.03 0.13	Leear	LEA 145.97 1.94	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	C LLSMK 42.16 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Accenture	ACN 128.95 0.94	CPL	16.91 -0.08	LeggettPlatt	LEG 53.80 0.12	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AcuityBrands	AYI 202.65 -0.43	CVS	78.91 1.81	Leveraged	LVL 58.13 -0.15	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Adient	ADNT 68.25 0.32	CR	21.24 0.34	Level3Comm	LVL 27.09 0.29	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AdvanceAuto	AAPC 10.59 2.12	CT	48.60 -0.30	Leveraged	LVL 27.09 0.29	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AdvSemiEngg	ADS 6.53 -0.02	Citrix	10.37 -0.05	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Aeon	AEG 5.51 0.08	CNA	46.16 -0.23	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AerCap	AER 49.02 -0.38	CNOOC	11.70 0.12	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Aetna	AET 156.25 0.17	CPL	16.91 -0.08	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AffiliatedMgns	AMG 181.46 2.41	CR	35.31 0.14	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Aigentechs	AIG 60.54 -0.96	CVS	78.91 1.81	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AigonicEagle	AMG 45.43 -0.49	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Aigrium	AGU 100.09 0.21	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AirProducts	APD 145.04 0.10	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AlaskaAir	ALK 87.13 0.12	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Albermarle	ALM 118.80 0.20	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Alcoa	AA 37.30 0.61	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AlexandriaRealSt	ADR 120.14 -0.38	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Alibaba	BABA 154.25 0.18	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Alleghany	Y 626.98 11.43	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AlliGenne	ALL 91.71 -0.21	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AlliedBanc	ALB 25.03 0.15	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AllianzEnergy	LNT 40.55 -0.29	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Transportation	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
AllisonTransl	ATM 37.10 -0.06	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0.14	1Technology	TRMB 38.79 0.59	1Software	TRMB 38.79 0.59
Allstate	ALL 90.21 0.44	CW	10.21 0.24	LifeSci	LDS 53.88 0.54	RoyalBankCanada	RY 75.10 0.16	Weyerhaeuser	WY 34.12 -0.01	LibertySirius	A LLSMK 42.24 0				

## BANKING & FINANCE

# Hong Kong Exchange Denies IPO

Rare rejection is given to firm with backing from Morgan Stanley and Asian billionaire

BY ESE ERHIERIENE  
AND GREGOR STUART HUNTER

Hong Kong's stock exchange has rejected the application for a potentially multimillion-dollar listing involving one of Asia's richest men, as the city—a hot spot for initial public offerings—has come under increasing regulatory scrutiny.

The exchange in June sent back the IPO application of **AMTD Strategic Capital Group**, which was filed the previous month, deeming it to be "substantially incomplete" without elaborating on what it found lacking, according to a list posted on its website.

The commercial-insurance brokerage firm was seeking to potentially raise about \$200 million, according to reports. AMTD Strategic Capital is majority owned by **AMTD Group Co.**, an Asian financial firm founded in 2003 whose other businesses include an investment bank. Among the group's owners are **CK Hutchison Holdings Ltd.**, a Hong Kong-based conglomerate controlled by billionaire Li Ka-shing, and **Morgan Stanley's** private-equity arm.

Such rejections are rare in Hong Kong. This was only the sixth time in four years that it has occurred, according to exchange data.

AMTD and CK Hutchison didn't respond to a request for comment. Morgan Stanley declined to comment.

A spokesman for the exchange operator, **Hong Kong Exchanges & Clearing Ltd.**, didn't offer any details beyond what it had posted online.

In recent years, Hong Kong



The Hong Kong stock exchange sent back the IPO application of insurance brokerage AMTD Strategic Capital Group last month.

has been trying to strike a balance with its regulatory efforts as questions about the effectiveness of such measures have persisted.

Its exchange operator earlier this year revived a debate over whether it should allow listings of companies with dual-class shareholding structures, a proposal the city's securities regulator shot down in 2015. Hong Kong lost the \$25 billion listing of Chinese e-commerce titan Alibaba Group Holding Ltd. to New York in 2014 in part because it wouldn't permit companies having that structure to list their shares.

Hong Kong IPOs have been dominated for some time by financial companies, contributing to the market's generation of more money than any other in 2015 and 2016, ac-

cording to Dealogic data. However, so far this year the city has dropped to third, with IPOs valued at a collective \$8.4 billion of IPOs. By comparison, \$20.9 billion has been raised in New York and \$11 billion in Shanghai.

The Hong Kong exchange's statement on AMTD's thwarted IPO emerged after a selloff late last month of more than a dozen small-capitalization companies listed on the city's Growth Enterprise Market, which is home to many penny stocks that trade for less than one Hong Kong dollar (13 U.S. cents). Some shares tumbled more than 90%.

What caused the plunge remains unclear. However, in a speech earlier this month, Ashley Alder, chief executive of the Securities and Futures

Commission, said the regulator had gone through a "fundamental rethink" about how it polices the markets and that it would take a more active approach to market intervention. He cited the reputational damage done by an "accumulation of serious governance and misconduct issues," including the small-cap crash.

In response, Charles Li, the exchange operator's CEO, wrote in a blog posting Sunday that officials should balance the desire for tougher regulation with preserving smooth operation of the market at large. "It's not worth getting a few extra dollars in revenue and allowing bad actors onto our market, which hurts the overall market reputation and diminishes our business," he wrote.

There have also been ques-

tions about the sharing of regulatory responsibility between the exchange and the SFC. In his posting, Mr. Li said ensuring a violation-free market, even with the parallel work of the securities regulator, would be "very difficult."

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

Sizable IPOs continue to be launched in Hong Kong, and a flurry of activity is expected toward the end of 2017—particularly among companies whose financial years ended in June, said a person familiar with the matter.

Last week, **Zhongyuan Bank Co.** became the former British colony's third billion-dollar IPO of the year, with the large regional Chinese commercial lender raising US\$1.04 billion.

# A Startup Applies to Become a Real Bank

BY TELIS DEMOS

Within a week of a Trump administration official endorsing the idea of giving bank charters to financial-technology companies, a startup is putting that to the test.

**Varo Money Inc.**, a digital banking startup backed by private-equity firm **Warburg Pincus LLC**, last week formally applied for a national banking charter and deposit insurance, the company said. The filings aren't public yet.

Taking those steps could put Varo—which now partners with banks to provide services for its mobile banking application—on the path to becoming a full-fledged regulated bank. That means it would take deposits, pay interest, make loans in any state and issue cards, all through smartphone apps.

Varo is seeking a national banking charter from the Office of the Comptroller of the Currency, as well as the ability to take deposits from the Federal Deposit Insurance Corp.

Varo was founded in 2015, and initially has joined with banks, including The Bancorp Inc., to provide deposits and lending services.

But co-founder and Chief Executive Colin Walsh, a veteran of **Wells Fargo & Co.** and **American Express Co.**, said that recent discussions with regulators led Varo to accelerate its plans and apply for its own charter now, before it has fully launched its services.

Though new bank charters have been rare since the financial crisis, regulators say they are eager to encourage new entrants. Last week, acting OCC head Keith Noreika said "the federal banking system [needs] to be more inclusive," and that the agency was having discussions with interested firms.

The approval process typically takes at least a couple of months, and will involve intensive review of the company's plans and financial condition.

Becoming a bank would make Varo a more complex investment. Warburg Pincus, the private-equity firm that counts former U.S. Treasury Secretary Timothy Geithner as its president, can't own more than 24.9% of the bank to avoid being regulated as a bank holding company.

So Varo, which raised more than \$27 million from Warburg last year, will seek to raise \$160 million more from new investors to reduce Warburg's stake and to provide the bank with a capital base, Mr. Walsh said.

Mr. Walsh said that Varo's aim is to provide a suite of app-based tools for customers' financial health, such as making a model of future cash flow and suggesting when to move money from checking to savings, pay off a credit card, take out small loans, or invest more in the market.

"We want to be a full-service bank," he said.

Varo Bank will be based in Utah, where it will also have a call center for customers. It isn't planning to open branches.

# Portugal's Novo Plans Bond Swap

**Novo Banco SA**, the Portuguese lender created from the collapse of Banco Espírito Santo SA three years ago, has launched a plan to raise €500 million (\$582 million) from a bond exchange—a condition of its takeover by U.S. private-equity firm **Lone Star Funds**.

By Margot Patrick  
and Patricia Kowsmann

**Pacific Investment Management Co.** and other Novo Banco bondholders who wanted to mount their own takeover have challenged the Lone Star arrangement.

A successful bond exchange would put the bank a big step closer to securing the Lone Star deal.

Novo Banco has offered to swap all of its senior bonds—worth €8.3 billion in face value—mostly at a substantial discount to par. The exchange includes billions of euros in zero-coupon notes that were issued at a deep discount in the months before Banco Espírito Santo failed and bought by offshore companies that helped prop up the bank for years.

As a sweetener, bondholders are being offered three-to-five-year fixed-term deposits for the proceeds from the exchanged bonds to boost their



Victims of the collapse of Banco Espírito Santo protested for compensation in Paris last month.

overall return. The fixed-term rates haven't been announced yet.

The bond offer must raise at least €500 million as a condition of the Lone Star takeover.

Novo Banco agreed earlier in 2017 to hand a 75% stake to Lone Star in exchange for a €1 billion capital injection. It is currently owned by a bank resolution fund that is mostly funded by a government loan.

If the deal with Lone Star fails and it doesn't get the €1

billion capital injection that comes with it, Novo Banco has said it will be unable to meet its minimum regulatory capital requirements and operate as a going concern.

That means authorities could decide to resolve the bank, it says.

Novo Banco was created after Banco Espírito Santo collapsed in the summer of 2014 with heavy losses and a tangle of loans and investments in a broader group of Espírito Santo companies. While Novo

Banco was supposed to be a "good bank" housing deposits and good loans from the defunct lender, and ready for a quick sale, its credit portfolio showed signs of serious strain immediately.

That hurt its attractiveness to buyers and led the country's central bank to transfer €2 billion in senior debt off Novo Banco's balance sheet in December 2015 to boost its capital ratios. Bondholders including Pimco and **BlackRock Inc.** cried foul and sued.

# Business Depositors Press Banks on Returns

BY TELIS DEMOS  
AND CHRISTINA REXRODE

Consumers are giving banks a pass when it comes to shopping for higher interest rates on deposit accounts. Businesses, on the other hand, are becoming more demanding.

With short-term interest rates on the rise, corporate depositors are seeking bigger payouts for their deposits, and big banks have started capitulating.

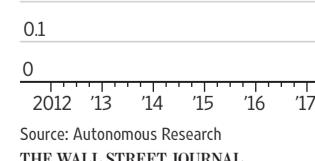
The reason: Small rate increases are often worth just pennies to many consumers, but they can translate into meaningful dollars on large corporate deposits of millions or even billions of dollars.

Companies have greater leverage with banks since in many cases they also bring in lucrative investment banking and trading business.

"The jig is up," said James

## Turning Up

Average quarterly cost of interest-bearing deposits for 16 large U.S. banks



Source: Autonomous Research  
THE WALL STREET JOURNAL

Gilligan, assistant treasurer at Kansas City, Mo.-based power company **Great Plains Energy Inc.** He said many companies, including his, have negotiated better deposit pricing with banks where they also borrow. Treasurers who have the flexibility to move their money are

also seeking higher rates.

The pressure from corporate depositors is pushing up banks' costs just as they are beginning to benefit from lending money in the U.S. at higher rates. The Federal Reserve has increased short-term rates twice this year and may do so again.

While bank stocks shot up after last year's presidential election, their shares have been losing ground more recently. Though second-quarter earnings reports were stronger than expected, investors were still spooked by banks' cautious outlooks for future interest income. The KBW Nasdaq Bank Index is roughly flat, down 0.2% since banks began reporting earlier this month, while the S&P 500 index is up 1.2%.

Across the largest U.S. banks, the average interest paid jumped by about a third

in the second quarter to 0.34% from 0.26% a year ago, according to Autonomous Research—the highest level in four years. Bankers said business depositors are behind the rise.

While demand for higher rates has been "effectively at zero" from individual consumers, banks are grappling with "hot money from corporates" that are more likely to decamp for higher rates elsewhere, William Demchak, chief executive of Pittsburgh-based PNC Financial Services Group Inc., told analysts earlier this month.

Companies' success in getting higher rates is based largely on the size of their cash hoard and the amount of other business they do with a bank. The higher the cash balances and fees a company pays, the more likely it is to get an increase, either from its current bank or from a new one.

"The way we approach pricing these days is, we defend our turf," said Tayfun Tuzun, chief financial officer at Cincinnati-based Fifth Third Bancorp. Mr. Tuzun said U.S. banks are also being pressured by competition from overseas banks that want to build their deposits.

Some are willing to pay 1.25% or 1.3%, he said, while a typical corporate deposit rate for a large account in the U.S. is about 0.9% to 1%.

By contrast, the average retail savings rate was 0.18% at large banks in the second quarter, according to analysts at Jefferies Group LLC.

Banks use deposits from both retail and corporate customers to fund loans. They aim to pay depositors a rate that is lower than the one they collect on loans. As the gap between the rates increases, banks' profits grow.

## MARKETS

# Solid Demand for First Greek Bond In Three Years

Greece got solid demand Tuesday for its first bond issuance in three years, in what the government sees as the first of several moves that will enable the debt-ridden country to wean itself from new bailouts.

By Nektaria Stamouli,  
Christopher Whittall  
and Emese Bartha

Tuesday's deal included an invitation for holders of a bond coming due in 2019 to swap their securities for new ones due in 2022.

Greece sold €3 billion (\$3.5 billion) worth of the 2022 bond, Greek government officials and bankers said. About half of that is new money, and half is from existing investors in the 2019 bond who switched, according to one of the banks managing the deal.

The new bond matures in August 2022 and will yield 4.625%. The 2019 bond is yielding around 3.2%, so investors will be paid a decent premium for participating in the swap.

Greek bonds have been on a tear of late. Greece paid €102.60 per €100 face value of the 2019 bond. A year ago, the bond was trading below €90.

Still, the sum raised is a token—less than 1% of Greece's total debt—and on its own not enough to forestall the need for more aid or other concessions from its eurozone rescuers. But the bond issuance was meant as a show of confidence and test of investors' appetite for its debt, two years after the country was teetering on the brink of collapse and eurozone exit. It is also a way to ease a big hump of debt repayments due in 2019.

Athens's debt office is aiming to go ahead with more bond issues before the end of the country's third bailout in mid-2018. "They need to show the market that they can stand on their own feet," said Giuseppe di Mino, managing director at hedge fund Amber Capital who expects another Greek debt sale toward the end of the year.

Greek officials hope that this time the return to the markets will be consistent.

Greek Finance Minister Eu-

clid Tsakalotos said this first attempt went better than expected and more will follow before Greece fully regains market access when its bailout expires.

"From now on we are focused on August 2018," Mr. Tsakalotos said in a televised statement. "There will be a second and a third [market access] to approach August 2018 with confidence and emerge from bailouts."

Previous bonds plunged in value a year later when Greece faced a big political crisis and came close to a euro exit. They have since come roaring back, rewarding investors such as Charles Zerah, fixed-income fund manager at Carmignac, who held on through that white-knuckle ride.

"We had some volatile periods, but nevertheless it has been successful," he said. Mr. Zerah said the outlook for Greece has changed compared with 2014, with a healthier European economy and reduced political risk. He added that a "significant turnaround" is also noticed in Greece, citing the government's progress on economic reforms.

Greece's economy, which has shrunk by more than one-quarter from its precrisis size, returned to growth in the first quarter but still has a long way to go. Unemployment has dropped from 28% but is still close to 22%, more than double the eurozone's average.

Still, many investors didn't touch the Greek bonds because of their junk rating or their poor liquidity.

The International Monetary Fund considers Greece's debt unsustainable and has demanded EU countries—Greece's major lenders—offer it debt relief.

"If we have some serious talks about debt relief before year end or beginning of first the quarter [of 2018], it could go pretty quickly," Mr. Zerah said, adding that there could be a decent spread tightening between Greece and Portugal.

Greece is "still the highest yield you can get in Europe," said Mr. Zerah. Still, "the majority of investors can't invest in Greece," he added, because of its noninvestment-grade rating.



Shares of Caterpillar jumped 5.9% after the equipment giant raised its outlook for the year. Companies' results are driving trading.

RICK WILKING/REUTERS

# Strong Earnings Lift Stocks

By AKANE OTANI AND RIVA GOLD

**Caterpillar** and **McDonald's** led gains in the Dow Jones Industrial Average on Tuesday, after a flurry of earnings reports from companies in the blue-chip index.

**EQUITIES** Company results could continue to drive trading action this week, with roughly 40% of S&P 500 firms scheduled to post quarterly updates through Friday. Solid reports should help major indexes keep climbing, investors say, even as many investors have expressed concerns about stocks looking pricey relative to their historical valuations.

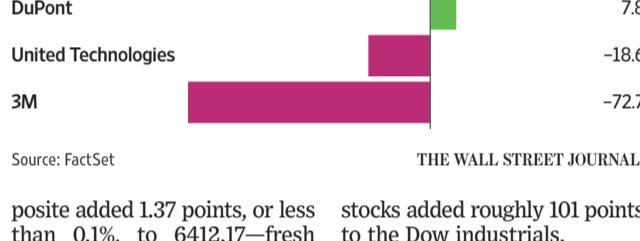
"We're seeing other parts of the world experiencing growth for the first time in a number of years," said Ron Sanchez, chief investment officer at Fiduciary Trust. "The global backdrop is very positive for stocks."

The Dow industrials added 100.26 points, or 0.5%, to 21,613.43, after three consecutive sessions of declines. The S&P 500 rose 7.22 points, or 0.3%, to 24,771.13 and the Nasdaq Com-

## Results Driven

The Dow Jones Industrial Average rose 100.26 points Tuesday after several companies in the index reported earnings. Gains offset declines.

**Company** Index points contributed to Dow industrials' performance



Source: FactSet

S&P 500 this year, have come under pressure in 2017 as oil prices have slid.

U.S. crude for September delivery rose 3.3% to \$47.89 a barrel, extending gains from Monday, when Saudi Arabia—the world's top oil exporter—said it would limit oil exports in August. Tuesday's gain was crude's biggest one-day percentage jump since November.

A rise in government-bond yields supported financial shares, since such moves tend to boost lending income. The KBW Nasdaq Bank Index of large U.S. commercial lenders added 1.3%.

The Stoxx Europe 600 rose 0.4% after a measure of German business confidence climbed to a record in July. Banks, insurance companies and miners drove most of Europe's advance.

Australia's S&P/ASX 200 added 0.7%, outperforming stock markets in the region. Early Wednesday, it rose a further 0.9%. South Korea's Kospi Composite Index Tuesday fell 0.5% from a record high, snapping an eight-day winning streak. It rebounded a bit early Wednesday.

posite added 1.37 points, or less than 0.1%, to 6412.17—fresh closing records for both indexes.

Among the Dow components that reported earnings Tuesday: Shares of Caterpillar gained \$6.36, or 5.9%, to \$114.54 after the equipment giant raised its outlook for the year. McDonald's shares jumped 7.22, or 4.8%, to 159.07—the highest close for the stock in data going back to 1972—after the fast-food chain's results topped analysts' expectations.

**DuPont** added 1.14, or 14%, to 85.49. Gains in the three

stocks added roughly 101 points to the Dow industrials.

Declines in the shares of **3M** and **United Technologies**, both of which released quarterly results Tuesday, shaved roughly 91 points off the blue-chip index. 3M fell 10.61, or 5.1%, to 199.39—its biggest percentage drop since 2015.

Stock indexes also received a boost from energy shares, which jumped 1.3% in the S&P 500, buoyed by a climb in oil prices. Energy stocks, the second-worst-performing sector in the

# Treasurys Pull Back Awaiting Fed

By SAM GOLDFARB

A bout of selling hit the U.S. government-bond market Tuesday as investors hedged their bets ahead of the conclusion of the Federal Reserve's two-day policy meeting Wednesday.

**CREDIT MARKETS** Bond prices dropped at the start of trading in Europe and continued falling for most of the U.S. trading session without much of a catalyst to spark the move.

The selling sent the yield on the benchmark 10-year Treasury note to 2.328% from 2.253% Monday, marking its largest one-day increase since March 1. Yields rise when bond prices fall.

After two weeks of gains, investors and analysts said the

time was probably right for a pullback in the market, especially as the Fed prepares to make its latest policy statement Wednesday.

Small-to-moderate sell-offs heading into Fed decisions have happened often recently, as the central bank has begun to slowly raise interest rates.

In this case, investors don't expect the central bank to lift rates. But the central bank could set a date for when it will start unwinding its balance sheet—a move that, while not a big surprise, would signal a level of confidence in the economy and a willingness to pursue tighter monetary policies.

"If they go ahead and announce the actual date, even if it's October, that would indicate that they must have learned something," said Jim

Vogel, interest-rates strategist at FTN Financial.

Other factors also weighed on Treasurys. Strong corporate earnings and a move higher in oil prices helped push up U.S. stocks and sap demand for haven bonds. There was also a \$26 billion sale of two-year notes, the first of three auctions this week.

The combination of a Fed meeting and new debt supply "tends to push customers to the sideline and maybe get people a little nervous," said Ray Remy, head of fixed-income trading in New York at Daiwa Capital Markets America Inc.

This week's turn toward higher yields is the latest twist for the Treasury market, which has endured big swings over the past month.

If inflation remains stuck

below the Fed's 2% annual target, many investors expect yields to either fall or stay around current levels.

## AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

**FOUR-WEEK BILLS**

Applications \$132,895,043,700

Accepted bids \$45,000,058,700

\*noncompetitively \$410,466,200

\*foreign noncompetitively \$0

Auction price (rate) 99.923778 (0.980%)

Coupon equivalent 0.994%

Bids at clearing yield accepted 64.37%

Cusip number 9127961.00

The bills, dated July 27, 2017, mature on Aug. 24, 2017.

**TWO-YEAR NOTES**

Applications \$82,127,629,200

Accepted bids \$28,645,560,700

\*noncompetitively \$183,283,900

\*foreign noncompetitively \$100,000,000

Auction price (rate) 99.960688 (1.395%)

Interest rate 1.375%

Bids at clearing yield accepted 78.21%

Cusip number 912828K5

The notes, dated July 31, 2017, mature on July 31, 2019.



Finance Minister Euclid Tsakalotos said more issues will follow.

# 'Fear Gauge' Hits a Record Low

BY GUNJAN BANERJI  
AND AMRITH RAMKUMAR

A key measure of market volatility set a new floor Tuesday, falling to its lowest level ever in intraday trading.

The CBOE Volatility Index, known as Wall Street's "fear gauge," declined to 9.04 at one point in the day, marking a new intraday low for the index, which was launched in 1993. The CBOE index, called VIX, didn't set a record closing low, settling at 9.43 at the end of the day. The all-time closing low of 9.31 was set on Dec. 22, 1993.

The VIX uses S&P 500 options prices to project expected stock-market swings over the next 30 days. It tends to rise when stocks are falling and vice versa.

Markets have been calm this year, and some investors and analysts have said that a resurgence in volatility could be on the horizon. The VIX's lows have induced investors to fret about the lack of fear,

## Ever Lower

The CBOE Volatility Index set a new intraday low Tuesday.



Source: FactSet

THE WALL STREET JOURNAL

"It was more about how long it could carry on, and investors not wanting to miss the party."

On Tuesday, equities rose around the world following a positive reading of business sentiment in Europe and corporate earnings results from companies including **Caterpillar** Inc. and **McDonald's** Corp.

With a close under 10 on Tuesday, the VIX closed in single digits for nine consecutive sessions—by far its longest streak ever. The previous record of four was set in December 1993, and the VIX closed under 10 just four times from 1995 to 2016.

In May, two professors asserted that the VIX could be manipulated. CBOE Holdings, which administers the index, disagreed.

Wall Street heavyweights have expressed differing views on what is behind the muted volatility. Mark Kolanovic at J.P. Morgan Chase & Co. has said a slew of technical factors have pushed volatility lower.

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# MARKETS

## Copper Finds New Reason to Advance

Prices at highest since May 2015 as China's growth offsets lack of U.S. infrastructure plan

By AMRITH RAMKUMAR

Copper, once buoyed by optimism over President Donald Trump's infrastructure plans, is now being powered to fresh highs by optimism over China.

Prices for July delivery closed up 4.1% Tuesday at \$2.8405 a pound on the Comex division of the New York Mercantile Exchange, its highest since May 2015. The industrial metal used for manufacturing and construction has increased in 10 of the past 12 sessions and is up 14% in 2017.

Copper got an additional boost Monday after the International Monetary Fund increased its growth expectations for China in 2017 and 2018 while leaving its forecast for the global economy unchanged and trimming its forecast for the U.S. The IMF also raised its growth estimates for Europe and Japan.

On Tuesday, copper eclipsed its previous 2017 high from February. Back then, strikes at mines and hopes that Mr. Trump would quickly push through an infrastructure plan had extended a rally that started in October. Around February, nervousness that a U.S. infrastructure package could take longer than expected and concerns over China and supply caused copper to start to retreat. Prices fell 10% by early May.

Since the low in May, prices are up 14%, getting a boost from supply threats and a brighter outlook on the strength of the world economy, particularly in emerging markets, according to investors and analysts.

### China Play

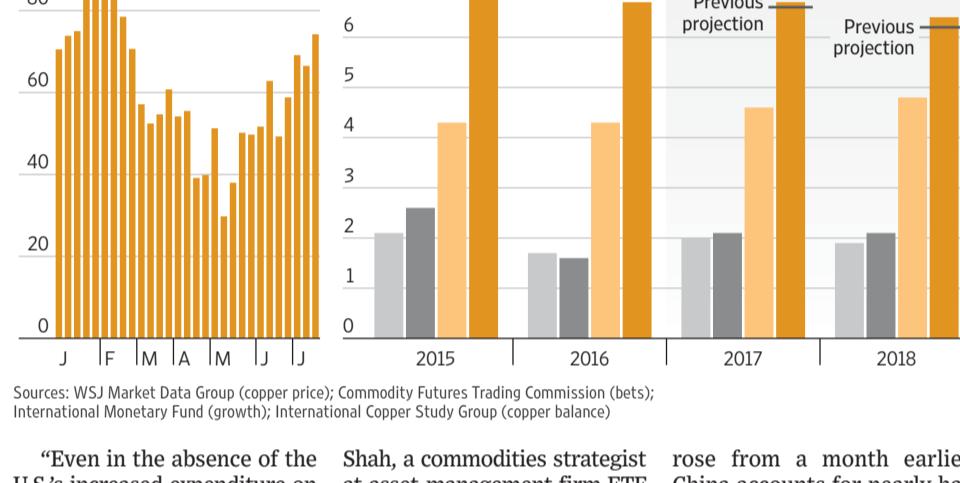
Copper prices have climbed since May amid improved outlooks for Chinese growth and the global economy, even as investors have grown skeptical that the Trump administration will pass its legislative agenda.

#### Comex copper price



Net bullish bets by speculators on copper have risen to their highest weekly level since February.

#### 100 thousand futures contracts



Sources: WSJ Market Data Group (copper price); Commodity Futures Trading Commission (bets); International Monetary Fund (growth); International Copper Study Group (copper balance)

"Even in the absence of the U.S.'s increased expenditure on infrastructure, global infrastructure spending remains very strong" driven by robust Chinese demand, said Nitesh

Shah, a commodities strategist at asset-management firm ETF Securities.

A report from Citigroup Inc. on Monday showed that Chinese imports of refined copper

rose from a month earlier. China accounts for nearly half of the world's copper consumption, and its faster-than-expected economic growth and increase in industrial produc-

tion have helped drive prices higher.

**Caterpillar** Inc. reported Tuesday that Chinese demand for equipment to carry out infrastructure projects fueled a

10% increase in second-quarter revenue from the previous year. Shares of the manufacturer posted their highest close since March 2012.

Meanwhile, investors are monitoring Chinese monetary policy for signs of tightening, which could slow demand for copper.

Many analysts have also said they will watch closely how mine disruptions affect supply. Strikes at copper mines in Chile and Indonesia have swung prices this year and could lead to short-term price volatility, analysts said. Strikes often boost metals prices as they crimp production.

On Thursday, the International Copper Study Group released data for April showing that world refined copper usage exceeded production for the second straight month.

Hedge funds and other speculators are positioned for further gains in the metal. Net bullish bets on copper futures by the group rose to the highest level in five months in the week ended July 18, according to Commodity Futures Trading Commission data. Bullish bets outnumbered bearish ones by 74,233, the most since Feb. 21.

Many investors now have doubts that Mr. Trump will be able to unleash a huge infrastructure package soon. However, political uncertainty in the U.S. has spurred a retreat in the dollar. That is adding to support for the prices of copper and other metals, since a weaker dollar tends to help dollar-denominated commodities by making them more affordable for holders of other currencies.

"I'm not sure that a big, extensive infrastructure program is in the cards anytime soon," said Bart Melek, head of commodity strategy at TD Securities in Toronto. "People are still thinking that it's a possibility, but it's one that is diminishing."

## HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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## Citigroup Sets High Bar for Itself

You can forgive Citigroup's executives for being a bit giddy at a 55% rise in the company's shares in the past 12 months. That euphoria might have led them to overpromise when they laid out their goals for the next few years.

A big driver of the rally has been improved capital returns. Citigroup passed the Federal Reserve's annual stress test in June, winning authorization to double its dividend and boost share buybacks by 50%.

Over the next four quarters, Citigroup is set to pay out nearly 130% of its projected profit to shareholders, executives said Tuesday. This is crucial because it means the bank can begin whittling away at the excess dormant capital that has dragged on returns. Citigroup's new set of ambitious financial targets, unveiled at an investor day on Tuesday, sent shares up 2.9%.

The main number to watch is an 11% return on tangible common equity that the bank is targeting in

### Getting Back to Growth

Citigroup's global consumer banking revenue



2020. The number was 7.6% in 2016 and was already promised to be 10% in 2019.

Some of the assumptions feeding into this forecast are reasonable and within the bank's control, namely more capital payouts and cost cuts. Others are less so. Citigroup believes it can boost revenue in its institutional client business by 4% a year and in its global consumer business by 5% a year in constant-currency terms.



Citigroup CEO Michael Corbat

DREW ANGERER/BLOOMBERG NEWS

Responding to a questioner who was skeptical of the Mexico growth target, Stephen Bird, head of the global consumer business, said it is based on just 2% economic growth in Mexico. Deepening penetration of credit cards and other financial products will allow the bank to grow faster, he argued.

In Asia, Citigroup's plan to court on wealthy clients is similar to that of many competitors, including Swiss private banks, other global commercial banks and ambitious local lenders in Singapore and Hong Kong. Not everyone will succeed.

Finally, relying too much on credit cards and other unsecured consumer loans, in the U.S. and elsewhere, carries the risk of more defaults.

Citigroup Chief Executive Michael Corbat and his team deserve credit for turning around a huge, struggling financial giant. Whether they can execute on an ambitious plan for global growth is far from certain. —Aaron Back

### OVERHEARD

Put down that fancy bottle of "craft" beer and take a closer look—not at the contents but whether it carries the logo of the Brewers Association.

Members "continue to turn the beer industry on its head by putting community over corporation and beer before the bottom line" says the group's president.

Someone forgot to tell that to Martin Roper, chief executive of Boston Beer Co., which brews Sam Adams. The bona fide craft brewer highlighted returning to growth and cost savings in a recent earnings call—much the same message as from Carlos Brito.

Mr. Brito runs the company that owns brands such as Goose Island, Leinenkugel's and Wicked Weed, which beer drinkers might have mistaken for craft brews. They aren't, according to the Brewers Association because they are owned by megabrewer Anheuser-Busch InBev.

Your taste buds have been deceiving you.

### For AMD, Chips Are Stacking Up

New chips from **Advanced Micro Devices** are selling. Now AMD simply has to sell a whole lot more of them.

The chip maker's second-quarter results Tuesday were a good step in that direction. Revenue in AMD's computing and graphics division surged by 52% year over year to \$659 million.

This beat Wall Street's already aggressive forecasts for a 49% jump. Much was credited to the company's new Ryzen chip for personal computers, which enjoyed their first full quarter of sales.

AMD also issued a strong forecast for the third quarter, projecting a 15% gain in overall revenue that was well ahead of the 7% predicted by analysts. The quarter will include the newly launched Epyc chips for data centers.

The results and forecast sent AMD's stock price up by 8% in after-hours trading—no small feat, as the shares had already more than doubled over the last 12 months. It reflects hopes that the company can make gains in hypercompetitive markets against dominant rivals like Intel and Nvidia.

AMD also is the most heavily shorted semiconductor stock, though, reflecting widespread skepticism that those gains can be held.

Tuesday's results will hearten those who have taken the long gamble, but the volatile chip maker still faces obstacles. Wall Street expects double-digit percentage sales gains to continue next year as well, which the company will need to deliver to justify a valuation of more than 75 times forward earnings. AMD has made the right moves so far. It just can't afford any wrong ones.

—Dan Gallagher

## Shale-Oil Drillers Need to Get Ready for Coming Squeeze

Rising profits for oil-service companies usually mean oil producers are making money, too. But when the producers are drilling high-cost oil from shale, rising expenses could squeeze profits and lead them to scale back growth.

That is the message from earnings at **Schlumberger** and **Halliburton**, the world's two largest oil-service providers, which reported strong results this week but said the boom in new shale drilling likely has ended.

The number of rigs drilling for oil and gas in the U.S. has more than doubled in the past year. Paradoxically, though, Halliburton Execu-

### Roughnecks Rejoice

U.S. rotary rig count, oil and gas



Chairman David Lesar noted that a "tapping of the brakes is happening all over the place in North America" even as he sees stronger margins ahead.

Schlumberger's executives

said last week that its pressure-pumping equipment is in very high demand in U.S. shale, but Chief Executive Paal Kibsgaard said that U.S. land-based producers are "largely driven by the U.S. equity investors who are encouraging, enabling and rewarding short-term production growth in spite of marginal project economics." He also suggested that activity would moderate.

The fact these comments are being made with U.S. crude prices hovering around \$46 a barrel would have been remarkable three years ago. Back then the conventional wisdom held that the break-even price for spend-

ing any money on shale formations was in the range of \$60 to \$70 a barrel.

That number has come way down, much to the chagrin of producers in the Organization of the Petroleum Exporting Countries and major non-OPEC power Russia that were scrambling to stabilize prices at a meeting in St. Petersburg, Russia. Much of it stems from innovation—squeezing more oil out of each well. But part came at the expense of oil-field-services companies that saw margins collapse. That trend is reversing.

"The rig count is up. There are less underutilized assets sitting around, and

that puts oil-field-services companies in a stronger position," said Rob Thummel, portfolio manager at energy-focused investment firm Tortoise Capital Advisors.

In addition to services such as pressure pumping, other important costs for shale producers such as sand are rising. As employment streams back into the business, labor costs may also go up. Unless producers can innovate away the increased costs of services, materials and labor, or OPEC's discipline forces prices higher, this inflation will eat away at their margins and make them less likely to drill as many new wells. —Spencer Jakab