

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, JULY 25, 2018 ~ VOL. CCLXXII NO. 20

WSJ.com

★★★★ \$4.00

DJIA 25241.94 ▲ 197.65 0.8%

NASDAQ 7840.77 ▼ 0.01%

STOXX 600 388.18 ▲ 0.9%

10-YR. TREAS. ▲ 4/32, yield 2.949%

OIL \$68.52 ▲ \$0.63

GOLD \$1,223.90 ▼ \$0.10

EURO \$1.1685

YEN 111.20

What's News

Business & Finance

Chinese real-estate investors are reversing a yearslong buying spree in the U.S., where they often paid record prices for marquee properties. **A1**

◆ **Growth in AT&T's new media division helped** paper over deep losses in the satellite-TV business. Overall, the company reported lower revenue. **B1**

◆ **U.S. stocks climbed**, as investors were cheered by strong corporate earnings. The Dow gained 197.65 points to 25241.94. **B11**

◆ **Emerging-market government bonds have bounced back from a first-half drop, but many bond-fund managers aren't buying the rebound.** **B1**

◆ **Many manufacturers in the U.S. are shrugging off concerns over trade tensions, as robust demand yields stronger-than-expected profits.** **A6**

◆ **Harley-Davidson said its profit would take a hit this year as tariffs compound a long sales slump for the motorcycle maker.** **B3**

◆ **Facebook said it would set up an innovation hub in China to groom and support developers and startups.** **B4**

◆ **The IRS won an appeals court ruling over Intel in a case closely watched by technology companies.** **A2**

◆ **Ford is carving out its autonomous-vehicle program into a separate wholly owned company aimed at attracting outside investors.** **B5**

◆ **United Technologies' profit rose 42%, prompting the company to nudge its full-year outlook higher.** **B3**

World-Wide

◆ **The Trump administration said it would extend \$12 billion in emergency aid to farmers amid signs the U.S. agricultural sector is starting to feel the effect of Trump's escalating trade disputes with major U.S. trading partners.** **A1, A6**

◆ **House Republicans unveiled a plan to make retirement and savings a crucial part of their push for tax legislation this fall.** **A7**

◆ **Ivanka Trump is closing her namesake fashion brand and is planning a longer-term focus on policy in Washington.** **A1**

◆ **Lawyers for Trump and Cohen clashed over whether Trump suggested making a cash payment to buy the rights to an ex-Playboy model's story of an affair with him.** **A4**

◆ **Israel shot down a Syrian jet fighter that entered its airspace, raising tensions in a region where Russia-backed Syrian forces are active.** **A8**

◆ **Israel partially reopened Gaza's only commercial crossing, loosening severe restrictions.** **A8**

◆ **The administration said 463 immigrant parents separated from their children after crossing the border may have been deported.** **A3**

◆ **A dam project in southern Laos collapsed after days of heavy rain, killing several people and leaving hundreds missing.** **A10**

◆ **The government said it would resume billions of dollars in payments expected by insurers under an ACA program.** **A3**

Trump Offers Trade Aid to Farmers

Package of \$12 billion is a response by U.S. to retaliatory tariffs; critics call it a bailout

By VIVIAN SALAMA AND JACOB BUNGE

WASHINGTON—The Trump administration said it would extend \$12 billion in emergency aid to farmers amid

signs the U.S. agricultural sector is beginning to feel the impact of President Donald Trump's escalating trade disputes with major U.S. trading partners.

Agriculture Secretary Sonny Perdue said Tuesday that the U.S. government would provide incremental payments to support prices of some of the hardest-hit commodities, including soybeans, sorghum, cotton, corn, wheat

and pork. "This is a short-term solution that will give President Trump and his administration time to work on long-term trade deals," Mr. Perdue told reporters. Agriculture Department officials said the aid wouldn't need congressional approval.

Mr. Perdue said the move, tentatively planned for the coming months, was in response to what he called U.S.

trading partners' "illegal retaliation" to the policies of Mr. Trump, who has ordered tariffs on imports ranging from metals to materials to clothing to electronic parts. Those tariffs apply to goods from a broad range of countries, including China and those of the European Union.

U.S. trading partners are retaliating, with ominous implications for the American Farm Belt. China, a huge market for

U.S. agricultural exports, has applied tariffs on \$34 billion worth of U.S. goods, including soybeans and pork. Other places applying retaliatory tariffs include allies such as Canada, Mexico and the EU. European Commission Pres-

Please turn to page A6

◆ Many manufacturers shrug off tariff concerns..... A6
◆ Apple is vulnerable in trade fight between U.S., China... A6



Wildfires In Greece Leave Scores Dead

INFERNO: Wildfires ripped through popular resort areas near Athens, leaving at least 74 dead and more than 100 injured, in the country's deadliest fire season in more than a decade. Tourists and residents were forced to flee to beaches, where more than 800 people were picked up by coast guard and navy vessels and fishing boats. Authorities said the number of casualties could rise, as searches continued. **A11**

Discord Presaged Papa John's Fall

Long before racial-slur scandal, John Schnatter was at odds with the pizza chain he founded

By JULIE JARGON

John Schnatter's relations with Papa John's International Inc., the pizza giant he founded, appeared to crumble abruptly and irreparably after reports this month that he had used a racial slur.

In fact, long before Papa John's board moved to sever formal ties with Mr. Schnatter in the past week, his relationship had been deteriorating with the company and the man he had chosen to succeed him as chief executive, over issues including marketing, sales and who exactly was running the show.

Mr. Schnatter had agreed to resign as CEO in December following an uproar over his criticism of the National Football League's handling of players' kneeling during the national anthem, handing the top job to operating

chief Steve Ritchie. Papa John's was a top NFL sponsor until February.

After that point, Mr. Schnatter, 56, who owns 29% of Papa John's and is a director, became unhappy with the chain's performance, he said in an interview on Saturday. He was building a case to depose Mr. Ritchie, gain more decision-making power and star again in the kind of ads that made him and his company famous, he said.

Then news of his use of the slur "n—" during a May conference call derailed those comeback efforts. He publicly apologized, saying he hadn't used the word as an epithet, and agreed to step down as chairman. Days later, fellow directors suggested he consider resigning from the board, The Wall Street Journal reported, cit-

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Chinese Sour on U.S. Property

By ESTHER FUNG

Chinese real-estate investors, facing pressure from Beijing, are reversing a yearslong buying spree in the U.S. where they often paid record prices for marquee properties like New York's Waldorf Astoria hotel.

Chinese insurers, conglomerates, and other investors have turned net sellers of U.S. com-

mercial real estate for the first time in a decade. They have spent tens of billions of dollars to acquire hotels, office buildings, and vast swaths of empty land to build residential towers.

But Chinese investors sold \$1.29 billion worth of U.S. commercial real estate in the second quarter, while purchasing only \$126.2 million of property, according to data firm Real Capital Analytics. This marked

the first time these investors were net sellers for a quarter since 2008.

The more than \$1 billion in net sales reflects how much the Chinese government's attitude toward investing overseas has changed in recent months.

Chinese investors began scooping up U.S. real estate a few years ago after Beijing officials loosened restrictions on

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Airline Bosses Speak From the Cheap Seats



CLOSE CONFINES: Delta CEO Ed Bastian, above, and Doug Parker, American's chief, both 6 foot 3, defend the tightest sections of their planes while sitting in them. The Middle Seat, A13

CVS Hold Music Divides A Nation

* * *
Tune drives some batty, sends others seeking its origins

By JON KAMP AND SUMATHI REDDY

One of the most polarizing pieces of music in America isn't being performed at any of the nation's concert halls. Anyone can hear it by calling CVS.

The on-hold tune drives Harvard psychiatrist Steven Schlozman out of his mind. "What they're playing is supposed to soothe you, but after the three billionth time it's particularly unsoothing," Dr. Schlozman said. Adding up a career's worth of pharmacy calls, he estimates he has spent nearly 600 hours listening to the same song.

By contrast, Mark Montcalm, a Michigan pharmacist who frequently turns to CVS for prescription refills, loves the tune.

Fashion Out, Politics In For the First Daughter

BY REBECCA BALLHAUS AND SUZANNE KAPNER

Ivanka Trump is closing her namesake fashion brand and planning a longer-term focus on policy in Washington.

The president's daughter, who formally separated herself from the business more than a year ago, holds an undefined policy portfolio as a senior adviser in the White House, most recently centered on workforce development. Her decision to concentrate on the White House comes after months of speculation about whether she and her husband, fellow White House adviser Jared Kushner, would remain in the administration for the rest of the president's term.

Apparel sales at the brand, which Ms. Trump launched in its current form in 2014, soared in the year of the 2016 presidential election. But the company also became a lightning rod for critics of her fa-

ther's policies, with one anti-Trump group last year urging shoppers to boycott stores selling Trump-branded goods. Retailers including Nordstrom Inc. and Hudson's Bay have stopped selling Ivanka Trump products in the past 18 months, citing poor sales.

Abigail Klem, who took over as president of the New York-based brand in the spring of 2017, told its 18 employees Tuesday the company would be shutting down. Ms. Trump addressed the staff in person later in the day.

Ms. Trump said she had contemplated the move in recent months as she grew frustrated by the restrictions she placed on the company, IT Collection LLC, to avoid possible conflicts of interest while serving in the White House.

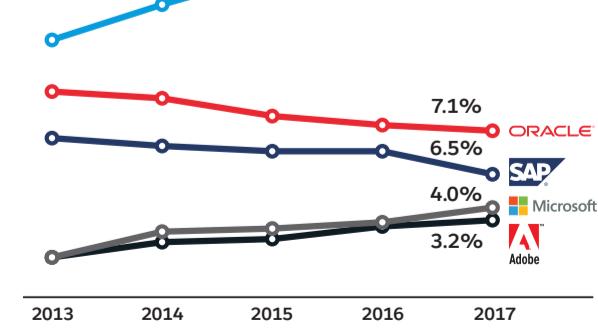
Ms. Trump said Tuesday she

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◆ Tape reveals Trump, Cohen discussing payment..... A4

Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017 Market Share Revenue Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2018.

salesforce

salesforce.com/number1CRM

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U.S. NEWS



U.S. states are vying to become hubs for the offshore wind industry. In Rhode Island, officials tout a port's experience helping build the first U.S. offshore wind farm, above.

Eastern States Compete Over Wind

BY ERIN AILWORTH

In Fall River, a former textile hub on the Massachusetts coast, Bristol County economic development director Kenneth Fiola touts waterfront land and a workforce rooted in manufacturing as reasons the city would make a perfect base for the U.S. offshore wind industry.

The competition has ratcheted up this year, with leaders in some states, including New York and New Jersey, pushing aggressive wind-energy procurement goals and pledging financial support to develop the necessary infrastructure.

"Every state is going to be in this for themselves," said Dan Shreve, director at Wood Mackenzie Power and Renewables, which forecasts the U.S. will have offshore wind farms capable of generating nearly 6 gigawatts by the end of 2027. "The need to achieve first mover advantage is significant."

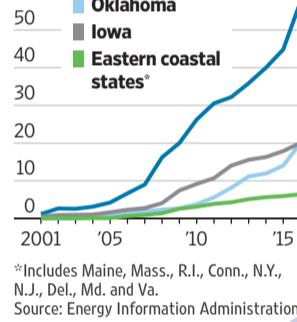
That's because the offshore wind industry and its supply chain are likely to concentrate U.S. operations—and the resulting construction, manufacturing and maintenance jobs—in only a few key locations.

Massachusetts, New York and New Jersey have all set aggressive offshore wind energy goals that call for a combined 7.5 gigawatts by 2030. New

the Atlantic in coming years, spurring billions in investment and thousands of jobs.

So far nearly all wind energy generation in the U.S. has been installed onshore, with states like Texas, Oklahoma and Iowa in the lead. Now the industry is looking at potential offshore.

Updraft
So far nearly all wind energy generation in the U.S. has been installed onshore, with states like Texas, Oklahoma and Iowa in the lead. Now the industry is looking at potential offshore.



*Includes Maine, Mass., R.I., Conn., N.Y., N.J., Del., Md. and Va.
Source: Energy Information Administration
THE WALL STREET JOURNAL

York earlier this month said it would soon solicit bids for 800 megawatts of offshore wind generation, and expects to announce an award by mid-2019.

"We have so much going for us," said Alicia Barton, chief ex-

ecutive of the New York State Research and Development Authority, which has been directed by Gov. Andrew Cuomo to invest \$15 billion in developing workforce and infrastructure to support the offshore wind industry. "This is going to happen, and because we are serious about it, a lot of it is going to happen here."

Virginia is hoping it happens there. "We've hosted numerous visitors," said John F. Reinhart, chief executive of the Port of Virginia.

New London, Conn., wants in on the game, too, said local development director Felix Reyes. He said he has been meeting regularly with Deepwater Wind, a developer planning an offshore project that will serve Connecticut and Rhode Island. Deepwater Wind has already promised to invest \$15 million in the New London State Pier, as well as \$40 million for two ports in Rhode Island.

"The reality is we're going to need lots of ports," said Jeffrey Grybowski, chief executive of Deepwater Wind, which

developed the Block Island wind farm.

So far, Massachusetts, which started courting wind developments years ago, seems to be ahead. It is already home to a \$40 million Wind Technology Testing Center, as well as a \$113 million marine commerce terminal meant to support the construction of offshore wind farms. Three wind developers with leases in waters off Martha's Vineyard have agreed to use the terminal.

EEW, a German steel manufacturer, and Gulf Island Fabrication, which made the foundations for the Block Island wind farm, are planning to open a facility in Massachusetts for offshore wind components. One of the sites they are looking at: the former Brayton Point power plant.

In Fall River, which sits across from the plant, officials now regularly meet with offshore wind companies sizing up prospects, said Mr. Fiola, the economic development director.

"We are about putting food on that table," he said.

IRS Beats Intel in Appeals Court

BY RICHARD RUBIN

The Internal Revenue Service won a court case closely watched by technology companies, as an appeals court upheld a regulation governing how corporations divide expenses between their domestic and foreign operations.

Tuesday's ruling by a panel of the Ninth Circuit Court of Appeals in San Francisco represents a loss for Intel Corp., whose Altera subsidiary challenged the regulation when it was a separate company. Tech companies had billions of dollars at stake in the case because the rules at issue determine where they report some deductions.

The U.S. Tax Court, which handles disputes between taxpayers and the IRS, ruled in favor of Intel. The IRS appealed the decision.

"We conclude that the regulations withstand scrutiny under general administrative law principles, and we therefore reverse the decision of the Tax Court," wrote Chief Judge Sidney Thomas.

He was joined by Judge Stephen Reinhardt, who cast his vote in the case before he died this year. Judge Kathleen O'Malley dissented, arguing that the IRS was "arbitrary and capricious" because it didn't adequately explain its regulations.

Intel is disappointed in the decision and is considering its options for further judicial review, spokesman William Moss said in an email.

The Altera case involved taxes on just \$80 million of income, but the impact could be far larger. Alphabet Inc., the parent company of Google, said in 2016 that it could gain as much as \$3.5 billion if Altera prevailed.

A spokesman for Alphabet declined to comment.

The IRS declined to comment.

—Douglas MacMillan contributed to this article.

Repeal of Tax On Medical Devices Clears House

BY RICHARD RUBIN AND NATALIE ANDREWS

WASHINGTON—The House voted to repeal a 2.3% excise tax on medical devices, again showing bipartisan support for eliminating the levy.

Congress created the tax in the 2010 Affordable Care Act to help pay for expanding health insurance, but medical-device companies and their home-state allies in both parties have been fighting against it ever since.

"This bill reverses a harmful tax that is hurting job growth and innovation across the country," Rep. Erik Paulsen (R., Minn.), the bill's sponsor, said Tuesday on the House floor.

The tax took effect in 2013, but Congress suspended it starting in 2016 and recently extended that moratorium until January 2020. The tax applies to products such as pacemakers and artificial joints, not items directly sold to consumers.

Tuesday's vote was 283 to 132, with all but one Republican voting for the bill. Among Democrats, 57 voted for the measure and 131 opposed it. The bill would reduce federal revenue by about \$22 billion over a decade.

Some Democrats opposed the bill, arguing that it continues a pattern of tax cuts that will deprive the government of money needed to pay for health care.

Even senators who support the legislation are skeptical that it could come up before end of the year. The bill would require 60 votes in the Senate and has some support from Democrats.

"I have supported that and will wait to see what happens," said Sen. Tina Smith (D., Minn.), adding that her state has a strong medical-device industry.

Chinese Sell U.S. Property

Continued from Page One

foreign investment. They quickly made their mark in U.S. cities like Los Angeles, San Francisco, and Chicago with high-profile acquisitions—including the \$1.95 billion purchase of the Waldorf Astoria, the highest price ever paid for a U.S. hotel.

"The company is still in the process of reviewing overseas assets," said Shen Gang, an Anbang spokesman. "We currently do not have specific asset optimization plan, nor a specific timetable."

The retreat by Chinese investors could slow growth further in the U.S. commercial real-estate market. Property values have plateaued on average in the past 18 months after rising sharply in the early years of the post-2008 financial crisis recovery.

While Chinese buyers never represented more than a fraction of the buying power in any U.S. market, these companies often made headlines with the steep prices they were willing to pay, which helped push values higher in certain segments of the market.

In 2015, China's Sunshine In-

surance Group bought the Bacarac Hotel in midtown Manhattan for around \$230 million, a price that valued the luxury property at about \$2 million a room. That was one of the highest valuations ever for a hotel by the popular industry metric.

Chinese investors had their own reasons for paying top dollar. Some of the executives running these firms felt that controlling trophy properties conferred prestige on their owners and built their brand recognition for future expansion, analysts say. A number of Chinese investors also planned to hold these properties for

several decades, so they weren't worried about prices falling in major markets like New York, the analysts add.

For many Chinese firms, that long-term timetable has been scraped after the government began pressuring companies to reduce their debt levels and to cut credit risk in the banking sector.

Not every Chinese investor is under pressure to sell. Developers of smaller residential projects and insurers that own warehouses and senior living centers aren't in retreat, lawyers for these developers say.

And even for Chinese companies that face this pressure,

some have been able to sell at a profit. The government has allowed investors to start by selling properties that have increased in value to avoid losing face, according to Chinese investors.

For example, this year HNA Group and a partner sold 1180 Sixth Avenue in Manhattan to Northwood Investors for around \$305 million, according to data from CoStar Group. The conglomerate, which has its headquarters in Haikou, a city in southern China's Hainan province, bought a 90% stake in the office tower for \$259 million in 2011.

HNA Group also has recently sold a stake in 245 Park Avenue to SL Green Realty Corp., and SL Green will have operating control of the building. HNA bought the tower for \$2.2 billion last year.

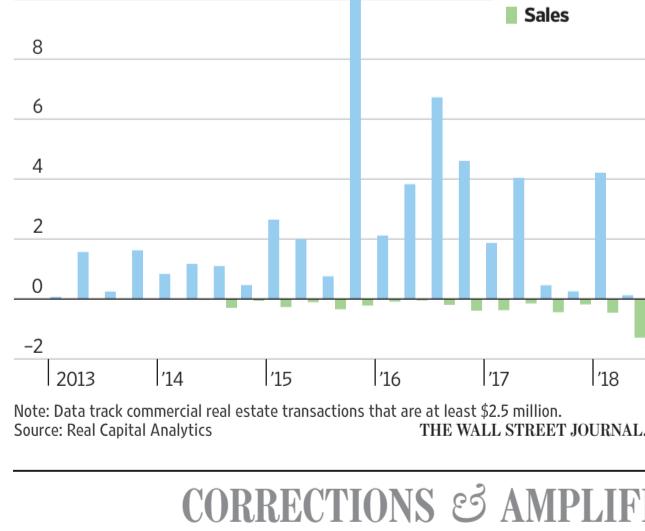
"HNA Group has long said it will be disciplined and thoughtful about its asset dispositions as it realigns its strategy," a spokesman of HNA said. Late last year, HNA Group earmarked roughly \$6 billion worth of properties for sale, according to a person close to the matter.

Chinese lenders also want to avoid the painful repercussions that losses would cause.

"If there is a fire sale, the banks also lose," said Edward Tse, chief executive of Gao Feng Advisory Co., a Shanghai-based consulting firm.

Picking Off Properties

Dollar amount of acquisitions and sales of U.S. real estate by Chinese companies



CORRECTIONS & AMPLIFICATIONS

Christie's International sold \$877 million of contemporary art during the first half of 2018, up 14% compared with the year-earlier period, but its sales of Asian art fell 33%. A Life & Arts article on Tuesday about Christie's sales incorrectly said the auction house sold \$900 million in contemporary art and that its Asian-art sales fell 49%.

Chinese government bonds will be included in the Bloomberg Barclays Global Ag-

gregate Index beginning next year. A Heard on the Street column on Tuesday about China's debt market didn't state when their inclusion will begin.

In some editions Tuesday, Daniel Kruger's last name was misspelled as Krige in the byline of a Markets article about government bonds.

The name of the Canadian city of Edmonton was misspelled as Edmondton in a ref-

erence to the West Edmonton Mall in a Review essay Saturday about bucket lists.

A photo accompanying a Review article Saturday about beach erosion showed Sunny Isles Beach, Fla. The caption incorrectly said it was Miami Beach.

Irvine, Calif. was misspelled as Irving in a Sports article on Tuesday about swimmer Ryan Lochte.

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U.S. NEWS

New Hampshire Fights Sales-Tax Ruling

Retailers in five states with no sales tax face burdens after high court's decision

BY RICHARD RUBIN
AND JENNIFER LEVITZ

Jeffrey Bart, the third-generation owner of Granite State Candy Shoppe in Concord, N.H., has never collected sales taxes. That is probably about to change.

New Hampshire is one of five states without a broad-based statewide sales tax, a status that had insulated Mr. Bart and other retailers from a task familiar to businesses elsewhere. That cushion lasted until the U.S. Supreme Court's June decision in *South Dakota v. Wayfair*, which lets states require retailers to collect sales taxes even if those businesses lack a physical presence in the state.

That decision was a "huge mistake," says New Hampshire Gov. Chris Sununu, who expects to sign legislation this week to make it harder for other states to impose collection requirements on New Hampshire retailers.

"We're not saying states can't do it. We're just putting up a lot of hurdles that states have to jump over," Mr. Sununu said. "We're not going down without a fight."

The Supreme Court cast its ruling as a reflection of changing business models, where physical presence of a retailer isn't the bright line between state tax systems that it once was. Indeed, Mr. Bart, unlike his predecessors running the 91-year-old shop, does 20% to 30% of his business online. That now opens him up to tax-collection demands from outside New Hampshire. He hasn't heard from out-of-state authorities yet, but he's worried about compliance costs.

"We are not set up to collect a sales tax at all, period,"



Jeffrey Bart, who runs the Granite State Candy Shoppe in Concord, N.H., does 20% to 30% of his business online. That opens him up to tax-collection demands from outside the state.

he said. "They're introducing a new element and one that I'm fairly nervous about."

States with sales taxes are still figuring out how they will approach out-of-state retailers. New Hampshire, with a

special legislative session scheduled for Wednesday, isn't waiting to respond. Its reaction to the court's decision will spur the next round of skirmishes over cross-border sales-tax collection.

"It's going to be a long-term issue that threatens the New Hampshire economy, because we are a retail-based economy," said Jeb Bradley, a Republican and majority leader of the state Senate.



The proposal would require other states to register with the New Hampshire attorney general's office at least 120 days before they impose sales taxes against a remote seller based in the state or before they request customer information. The attorney general's office would collect a fee from other states and evaluate whether out-of-state requests comply with New Hampshire and federal law.

The bill gives the attorney general the ability to seek injunctions against other states. Businesses could still choose to collect and remit other states' sales taxes rather than risk potential penalties.

The Supreme Court's decision didn't set explicit standards on when state sales-tax collection might violate the Constitution, leaving uncertainty for small and medium-size businesses. That vagueness is likely to be resolved through future court cases. The South Dakota law upheld by the court wasn't retroactive, for example, and didn't require tax collection for businesses with fewer than 200 transactions or less than \$100,000 in sales into the state. But the court didn't endorse those thresholds or apply them to other states.

"They didn't say how far they would let you go," said Ken Roberts, chairman of the Idaho Tax Commission and

president of the Federation of Tax Administrators, a group of state tax officials. "The court system, the balance of time and court cases will establish that."

Congress could step in to set national rules. But federal lawmakers have been deadlocked on the issue for more than a decade.

New Hampshire's attempts to restrain other states' collection efforts will have trouble succeeding because the Constitution's "full faith and credit" clause requires states to respect one another's legal judgments, said Daniel Hemel, a professor at University of Chicago Law School specializing in taxation.

"Our Constitution doesn't allow states to wall themselves off from the operation of other states' laws," he said. "Maybe Chris Sununu would get some political points from the small business community in New Hampshire, but it doesn't seem to me like a serious endeavor."

The adjustment will be toughest in Delaware, Oregon, Montana, Alaska and New Hampshire, the five states without broad-based sales taxes. New Hampshire, which also lacks a broad income tax, touts its low burdens in line with its "Live Free or Die" ethos and its "New Hampshire Advantage" pitch to businesses.

Migrant Children's Parents May Have Been Deported

BY ALICIA A. CALDWELL

The Trump administration said 463 immigrant parents separated from their children under the government's zero-tolerance policy for illegal border crossers may have been deported.

In a court filing late Monday, Justice Department lawyers didn't specify how many children are in the U.S. whose parents have been deported, and noted that their parents' cases are "under review."

The government said in its filing that 1,634 of 2,551 migrant children ages 5 to 17 years old who were separated from their parents had been deemed eligible for possible reunification.

In all, there have been 1,187 "reunifications or other appropriate discharges" by the Office of Refugee Resettlement, according to the filing.

The migrant children were separated from their parents under the government's policy to prosecute nearly every adult caught crossing the border illegally and to separate children and parents in the process.

President Donald Trump signed an executive order ending the separation policy on June 20, and a court later ordered the government to reunite all of the parents and children by Thursday.

The American Civil Liberties Union, which sued the

government in February over the practice, has long worried that parents could be deported without their children.

The government had previously acknowledged that 12 had been deported before they could be reunited with the youngest separated children.

Immigration advocates and lawyers have said that reuniting children with deported parents is complicated and time-consuming.

U.S. District Judge Dana Sabraw also temporarily halted the deportation of families that had been reunited after the ACLU raised concerns that parents and their children could be removed be-

fore having their full immigration cases completed.

The administration objected to that order Tuesday.

Justice Department lawyers argued in a 38-page filing that a previous order from Judge Sabraw to give families 48 hours to decide if parents and children would be deported together was sufficient.

The government added that making parents, who have been ordered out of the country and choose to be reunited with their children, decide a second time about their child's deportation "is inconsistent with this court's effort to return the children to the status quo and bring families back together."



A Guatemalan woman, who says she was deported from the U.S. without her son in June, protested in Guatemala City this month.

U.S. Ends Suspension Over ACA Payments

BY ANNA WILDE MATHEWS

WASHINGTON—The Trump administration said it would resume billions of dollars in payments expected by insurers under an Affordable Care Act program, ending a brief suspension that it had said was necessary because of a judge's ruling.

The Centers for Medicare and Medicaid Services, which administers the program known as risk adjustment, said late Tuesday it released a rule that offers further explanation for the program's previously established methodology. The move "allows us to resume the risk adjustment program without delay," the agency said.

The Trump administration announced July 7 that it was suspending the program, saying the action stemmed from a February decision by a federal judge in New Mexico who ruled that part of the risk-adjustment program's implementation was flawed and hadn't been adequately justified by federal regulators.

The suspension drew immediate outcry from insurers, which rely on the payments. Industry officials said that if they didn't get clarity around the risk-adjustment program, insurers might push for higher premiums on ACA plans for next year.

Trump Favorite Wins in Georgia Race

BY VALERIE BAUERLEIN

Republican voters chose Trump favorite Brian Kemp over Lt. Gov. Casey Cagle in the Georgia gubernatorial primary runoff Tuesday, picking a social conservative over a favorite of the GOP establishment.

Mr. Kemp was declared the winner by the Associated Press.

Mr. Kemp, a 55-year-old businessman and Georgia's secretary of state, ran as a "politically incorrect conservative."

He appeared in ads with a shotgun, chain saw and truck, which he said he would use to round up illegal immigrants.

He got a boost last week when President Trump endorsed him in a tweet, saying: "Brian is tough on crime, strong on the border and illegal immigration. He loves our Military and our Vets and protects our Second Amendment...I give him my full and total endorsement."

Mr. Kemp thanked Mr. Trump for his tweet and Vice President Mike Pence for cam-

paigning with him last weekend. "We had the momentum in this race, and those endorsements by the president and vice president, they poured gasoline on the fire and fueled the Kemp surge to victory," he said.

In his concession speech, Mr. Cagle said he was disappointed in the results but would endorse and support Mr. Kemp.

The two months since the May 22 Republican primary have been unusually acrimonious and featured a secretly re-



Brian Kemp celebrating his victory in the Georgia Republican gubernatorial runoff Tuesday.

corded conversation of Mr. Cagle saying he voted for a piece of school-choice legislation to stop a group from aiding an opponent, a move he described on the recording as "shit politics."

Mr. Cagle said that he regretted the private conversation being recorded and given to the media.

Mr. Cagle's campaign criticized Mr. Kemp's recent leadership of the secretary of state's office, including a mistake in which the Social Security numbers of more than six million Georgians were exposed to people outside the office. Mr. Kemp has said the error was caused by an employee who later was fired.

Mr. Cagle, 52 years old, had the endorsement of current Gov. Nathan Deal, a popular two-term incumbent who has overseen a growing economy since the recession. He was the top vote getter in the six-way primary with 39%, compared with Mr. Kemp's 26%.

Under Georgia law, if a candidate doesn't win more than 50% of the vote, the two top vote getters go to a runoff.

Mr. Kemp will face Democratic nominee Stacey Abrams, who won her primary with more than 76% of the vote. Democrats across the country are backing her bid to become the nation's first black woman elected governor.

U.S. NEWS

Paul Holds His Ground in Court Battle

Kentucky senator's vote could prove crucial to yet another Republican priority

BY BYRON TAU

WASHINGTON—The debate over whether to confirm Brett Kavanaugh to the U.S. Supreme Court has thrust Kentucky Sen. Rand Paul once again into the middle of a major Capitol Hill fight where he holds significant sway over an urgent item on the Republican agenda.

Mr. Paul, an iconoclast Republican with a libertarian streak, says he remains undecided on whether he will vote to confirm Judge Kavanaugh to the court, citing concerns about the nominee's views on national security issues that affect the privacy rights of

Americans. Mr. Paul met privately with Judge Kavanaugh Tuesday. A spokesman for Mr. Paul declined to comment on the meeting.

Mr. Paul said his chief concern was whether the Fourth Amendment, which protects Americans from unreasonable government searches, allows for a national security exemption. "The Fourth Amendment was intended to limit government in all ways and that the government couldn't say, 'Oh well, we just need to come to your house any time so we can be safe from terrorism,'" Mr. Paul told reporters on Capitol Hill this week.

In interviews, Mr. Paul cited a 2015 opinion by Judge Kavanaugh that argued that the bulk collection of American telephone data by the National Security Agency was unconstitutional and consistent with the



Sen. Rand Paul met with Brett Kavanaugh on Tuesday.

Fourth Amendment. Congress terminated the bulk collection program in 2015, and Mr. Paul has been an outspoken critic of government surveillance under presidents of both parties.

President Donald Trump and Republicans in Congress are

eager to put Judge Kavanaugh on the Supreme Court, looking to capitalize on a once-in-a-generation opportunity to move the court in a more conservative direction after Justice Anthony Kennedy announced he was retiring last month.

But Mr. Paul, along with a handful of other undecided Republican senators, holds sway in Senate debates. With John McCain (R., Ariz.) absent from the Senate while he undergoes treatment for brain cancer, the chamber is now closely divided along party lines, with Republicans having just 50 votes. Any defection could derail a Senate vote if Democrats band together in opposition as a bloc—giving individual Republicans clout.

It is a familiar position for Mr. Paul, who also wavered on whether to support other Trump administration priorities and in some cases voted against

the president, all while representing a state that Mr. Trump won by nearly 30 points.

Mr. Paul has sometimes backed down under White House pressure—notably reversing himself after threatening to oppose Mr. Trump's nominee to be secretary of state this year. Mr. Paul voted against Mr. Trump's nominee for CIA director.

The battle lines in the Senate over Judge Kavanaugh are still emerging. Many progressive Democrats have opposed his nomination, saying they fear he would roll back abortion rights, expand the power of the presidency and favor corporate litigants at the expense of workers.

"Let's just be blunt about what this means," Sen. Elizabeth Warren, a Massachusetts Democrat, said Tuesday. "His nomination is a threat to people of color, to women, to workers, to the LGBTQ community, to people living in poverty. He is part of making this court not represent equal justice under the law but making this court represent corporate interests against the interest of individual human beings."

At the same time, Republicans are looking to win over a handful of Democrats running for re-election this year in states won by Mr. Trump. Sen. Joe Manchin, a West Virginia Democrat, became the first in his party to agree to meet with Judge Kavanaugh. The rest of the Senate Democratic caucus has declined to meet him, as leverage to win concessions on the release of documents as part of his confirmation. Mr. Manchin is scheduled to meet the judge next week.

—Siobhan Hughes contributed to this article.

Fashion Out for Ivanka

Continued from Page One
was uncertain whether she would return to the retail industry once she leaves Washington.

"After 17 months in Washington, I do not know when or if I will ever return to the business, but I do know that my focus for the foreseeable future will be the work I am doing here in Washington," she said. "So making this decision now is the only fair outcome for my team and partners."

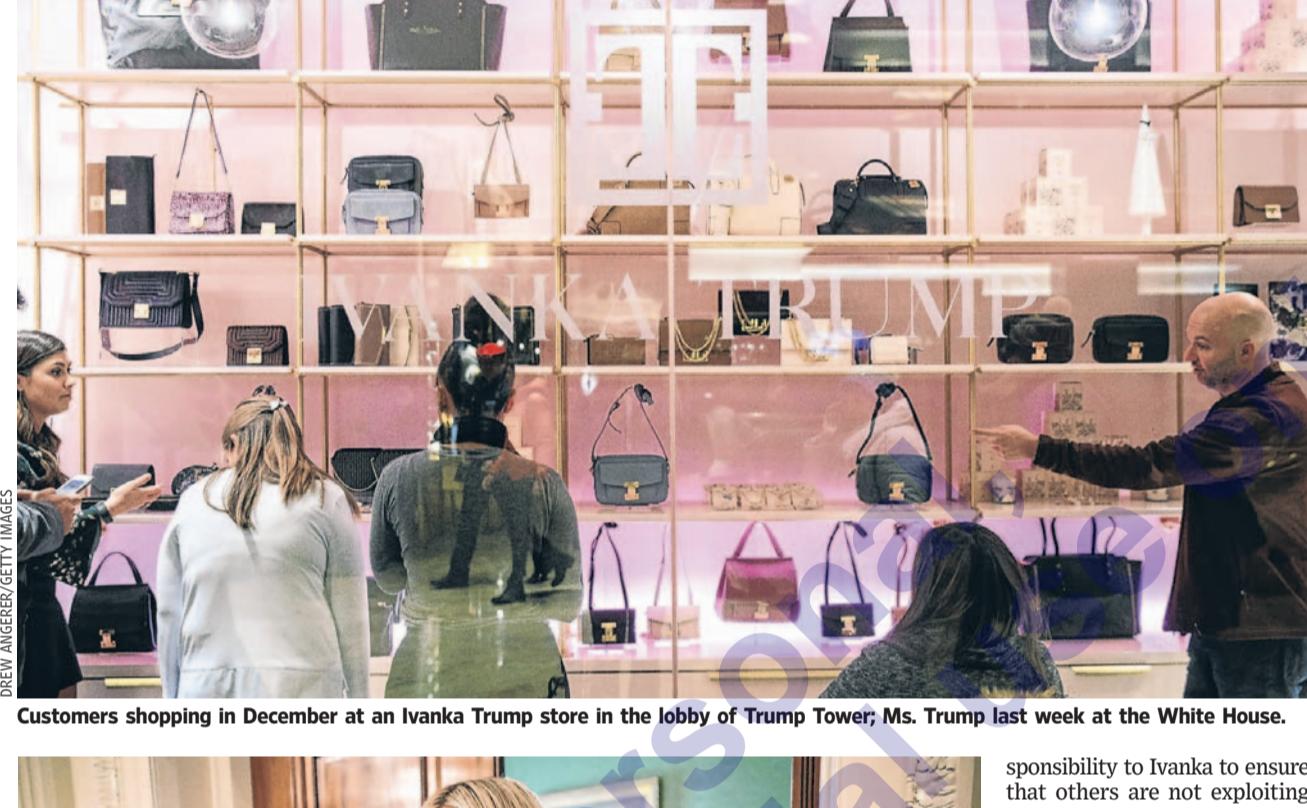
When Ms. Trump and Mr. Kushner moved to Washington from New York in late 2016 to join the administration, it was unclear how long they would stay. Mr. Kushner initially took on an expansive portfolio that included China relations, Middle East peace and improving the federal government's efficiency. Ms. Trump made an early focus pushing to include a child-care tax credit in a federal tax overhaul.

Since then, the couple has faced questions about their roles at the White House and their companies' financial dealings. Mr. Kushner was drawn into the special-counsel investigation into whether Trump associates colluded with Russia's efforts to interfere in the 2016 U.S. election. Mr. Kushner and the president have denied collusion, and Moscow has denied election meddling.

Ms. Trump also drew rebukes for at times appearing to hawk her brand in her official capacity, including by wearing the merchandise in Instagram posts about official appearances.

President Trump has often privately expressed concern about the couple and has suggested they would be happier in New York, according to people familiar with the discussions.

Ms. Trump has focused in recent months on promoting the White House's infrastructure plan, which the administration has since declared dead, and workforce development, holding an event last week with lawmakers and corporate executives at the White House and making a presentation at a cabinet meeting.



Customers shopping in December at an Ivanka Trump store in the lobby of Trump Tower; Ms. Trump last week at the White House.



WIN MCNAMEE/GETTY IMAGES

There are signs the couple are easing into their lives in Washington. They have routinely hosted members of Congress and reporters at their home in the city's upscale Kalorama neighborhood for dinner parties and off-the-record conversations. In recent months, they have been house-hunting for a permanent home in the city, according to people familiar with the matter.

Ms. Trump separated herself from the management and operations of the company but re-

tained her ownership interest through a trust. The ethics restrictions she implemented included ordering the company not to expand internationally and to seek her approval before striking agreements with new domestic partners.

The Ivanka Trump brand sells moderately priced apparel, shoes, handbags and jewelry, such as a \$200 pink handbag and \$100 black pumps.

In January 2017, the company said it wouldn't proceed with a distribution deal with Sanei International

sponsibility to Ivanka to ensure that others are not exploiting her name," the person said.

Despite Ms. Trump's efforts to separate herself from the company, it has proved difficult to fully extricate the brand from her father's administration.

After Nordstrom dropped Ms. Trump's line last year, the president in a tweet chastised the company for treating his daughter "so unfairly." Senior White House adviser Kellyanne Conway was later rebuked for urging the public to "go buy Ivanka's stuff" in an interview from the White House briefing room.

At the time, a Nordstrom spokeswoman said sales had deteriorated to the point where "it didn't make good business sense for us to continue with the line."

Neiman Marcus Group and T.J. Maxx in the last 18 months have scaled back or changed the way they display Ivanka Trump products.

Hudson's Bay, a Canadian company, notified the Ivanka Trump brand in the fall of 2017 that it would phase out its merchandise, based on its performance, according to a person familiar with the situation.

An Ivanka Trump spokesman attributed the decline to particularly high online sales in early 2017 because of "newfound awareness" of the brand after the president took office.

WASHINGTON—Republican congressional leaders made it clear on Tuesday that if Russian President Vladimir Putin accepts President Trump's invitation to the White House this fall, he shouldn't expect a visit to the other end of Pennsylvania Avenue.

"Putin will not be welcome up here, at the Capitol," said Senate Majority Leader Mitch McConnell (R., Ky.).

The president's July 16 meeting with Mr. Putin in Helsinki, in which he questioned the U.S. intelligence conclusion that Moscow interfered in the 2016 election, was roundly criticized by Republican and Democratic lawmakers. Mr. Trump later said he misspoke.

The White House said last week that Mr. Trump had invited Mr. Putin to Washington for another summit in the fall, surprising lawmakers and senior administration officials. Mr. Putin hasn't accepted the invitation.

Should Mr. Putin visit, House Speaker Paul Ryan (R., Wis.) said the Russian president wouldn't be invited to address Congress. "We would certainly not be giving him an invitation to do a joint session. That's something we reserve for allies," Mr. Ryan said.

The GOP leaders of the Senate and House didn't say whether they would condone lawmakers' attendance at a proposed White House meeting.

White House In Shift on Summaries

BY VIVIAN SALAMA

The White House will stop routinely releasing summaries of calls President Trump has with foreign leaders, according to a person familiar with the plan, ending a longstanding practice.

The White House will continue to distribute readouts to advisers in various government agencies but will offer the press selective details of Mr. Trump's calls only upon request, that person said.

Press secretary Sarah Sanders is expected to address the issue in her next briefing, the person said, and it wasn't immediately clear why the White House decided to change the practice.

The change in the White House practice was first reported by CNN.

The official White House summaries of calls with foreign leaders, known as readouts, publicly mark that a call has taken place and typically provide several sentences of summary, mentioning topics that were discussed while shying away from specific details or disagreements. Many foreign leaders also issue their own readouts, providing their version of the calls, which can sometimes differ in tone and emphasis from the White House summary.

Tape Reveals Trump, Cohen Discussing Payment

BY MICHAEL ROTHFIELD AND REBECCA BALLHAUS

Lawyers for President Trump and his former attorney Michael Cohen clashed Tuesday over whether Mr. Trump suggested making a cash payment late in his presidential campaign to buy the rights to a former Playboy model's story of an affair with him.

The comments were made on an audio recording secretly made by Mr. Cohen in September 2016 and aired by CNN Tuesday evening. The men were discussing buying the rights to former Playmate Karen McDougal's story, which had been purchased for \$150,000 a month earlier by American Media Inc., owner of the National Enquirer, but not published.

The recording was seized by the Federal Bureau of Investigation on April 9 in a raid of Mr. Cohen's home, office and hotel room as part of an investigation

into possible campaign-finance violations and his personal business dealings.

The recording aired Tuesday suggests that Mr. Trump already was aware at the time of his conversation with Mr. Cohen of American Media's purchase of Ms. McDougal's story. Mr. Cohen didn't mention her name or what information was to be transferred, but Mr. Trump seemed to understand and follow along.

Rudy Giuliani, a lawyer for Mr. Trump, said in an interview with CNN Tuesday evening. The men were discussing buying the rights to former Playmate Karen McDougal's story, which had been purchased for \$150,000 a month earlier by American Media Inc., owner of the National Enquirer, but not published.

When Mr. Cohen talks about

financing to buy the rights, Mr. Trump makes a statement that begins inaudibly and then appears to say, "with cash." Mr. Cohen responds "no" several times, and "I got it," and then Mr. Trump appears to say,

"Check?" The tape then cuts off.

A transcript produced by the president's lawyers describes Mr. Trump as saying, "Don't pay with cash...check," before Mr. Cohen begins to disagree. In the audio played by CNN, the word "don't" can't be clearly heard. Mr. Giuliani said Tuesday that the transcript "accurately reflects the taped conversation." Mr. Giuliani last

week said Mr. Trump had suggested paying by check, which he characterized as exculpatory evidence for the president. He said Mr. Trump's team had produced "enhanced" audio to analyze the recording, but declined to provide a copy of it.

A lawyer for Mr. Cohen, Lanny Davis, said in a tweet Tuesday that Mr. Trump is actually suggesting a cash payment. He wrote, "Truth is once again on @MichaelCohen212 side. @PO-TUS @realDonaldTrump used the word cash, despite @RudyGiuliani falsely accusing Mr. Cohen. Just as Richard Nixon learned, tapes don't lie!"

American Media Chief Executive Officer David Pecker has described himself as a friend of both Mr. Trump and Mr. Cohen. In the recording, Mr. Cohen tells Mr. Trump: "I need to open up a company for the transfer of all of that info regarding our friend David." He said he had spoken to another

Trump Organization executive, Chief Financial Officer Allen Weisselberg, about "how to set the whole thing up with funding."

Mr. Cohen says they should purchase the rights to avoid uncertainty in the event something happens to "that company."

"You never know where he's going to be," says Mr. Cohen, in an apparent allusion to Mr. Pecker.

"Maybe he gets hit by a truck," Mr. Trump responds.

"Correct. So I'm all over that," Mr. Cohen says.

After he begins to talk about the financing, Mr. Trump says, "What financing?" Mr. Cohen tells them they will have to pay, and then the discussion about the method of payment ensues.

Messrs. Weisselberg and Pecker didn't respond to requests for comment.

—Mark Maremont and Joe Palazzolo contributed to this article.



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We make prescription opioids. And we want to limit their use.

For more than 25 years, Purdue Pharma has developed opioid medications. While opioid analgesics may help patients with acute and chronic pain when other treatment options are inadequate, earlier this year we decided that our sales representatives will no longer promote opioids to prescribers.

We are acutely aware of the public health risk opioid analgesics can create. And we are deeply concerned about the toll the opioid crisis is having on individuals and communities across the nation, and as a company now led by a physician, we believe the country needs a new approach to prescribing opioids.

This approach includes supporting patient access to multi-modal pharmacologic and non-pharmacologic treatment options; ensuring opioids are only used when alternative treatment options are inadequate; and adopting public policies aimed at reducing addiction, abuse, diversion, and overdose related to opioids.

To help limit a patient's unnecessary exposure to opioids and reduce the number of unused opioids that might end up in the wrong hands, we support initiatives to limit initial opioid prescriptions to no more than seven days.

To help reduce prescription drug abuse and diversion, we advocate that prescribers and pharmacists consult state Prescription Drug Monitoring Program (PDMP) databases before writing or dispensing any opioid prescription. Studies suggest that PDMPs can help reduce the number of prescriptions written for opioids and that PDMP use is associated with a reduction in pain medications received for nonmedical use from multiple doctors.^{1,2}

To support communities that have been affected by the crisis, we've provided funding to the National Sheriffs' Association to help law enforcement distribute the overdose rescue drug naloxone. In addition, we're helping to bring prescription abuse prevention education to high school students across the country.

America's opioid crisis is the result of multiple factors. We believe that all stakeholders — healthcare leaders, drug manufacturers, policymakers, and public health officials — need to come together to drive meaningful solutions forward. While no single intervention alone will solve this crisis, partnerships, determination, and innovative approaches are steps in the right direction.



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¹Bao Y, Pan Y, Taylor A. Prescription drug monitoring programs are associated with sustained reductions in opioid prescribing by physicians. *Health Affairs* [Project Hope]. 35(2016)1045–1051. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5336205/>.

²Ali MM, Dowd W, Classen T. Prescription drug monitoring programs, nonmedical use of prescription drugs, and heroin use: evidence from the National Survey of Drug Use and Health. *Addictive Behaviors*. 69(2017)65–77.

U.S. NEWS

Manufacturers Play Down Tariffs

By DOUG CAMERON

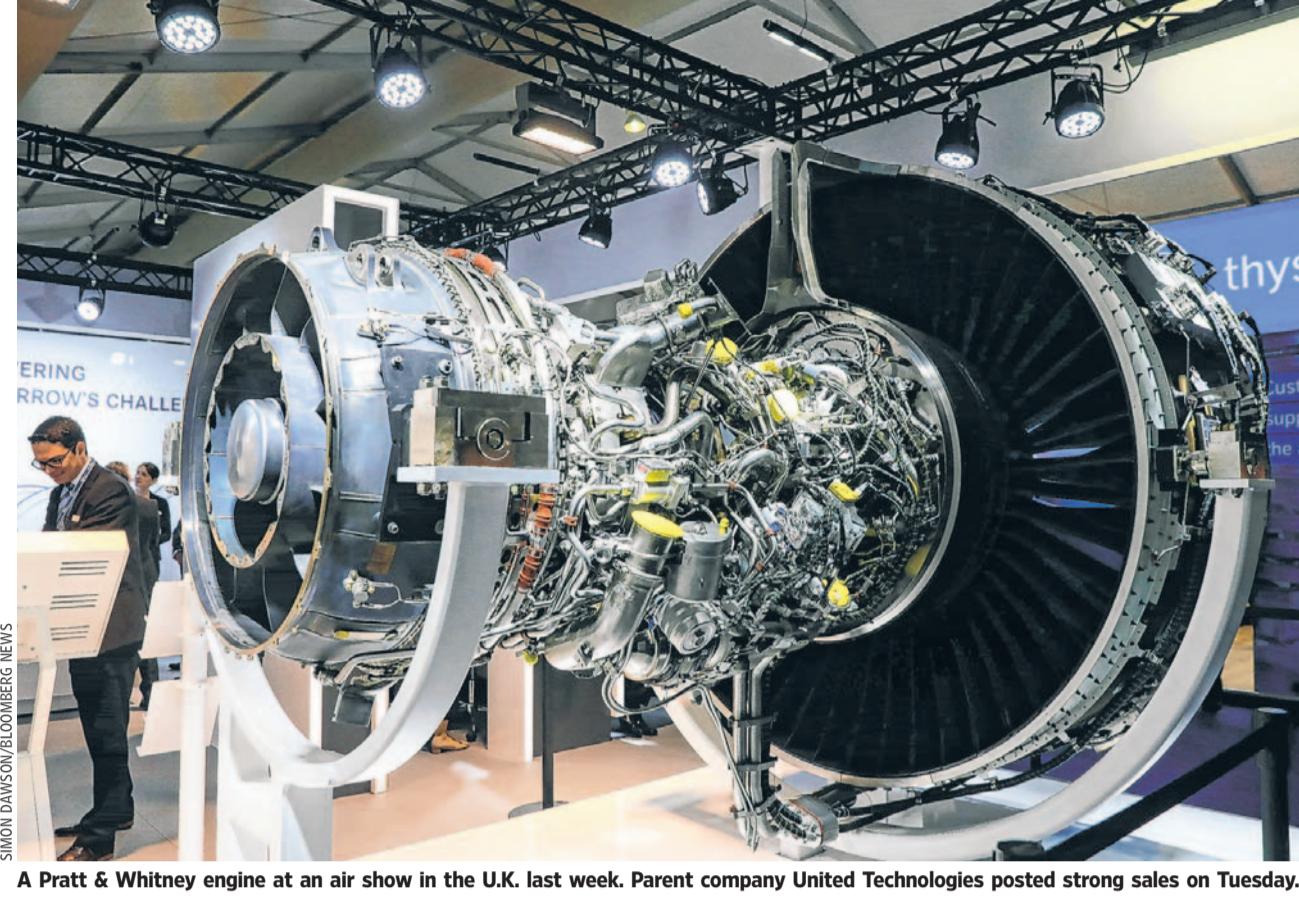
Many U.S. manufacturers are shrugging off concerns over tariffs and trade tensions so far, as strong demand at home and abroad is yielding stronger-than-expected profits.

United Technologies Corp. and **3M** Co. reported strong sales on Tuesday and said they were less concerned about tariffs imposed by the U.S., China and the European Union than about the rising cost of raw materials, labor and shipping.

"These tariffs aren't helpful to anybody but we're going to have to deal with them," said United Technologies Chief Executive Greg Hayes. He said the impact of tariffs so far had been "relatively modest" and that the maker of Otis elevators and Pratt & Whitney aircraft engines expects to pass higher costs on to consumers.

Manufacturers are booking more orders and delivering higher profits in a strong U.S. economy, many buoyed by a rebound in oil prices that has spurred demand from domestic drillers. U.S. aerospace and auto manufacturers have also reported strong orders. Sales in Europe and China have been more resilient than many analysts expected, thanks in part to a weaker U.S. dollar during the second quarter.

Industrial companies have delivered more forecast-beating sales, profits and margins for the second quarter than any sector except financial services and consumer staples, analysts at Credit Suisse said.



A Pratt & Whitney engine at an air show in the U.K. last week. Parent company United Technologies posted strong sales on Tuesday.

"There's a lot to like this quarter, across our entire industrial portfolio," 3M Chief Financial Officer Nick Gangestad said Tuesday on an investor call. Mr. Gangestad said the maker of Scotch tape and industrial adhesives, while prepared to pass on cost increases to consumers, would switch suppliers and alter production plans if

needed in the face of any new tariffs.

Investors will get further insight into how the trade tensions are affecting businesses Wednesday when the auto makers, **Boeing** Co. and **Coca-Cola** Co., among other companies, report their quarterly results.

The upbeat manufacturing news started earlier this month with strong reports

from Fastenal Co. and W.W. Grainger Inc., which supply factories with everything from bolts to cleaning supplies. Honeywell International Inc. on Friday reported higher sales and profit margins and said the trend is continuing in the third quarter.

While U.S. tariffs on steel and aluminum imports have raised domestic and interna-

tional prices, many big companies have existing deals in place and won't feel the impact of the levies until next year.

—Austen Hufford and Andrew Tangel contributed to this article.

◆ Harley-Davidson warns tariffs will dent profits..... B3

◆ Whirlpool reports 'very soft' demand after price rise..... B3

EU Leader Set to Face Trump and His Tweets

By VIVIAN SALAMA AND VALENTINA POP

When European Commission President Jean-Claude Juncker left for Washington to meet with President Trump, his mission was to try to dissuade the American president from escalating trade tensions between the U.S. and EU.

Then Mr. Trump started tweeting. "Tariffs are the greatest!" Mr. Trump declared early Tuesday. "Either a country which has treated the United States unfairly on Trade negotiates a fair deal, or it gets hit with Tariffs," the president tweeted. Mr. Trump's message surfaced as Mr. Juncker was en route.

The White House said the meeting will focus on "a wide range of priorities, including foreign and security policy, counterterrorism, energy security, and economic growth."

And yet Mr. Trump's tweets show that he remains focused on maintaining a tough negotiating stance on trade, and suggest that any effort by Mr. Juncker to deter him from further action will be a significant challenge.

"I have an idea for them," Mr. Trump tweeted late Tuesday, referring to his meetings with the Europeans. "Both the U.S. and the E.U. drop all Tariffs, Barriers and Subsidies! That would finally be called Free Market and Fair Trade! Hope they do it, we are ready - but they won't!"

Mr. Trump had suggested the idea of a barrier-free, tariff-free trade zone at the conclusion of the Group of Seven meeting last month, a proposal broadly viewed by the other G-7 member states as unrealistic.

Of particular concern to the EU are the Trump administration's proposed tariffs on all auto imports, which could happen as early as August.

An EU official said Europe had "tried everything" to discourage Mr. Trump from escalating the trade fight to such areas, and that Mr. Juncker "is the last resort."

A senior European official said the difficulty in dealing with the Trump administration is that "it's not always a perfectly clear message" with regard to its position on trade.

The official stressed, however, that a true "trade war" could be looming.

"Steel and aluminum was not a trade war, it was a trade skirmish," the official said. "But 'cars make that a serious business.'"

U.S. Deficits Play Bigger Global Role, IMF Says

By JOSH ZUMBRUN

The U.S. remained by far the largest driver of global current-account imbalances in 2017, running the world's largest deficit and adopting policies—mainly a shift toward much larger fiscal deficits—that are likely to increase its imbalances in coming years.

The U.S. ran a \$466 billion current-account deficit, meaning the nation imported far more than it exported. The U.S. has become an increasingly large driver of global deficits, accounting for 43% of all global deficits last year, up from 39% in 2016, according to the International Monetary Fund's annual assessment of the state of global imbalances.

Washington's shift toward major deficit spending will move the U.S. trade deficit "further from the level justified by medium-term fundamentals and desirable policies," the IMF said.

The report highlights the leading role the U.S. plays in imbalances, at a time when the Trump administration has made cutting the trade gap one of its stated goals.

Maurice Obstfeld, the IMF's chief economist, told reporters that the current set of imbalances "does not pose an imminent danger."

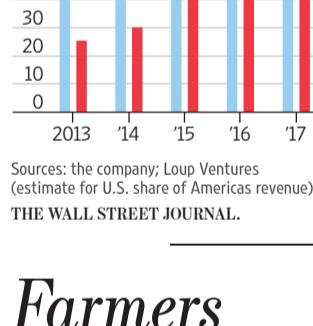
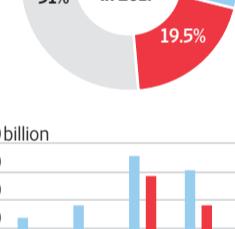
Apple Is Vulnerable in U.S.-China Dispute

Bilateral Business

Apple relies on the U.S. and China for about half of its total revenue, making it vulnerable as trade tensions escalate.

Apple's revenue breakdown by region

■ U.S. ■ Greater China ■ Others



THE WALL STREET JOURNAL.

The phrase on the back of iPhones—"Designed by Apple in California. Assembled in China"—highlights a key reason for the company's remarkable success but also shows how exposed it is to the escalating U.S.-China trade fight.

By **Tripp Mickle** in San Francisco and **Yoko Kubota** in Beijing

By assembling its phones in China, **Apple** Inc. tapped into China's vast workforce and formidable manufacturing capabilities. But it also made Apple's most-profitable product a Chinese export—one that could be subject to tariffs in the trade dispute.

On top of that, China is by far Apple's most important market outside the U.S., leaving it exposed if Beijing decides to retaliate by squeezing its sales.

"They should be nervous," said David Dollar, a China scholar at the Brookings Institution, who was the U.S. Treasury's top official in Beijing

during the Obama administration.

Smartphones weren't included in the levies on \$34 billion of Chinese goods imposed on July 6, nor are they targeted in a second round worth \$16 billion that is expected in August. They also haven't been included in a third round of \$200 billion in goods that the Trump administration identified earlier this month.

But now, President Donald Trump is threatening levies on a total of \$500 billion in imports, which would cover just about everything China ships to the U.S., including iPhones, trade experts say. The U.S. imported about \$45 billion in mobile phones from China last year, according to data from the International Trade Centre.

China imports much less from the U.S.—about \$130 billion in goods annually—which limits its options for tit-for-tat tariffs. But China could retaliate with higher duties and punitive actions against American companies. Apple would be a likely

target because of the iPhone's 9% share of China's smartphone market, according to Mr. Dollar and other trade experts.

Apple declined to comment. Chief Executive Tim Cook, who has made the company's China business a pillar alongside the one in the U.S., has maintained his customary cool as tensions rise, while courting officials in Beijing and Washington. In March, he visited Beijing and called for open trade at an event hosted by the Chinese government.

In a visit to the White House in April, Mr. Cook told the president tariffs weren't the right approach to trade issues, the Apple CEO said in a subsequent TV interview.

China already imposes a value-added tax of 16% that affects iPhones. Apple has other potential targets for retaliation, including about 40 retail stores in China and an App Store that is the largest in spending world-wide.

China's Ministry of Commerce and the State Council In-

formation Office didn't respond to requests for comment.

For Washington and Beijing, dragging Apple into the trade fight carries risks.

Mr. Trump could anger American consumers if tariffs make the popular iPhone more expensive. He would also be taking on the world's most valuable company, which has promised to contribute \$350 billion to the U.S. economy over the next five years. Included in that figure is a one-time tax of \$38 billion on its overseas cash holdings, which came in response to a major overhaul of the U.S. tax code.

China also has an interest in keeping the peace, given the number of jobs Apple provides. About 10,000 people in China are employed directly by Apple, the company said. Indirectly, Apple says it accounts for three million jobs there through its supply chain.

China is more vulnerable to smartphone tariffs than rivals because it hasn't diversified its manufacturing.

Republican lawmakers from farm states said they expect to meet Wednesday afternoon with Mr. Trump, following his meetings with European officials. U.S. trading partners have targeted retaliatory tariffs on U.S. exports from rural communities, areas that supported Mr. Trump and Republicans in the 2016 election.

Polls suggest farming communities remain supportive of Mr. Trump. Victor Miller, who raises soybeans, corn and hogs near Oelwein, Iowa, said the Trump administration had recognized the financial strain some farmers face due to declining livestock and crop prices.

"Yeah, there's going to be some pain immediately," Mr. Miller said. "But that pain, endured, will lead to a much better future for all of us," he predicted.

Farmers are beginning to feel the pain of Mr. Trump's brinkmanship on trade. Soybean futures prices this month

hit their lowest point in nearly a decade. They have fallen by 16% since the end of May, as agricultural traders weighed the potential impact of tariffs levied by China this month.

China, the world's largest soybean consumer, last year bought \$14 billion worth of the oilseeds from the U.S., but the Department of Agriculture this month projected that the tariffs would erode U.S. exports—and help push domestic soybean stockpiles for the coming crop year to a record 580 million bushels.

Corn and wheat prices also have been weighed down by tariff concerns, with China placing duties on those U.S. crops this month.

Hog farmers and pork processors are dealing with a 62% tariff on pork shipped to China and a 20% duty in Mexico, after both countries increased tariffs in early July. Mexico and China both rank among the top buyers of U.S. pork, and lean hog futures have dropped about 13% in the past two months.

Trump administration officials have acknowledged the financial hardship farmers could face as major trading partners retaliate against food commodities, but say farmers will share in the benefit of new trade policies that the administration says will be fairer to U.S. interests.

Mr. Trump, addressing a

gathering of veterans groups on Tuesday, urged patience on trade, despite concerns raised by critics: "Just stick with us," he said. "It's all working out."

The plan announced by Mr. Perdue also includes purchases of surplus agricultural commodities for distribution to food banks. And the government will fund trade promotion to find new export markets for U.S. agricultural products.

Asked if he would support the aid to farmers, Sen. Thom Tillis (R., N.C.) said, "I don't generally like federal bailouts, but if we're going to have these uncertainties in the agricultural industry...we just have to look at it."

Earlier this year, the Trump administration imposed tariffs of 10% on aluminum imports and 25% on steel imports from Canada, Mexico and the EU.

The president has also levied tariffs on \$34 billion in imports of electronic goods, machinery and other products from China, with another \$16 billion expected in the next few weeks.

Mr. Trump has also asked his team to study applying tariffs to all vehicles entering the U.S., and said his administration would assess tariffs on a further \$200 billion of a range of consumer products.

—Natalie Andrews and Siobhan Hughes contributed to this article.



Corn prices have been hit by tariff concerns, with China placing duties on the crop this month.

Continued from Page One

ident Jean-Claude Juncker is set to meet with Mr. Trump at the White House on Wednesday, and trade is expected to be high on the agenda. Mr. Juncker is expected to try to dissuade Mr. Trump from further escalation of trade fights, particularly over automobile imports to the U.S.

Many congressional lawmakers expressed skepticism about the administration's aid plan. Farmers, the critics said, need certainty on trade, not a bailout from the government. Even GOP senators who usually defend Mr. Trump expressed worry that aid might have to be extended to other sectors if he continues his trade fights on various fronts.

"What's the strategy, what's the endgame here? At what point do we start seeing things move out of the chaotic state they are in now and to where we actually see new trade agreements?" asked Sen. Mike Rounds (R., S.D.).

Sen. Heidi Heitkamp (D., N.D.) said more aid might be needed if Mr. Trump continues imposing tariffs and other countries retaliate. "Twelve billion sounds like a lot of money, but we're going to be losing literally hundreds of millions of dollars in every state" due to the trade disputes, she said.

Retirement, Savings Focus Of GOP Bill

By ANNE TERGESEN
AND RICHARD RUBIN

House Republicans unveiled a plan Tuesday to make retirement and savings a crucial part of their push for tax legislation this fall.

Retirement and savings incentives, which include an expansion of 529 college savings accounts and penalty-free access to retirement accounts for newborn-baby care, make up one of the three bills in the House GOP's "Tax Reform 2.0" package.

The centerpiece of the package is an extension of last year's tax cuts for individuals and so-called pass-through businesses beyond their 2025 expiration date, though that is unlikely to

The House measure includes an expansion of 529 college savings accounts.

draw enough Democratic votes to become law. Pass-through businesses are partnerships, sole proprietorships, limited-liability companies and S corporations, and their owners pay their business taxes through their individual tax returns.

Rep. Kevin Brady (R., Texas), chairman of the Ways and Means Committee, has said he hopes the new retirement bill will attract bipartisan support. The House is in session this week and then gone for its summer break. The intention is to vote in September.

The part of the package focused on retirement would establish a universal savings account that could be used for a

variety of needs. Currently, taxpayers can save on a tax-advantaged basis in individual retirement accounts and 401(k)-type accounts for retirement, in 529 accounts for college and in health savings accounts for health-related costs.

Rep. Kenny Marchant (R., Texas), also a Ways and Means member, has said the universal savings accounts would be funded with post-tax dollars but would allow tax-free earnings and offer more flexible withdrawal rules than existing retirement accounts.

The House Republican plan would also allow families to use money saved in 529 college savings accounts to pay for things aside from college tuition, including costs associated with home schooling and student debt and apprenticeship fees.

With a 529 plan, contributions are made with post-tax dollars and grow free of federal and often state income tax, provided they are used for higher-education expenses. Many states also allow the use of these funds for tuition for elementary or secondary schools.

The House plan also would allow families to access retirement savings penalty-free upon the birth or adoption of a child. Currently, those who tap a traditional IRA before age 59½ must pay income tax on the withdrawal plus a 10% penalty.

"We want to help families start saving earlier and save more throughout their lives," the Ways and Means panel said in a news release.

Rep. Richard Neal of Massachusetts, the top Ways and Means Democrat, said, "This new framework is more of the same—it rewards the well-off and well-connected...and leaves the middle class behind."

Storm Leaves Hail Piled Up in Colorado Town



ANKLE DEEP: Madison Guessford, 5, played in the hail Tuesday in Manitou Springs, Colo. Heavy rain also triggered mudslides and flooding.

U.S. WATCH

MICHIGAN

University Chief Grilled Over Scandal

Acting Michigan State University President John Engler faced sharp questioning during a U.S. Senate hearing Tuesday over his actions following the sexual-abuse scandal involving former MSU and USA Gymnastics doctor Larry Nassar.

Sen. Richard Blumenthal (D., Conn.) repeatedly asked Mr. Engler about his meeting with Kaylee Lorincz, a plaintiff in a lawsuit against Nassar who said that Mr. Engler in March offered her a \$250,000 private settlement agreement without her lawyer present.

Mr. Engler repeatedly denied offering money to Ms. Lorincz.

Sen. Maggie Hassan (D., N.H.) criticized Mr. Engler for a private email in April in which he ac-

cused Rachael Denhollander, a victim of Nassar's abuse, of taking kickbacks from trial attorneys involved in suing MSU. Mr. Engler later apologized.

"I think you have some repair work today, to put it mildly," Ms. Hassan said. Several dozen Nassar survivors who attended the hearing burst into applause.

Mr. Engler, a former Michigan governor, took over as interim MSU president in January. Last month, Michigan State's board approved a \$500 million settlement with victims of Nassar's sexual abuse.

—Rachel Bachman

CALIFORNIA

Officials Close Part of Yosemite Amid Fire

Authorities have closed the heart of Yosemite National Park, one of the nation's most popular,

as a fast-burning wildfire closes in during peak tourist season.

This is the first time a fire has closed down Yosemite Valley, the affected section of the northern California park, since the 1990 A-Rock fire, which burned 17,770 acres, said Scott Gediman, a spokesman for Yosemite.

The current blaze, known as the Ferguson Fire, is about 2 miles away from the park, said Rich Eagan, a spokesman for the California Department of Forestry and Fire Protection. Firefighters are focused on battling flames that are moving toward the park's western boundary, he said.

The Ferguson Fire has scorched 36,587 acres since it began July 13. It is 25% contained, and 3,311 personnel had been dispatched to battle the blaze as of Tuesday morning. Nearly 3,500 structures are threatened. One firefighter has been killed.

—Benjamin Din

CALIFORNIA

Officer's Bullet Killed Trader Joe's Worker

The Trader Joe's assistant manager who died of a gunshot wound Saturday was hit by gunfire from a Los Angeles Police Department officer, LAPD Chief Michel Moore said Tuesday.

Police were engaged in a standoff Saturday with 28-year-old Gene Atkins, who they were pursuing after a separate shooting incident. The victim, 27-year-old Melyda Corado, was an assistant manager at the Trader Joe's in the Silver Lake neighborhood, where she was hit, police said.

Chief Moore defended the officers' actions, saying they were necessary to protect the people in the store Saturday. The two officers involved in the shooting were firing at Mr. Atkins.

—Benjamin Din

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WORLD NEWS

Israel Shoots Down a Syrian Jet Fighter

Military says warplane crossed border during campaign to retake region in southwest

Israel shot down a Syrian jet fighter that entered its airspace, its military said, potentially raising tensions in a fraught border region where President Bashar al-Assad's Russia-backed forces are battling to retake a pocket of southwest Syria.

By Felicia Schwartz in Tel Aviv and Raja Abdulrahim in Beirut

The plane, which Israel's military said it believes was either a Sukhoi 22 or Sukhoi 24, crossed a little more than a mile into Israeli airspace over the occupied Golan Heights on Tuesday before it was shot down, Israeli officials said. Across the border in Syria, heavy clashes continued between the Syrian government and a group affiliated with Islamic State.

It wasn't clear if its warplane mistakenly entered Israeli airspace. A Syrian military official said the warplane was in Syrian airspace, Syrian state media reported. The official accused Israel of supporting armed terrorist groups by attacking one of the warplanes carrying out airstrikes on the Islamic State-affiliated group.

The group known as the Khaled bin Waleed army holds territory in the Yarmouk Basin, which borders on the Golan Heights in Syria.



A picture taken on Tuesday from the Israeli-annexed Golan Heights showed several explosions during airstrikes across the Syrian border.

Lt. Col. Jonathan Conricus, an Israeli military spokesman, said the military was confident the plane belonged to Syria. He said Israel was still assessing what the plane's mission was.

The fate of the jet's pilot is unclear, he said, adding that the plane appeared to have crashed in the southern Syria Golan Heights. He couldn't explain how the plane entered Israel but landed on the Syrian side.

The Israeli military said it has observed increased internal fighting in Syria since early Tuesday, including more activity by the Syrian air force.

"We are following what is being done in the Syrian Golan Heights, and are determined

to enforce the [1974] separation-of-forces agreement," said Brig. Gen. Ronen Manelis, a spokesman for the Israeli military. He was referring to an agreement signed between Israel and Syria creating a demilitarized zone between the two sides.

The event caused concern among diplomats who worry about further escalation.

"These hostilities demonstrate a disturbing trajectory of increasingly frequent and dangerous confrontations," Nickolay Mladenov, the United Nations' special coordinator for Middle East Peace, told the Security Council.

Israeli Prime Minister Benjamin Netanyahu accused

Syria of a "gross violation" of the 1974 agreement between the two countries and said Israeli forces acted appropriately in response.

"I have reiterated and made clear that we will not accept any such violation. We will not accept any such penetration of, or spillover into, our territory, neither on the ground nor in the air," he said.

Israel said the plane took off from Syria's largest airbase, known as T-4, which hosts government forces, Russian fighters and an Iranian drone fleet.

Russian planes also operate in the area, Israel's military and other observers said. The military said it issued warn-

ings to the aircraft in several languages and had used a so-called deconfliction channel with Russia earlier in the day meant to ensure that military forces stay out of each other's way.

Leaders of Israel and Russia have spoken regularly in recent months about the conflict in Syria.

While Israel says it has a policy of noninterference in the Syrian war, it has been carrying out strikes against Iranian targets there, hoping to contain Tehran's influence so close to its border.

In May, Israel's military carried out strikes against Iranian targets in Syria—in what it called its largest-ever opera-

Russia: U.S. General 'Discredited' Trump

Russia's Defense Ministry criticized the top U.S. military commander for the Middle East, saying he "discredited the official position" of President Donald Trump by expressing hesitance toward working with Russian counterparts in Syria.

Army Gen. Joseph Votel, U.S. Central Command chief over the weekend told The Wall Street Journal and ABC News while en route to Afghanistan that watching Russia's military actions in Syria gave him "some pause" about working closer with its forces.

—Nancy A. Youssef

tion against Iranian positions in Syria—after it said Iranian forces fired rockets at its soldiers in the Golan Heights.

Mr. Netanyahu on Monday met with Russia's Foreign Minister Sergei Lavrov to discuss Israel's demands that Russia use its influence to completely remove Iran's military presence in Syria.

Israel has increasingly launched strikes against military bases and warehouses inside Syria it says are part of Iran's military entrenchment in the country, but this is the first time it has shot down a Syrian jet fighter since 2014, when it also downed a plane it said infiltrated its airspace in the Golan Heights.

Gaza Crossing Is Reopened to Select Goods

BY FELICIA SCHWARTZ

TEL AVIV—Israel partially reopened Gaza's only commercial crossing Tuesday, loosening severe restrictions put in place earlier in July.

Gas, fuel, food and medicines will be allowed through the Kerem Shalom crossing from noon Tuesday, Israel's Defense Ministry said in a statement.

The crossing was originally closed to pressure Hamas, Gaza's ruling party, to stop launching flaming balloons and kites into Israeli territory. The reopening was partial because the launches had reduced but not stopped, Israel's Defense Ministry said.

"The return of the Kerem Shalom to full operation is contingent on the complete cessation of the launching of incendiary balloons and friction on the border," the ministry added.

A fragile cease-fire between Israel and Hamas has largely held since Saturday, easing fears that the two sides are veering into another war. That possibility seemed acute after an Israeli soldier and three Hamas militants were killed in a bout of intense fighting late last week.

There were several balloons reported over the weekend, prompting the Israeli military



A truck carrying fuel crosses the reopened border area between the Gaza Strip and Israel.

have caused hundreds of fires in recent months in Israeli territory, destroying thousands of acres of farmland, Israeli officials have said.

Israel began blocking shipments through the crossing on July 9 as part of an effort to pressure Hamas to change course. It has also demanded an end to rocket and mortar fire from the Palestinian territory and weekly violent protests at the border.

Palestinians have held regular demonstrations at the fence dividing Gaza from Israel since the end of March, calling for an end to Israel's blockade and to be allowed to return to the land from which they fled during the 1948 war with Israel. Some protesters have charged the fence, rolling burning tires and firing at Israeli forces. They have also thrown Molotov cocktails and flown the flaming kites and balloons.

Since the protests began, Israel's military has killed more than 140 Palestinians and injured thousands with live fire. Israel maintains many of those killed were Hamas militants and says its security concerns necessitate its blockade of Gaza. Palestinian officials say the protesters are mostly unarmed.

—Dov Lieber contributed to this article.

Congo Calls End To Ebola Outbreak

BY NICHOLAS BARIYO AND GABRIELE STEINHAUSER

The Democratic Republic of Congo declared an end to its ninth Ebola outbreak Tuesday, marking a victory for new tools and an experimental vaccine health agencies used to prevent a repeat of the epidemic that swept West Africa four years ago.

Congo's Health Ministry said 42 days had passed since anyone was diagnosed with the hemorrhagic fever, carrying the central African nation past the virus's maximum incubation period. Thirty-three people are believed to have died from the virus, which was confirmed May 8 in the remote province of Équateur, while 21 patients recovered, the ministry said.

The virus spread to four locations, including Mbandaka, a transport hub on the Congo River and home to more than a million people. That triggered fears that patients could carry the disease to the capital Kinshasa, a city of around 12 million, and to neighboring states.

From 2014 to 2016, the largest outbreak of Ebola in history killed some 11,300 people, primarily in Guinea, Liberia and Sierra Leone. The World Health Organization and other public-health agencies came under fire for responding too slowly.

Oly Ilunga, Congo's health minister, said a fast response made a difference this time. A response team was dispatched from Kinshasa within hours, and planes carried medical workers, equipment and supplies to remote villages at the center of the outbreak. Health workers tracked and isolated people who had come into contact with patients and implemented safer burial practices.

Still, it took nearly two weeks to deploy an experimental Ebola vaccine developed by Merck & Co. Because the vaccine hasn't been licensed yet, Congo's government had to approve a WHO protocol that allows injections for contacts of suspected Ebola patients. In total, 3,330 people were vaccinated, the WHO said.

"None of the people who were vaccinated developed the disease," said Jessica Ilunga, spokeswoman for Congo's Health Ministry. "It was such a game changer."

U.K. Draws Criticism for Helping U.S. in Terror Case

BY WILL HORNER

LONDON—A U.K. decision to share intelligence with the U.S. about two Islamic State fighters without assurance that they won't face the death penalty if prosecuted has stirred criticism from lawmakers and highlighted the challenges that Europeans fighting for terrorist organizations in the Middle East pose for their home countries.

The U.S. State Department has designated the two men, Alexandra Kotey and El Shafee Elsheikh, as global terrorists, saying they were involved in the killing of British and American citizens in Syria and Iraq, including U.S. journalist James Foley.

Both from West London, the two were captured in January by the Syrian Democratic Forces, a Kurdish-led group allied with the U.S. They have remained in SDF custody and have given interviews to Western media in which they asked to be tried in the International Criminal Court.

The two have admitted to being members of Islamic State



El Shafee Elsheikh, left, and Alexandra Kotey admit ISIS membership.

Britain "often share[s] evidence that leads to prosecutions in court," Mr. Wallace told Parliament on Monday. "We will always do that where we think it is about seeking justice and the best place for that justice to be delivered. In this case, we felt the best place was the United States of America."

Shami Chakrabarti, of the opposition Labour Party, said that with the move, the government had "secretly and unilater-

ally abandoned Britain's opposition to the death penalty."

The government "is not just playing with the lives of these particular terrorists but those of other Britons—including potentially innocent ones—all over the world," she said.

The case of Messrs. Kotey and Elsheikh highlights the differing approaches among European governments to foreign nationals who joined Islamic State and have been captured in Iraq or Syria.

Germany offers assistance to all its citizens, including those involved in terrorism, and is actively trying to repatriate its nationals.

France, one of the largest European sources of foreign fighters, has said its nationals that joined Islamic State should face local laws even if this means the death penalty in some cases. France has dispatched special forces to track down and kill French foreign fighters, according to Iraqi officials and French officials.

The U.S. State Department said Mr. Elsheikh served as a jailer for Islamic State and "earned a reputation for waterboarding, mock executions, and crucifixions." It said Mr. Kotey served as a cell guard and "likely engaged in the group's executions and exceptionally cruel torture methods, including electronic shock and waterboarding."

The U.S. hasn't charged the men and hasn't said whether it would seek their extradition.

—Jessica Donati in Washington contributed to this article.

WORLD NEWS

Mexico's Next President Vows To Curb Violence

BY JUAN MONTES

MEXICO CITY—Mexican President-elect Andrés Manuel López Obrador plans to leverage his strong political mandate to tackle the rampant violence ravaging the country, according to a top aide.

Mr. López Obrador intends to take personal command of Mexico's security strategy, rein in errant state governors and eradicate the corruption that fuels violence, said Alfonso Durazo, a veteran politician whom the president-elect has chosen to head a new Public Security Ministry after the Dec. 1 inauguration.

Messrs. López Obrador and Durazo are taking on a daunting challenge. Violence exploded in Mexico after 2006, when the government declared war on powerful drug cartels that control swaths of the nation's territory. In 2017, there were close to 30,000 homicides, the most since modern records began in 1997.

Polls identified the rise in violence and corruption as among the main reasons that more than 53% of Mexican voters cast their ballots on July 1 for Mr. López Obrador. The overwhelming victory gives him the political capital to exact cooperation from Mexico's governors, Mr. Durazo said in an interview.

"We have exceptional conditions, and we are betting on that," he said. While the new government will work on improving police capabilities, Mr. Durazo said, "the political will of López Obrador is essential and almost enough to end corruption and violence."

The lack of policy details, however, has rendered some experts skeptical. Mr. López Obrador has said he would create a National Guard as the main weapon to fight crime,

but has offered no specifics on the plan. Beginning next month, Mr. Durazo is set to coordinate seminars in different parts of the country to discuss security policy.

Meanwhile, observers say criminal violence remains on a rising trend. There were 18% more homicides in the first half of 2018 than in the year-earlier period. In the past, changes of administration at the state and municipal levels have often led to spikes in criminal violence as links sever between corrupt officials and criminal organizations.

"There are deeply rooted institutional problems that need a system redesign," said Alejandro Hope, a security analyst and former Mexican intelligence officer. "The idea that López Obrador's mandate will force change by itself is naive."

A dozen former governors of Mexican states have been convicted, arrested or indicted on charges including embezzlement, racketeering and money laundering in recent years, as violence has engulfed their states.

As part of his strategy, Mr. López Obrador has said he would hold a daily 6 a.m. meeting with his team to review security across Mexico and carry out a unified anticrime plan.

"This sends an important signal that the president is taking political responsibility for the strategy and its results," said Eduardo Guerrero, a security consultant in Mexico City.

Mr. Durazo said the new government "will persuade" the nation's 32 governors to follow the president's lead and hold similar early-morning meetings with their security staff in an effort to strengthen accountability.

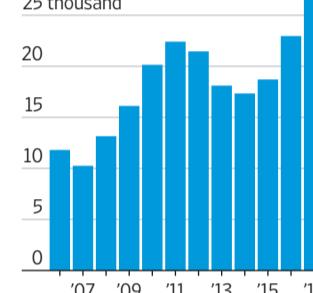
After giving an electoral drubbing to both the ruling Institutional Revolutionary Party, or PRI, and the conservative National Action Party, or PAN,



Forensic personnel inspecting the bodies of three people found slain in Sinaloa state on July 11. Mexico's murder rate is soaring. In 2017, there were close to 30,000 homicides in the country.

Mounting Toll

The number of homicides in Mexico has soared since the government declared war on drug cartels in 2006.



Note: Figures through 2013 represent murder investigations, which could include multiple victims. Source: Mexico's Interior Ministry

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Negotiator Offers Nafta Flexibility

The man tapped as chief trade negotiator for Mexican President-elect Andrés Manuel López Obrador suggested flexibility in making a new deal to revamp the North American Free Trade Agreement before his boss takes office in December.

Jesús Seade, the World Trade Organization veteran who will join Mexico's negotiating team for talks in Washington this week, said he is willing "to explore options" in some of the sticking points on Nafta.

He also urged U.S. counter-

parts to make concessions on Mexico's "red lines," such as some of the provisions President Trump wants to put in any new deal to return manufacturing jobs to the U.S.

"The whole negotiation has to evolve," Mr. Seade said in an interview Tuesday. "After one year, things haven't changed that much. The controversial topics are still there."

The U.S. wants to remove mechanisms to solve commercial disputes, and insert a sunset clause under which the accord would expire every five years unless explicitly renewed. Canada and Mexico reject that proposal.

—Juan Montes and Santiago Pérez

into party campaign coffers, as many observers suspect.

Some state governors have already pledged support to the incoming head of state; Mr. Durazo suggests they will have no choice. "They won't be able to steal the money," said Mr. Durazo. "The era of the vice-roys is over."

Colombian Ex-Leader Leaves Senate

BY JUAN FORERO AND KEJAL VYAS

BOGOTÁ, Colombia—Álvaro Uribe, a powerful former president and mentor to President-elect Iván Duque, abruptly resigned from the Senate on Tuesday after the Supreme Court announced he would be interrogated in a witness-tampering investigation.

Mr. Uribe, a 66-year-old power-broker who spearheaded Mr. Duque's successful presidential campaign, is both beloved and loathed in this country for the way he prosecuted a war against Marxist guerrillas during two terms that ended in 2010. Though well positioned to influence policy once Mr. Duque takes office Aug. 7, Mr. Uribe surprised his countrymen in a series of messages on his official Twitter account explaining his resignation.

"The honorable Supreme Court has called me for questioning, I feel morally impeded to serve as senator and at the same time advance my defense," Mr. Uribe said in one message. "Because of that, I renounce from the senate."

The resignation means that Mr. Duque, who has been dogged by criticism that Mr. Uribe would pull the strings during his presidency, will now have more leeway to be his own man, said Adam Isacson, who tracks Colombian politics for the Washington Office on Latin America policy group. "Having Uribe out of the Senate means Duque has a lot more freedom from that far-right, populist element in his party," he said.

But it also means Mr. Duque will have to work hard to build alliances to push forward his political agenda. "That comes with a price," Mr. Isacson said, referring to pork-barrel projects that will have to be provided in exchange for support in Congress.

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WORLD NEWS

Laos Dam Fails; Hundreds Missing

By JAMES HOOKWAY

A hydroelectric dam project being built in southern Laos collapsed after days of torrential rains, leaving hundreds of people missing and several others confirmed dead, state media reported.

The official Laos news agency KPL on Tuesday said part of the Xe Pian-Xe Namnoy dam collapsed late on Monday, swamping several villages near the site and leaving more than 6,600 people homeless. It said more than 5 billion cubic meters of water gushed out just after 8 p.m.

Prime Minister Thongloun Sisoulith went to the affected region with other top officials and ordered security services and other state agencies to join the relief effort in Attapeu province, where the dam was being built.

Images published by KPL showed scores of people wading through swirling floodwaters and seeking shelter in boats or on rooftops. Monday's disaster will likely add to the concern over the spate of dam-building along the Mekong River, not just in Laos



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WORLD WATCH

CANADA

No Terror Link Seen In Toronto Shooting

Canada's Public Safety Minister Ralph Goodale said Tuesday there was no evidence that a Toronto shooting on Sunday night was linked to a broader national security threat such as terrorism.

"At this stage of the investigation, on the basis of everything that's known at the moment...there is no national security connection between this individual and any other national security issue," Mr. Goodale said.

Canadian authorities on Monday identified Faisal Hussain as the gunman in the Toronto mass shooting. Mr. Hussain, who died after a shootout with police, shot 15 people, killing an 18-year-old woman and a 10-year-old girl. His family said he suffered from severe mental-health challenges.

—Vipal Monga

ARGENTINA

Economy Contracted By 5.8% During May

Argentina's economy took a big hit in May as it contracted by 5.8% from the year earlier, statistics agency Indec says.

Activity was affected by a severe drought that sent the agriculture sector tumbling 35% from May 2017, as well as a currency crisis that has fueled inflation and led President Mauricio Macri to seek a \$50 billion credit line from the IMF.

The manufacturing, fishing, and telecommunications sectors also contracted, while construction and finance activity expanded, according to Indec.

Goldman Sachs said there is now a "very significant risk" that Argentina will enter into a recession this year after the weaker-than-expected economic results. The economy contracted in April by 0.6%.

—Ryan Dube

NICARAGUA

Brazilian Student, 3 Others Are Killed

A Brazilian medical student and three other people were killed amid unrest that has rocked Nicaragua for over three months, her university and a human-rights group said.

Rayneira Lima was riding in a vehicle in the capital Monday night when it was riddled with bullets that struck several vital organs, said Ernesto Medina, rector of the American University of Managua.

Mr. Medina said the shots came from armed pro-government civilians who have taken over the National Autonomous University of Nicaragua since July 13, as she was traveling near that campus. Police attributed her death to a "private security guard," saying he opened fire "under circumstances that have not yet been determined."

—Associated Press



A woman surveys the ruin in the village of Mati, near Athens. At least 74 people were killed by fires burning east and west of the capital. The toll is expected to rise.

COSTAS BALAS/REUTERS

WORLD NEWS

Greek Wildfires Leave Scores Dead

Blaze in tourist region is latest in nation's deadliest season in more than a decade

By NEKTARIA STAMOULI

ATHENS—Wildfires raged through popular resort areas near Greece's capital, leaving at least 74 dead and more than 100 injured, in the country's deadliest fire season in more than a decade.

Fires fanned by strong winds broke out Monday afternoon on both sides of Athens, ripping through pine forests and towns. Tourists and residents were forced to flee to beaches, where more than 800 people were picked up by coast guard and navy vessels and fishing boats.

The fires hit areas of widespread unregulated construction with narrow streets and houses mixed among tinder-dry forest, which likely contributed to the death toll. Greece's Red Cross said the bodies of 26 people believed to be trying to escape were found near a beach, some of them hugging each other.

Fires are common during Greece's hot and dry summers,

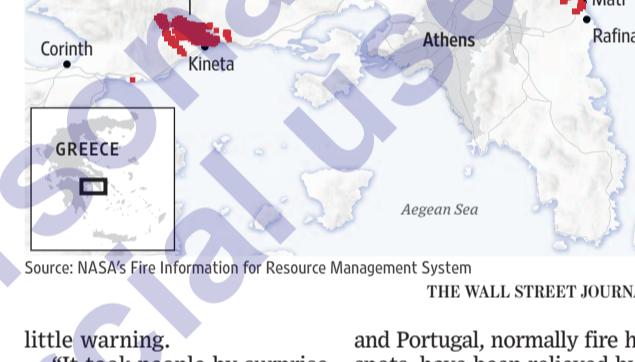
in part because of a lack of forest maintenance and weak zoning laws. Public-spending cuts imposed during the country's financial crisis have eaten into fire-service funding and fire brigades struggle with aging equipment.

"This was a deadly mix: a mega fire, strong winds of more than [50 miles per hour] in an unregulated area at the peak of the tourist season," said Yiannis Stamoulis, head of the Association of Greek Firefighters.

Even after the fires were contained, authorities said the number of casualties could rise as rescue crews check scorched areas and the coast guard conducts a search-and-rescue operation for people who may have fled by swimming or in boats.

"It will take several days, maybe even months to check all the area," Mr. Stamoulis said. "We have to check room by room in hundreds of buildings and cars."

In addition to the death toll, 184 were injured, including 23 children and 11 people in critical condition, a fire brigade official said. Some bodies were found just a few feet from shore or from homes that had been engulfed with



Source: NASA's Fire Information for Resource Management System

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little warning.

"It took people by surprise and it all happened really fast," Ambulance Service deputy director Miltiadis Mylonas said. "The task we face now is organizing the identification of victims by members of their families."

Greek Prime Minister Alexis Tsipras declared three days of mourning. "The country is going through an unspeakable tragedy," he said. "Nothing and no one will be forgotten."

The Supreme Court prosecutor ordered an investigation and Mr. Tsipras said the extent of the fires raised suspicions of illegal activity.

Greece has been particularly hard-hit this year. Spain

and Portugal, normally fire hot spots, have been relieved by a rainy spring and cooler summer temperatures. Spain has had one major fire as of July 15, compared with 10 during the year-earlier period, when dry weather conditions and high temperatures scorched the Iberian Peninsula.

The government in Lisbon has taken steps to contain blazes after more than 100 people died in summer fires last year, including some who were trapped in their cars as they tried to flee. Lisbon has responded by increasing investments and trying to clear flammable growth.

An exodus of residents from the countryside to urban cen-

ters during the past several decades has accelerated the spread of deadly fires as fewer people control the brush, said Javier Madrigal, who studies forest fires.

In addition, uncontrolled and unregulated urbanization in city centers has pushed people into areas that border forests, leaving their homes vulnerable.

The death toll in Greece is the largest since 2007, when fires burned in the southern Peloponnese for days.

Small fires were burning in some areas Tuesday afternoon while white smoke billowed from others. The resort town of Mati, about 20 miles east of Athens, was destroyed.

"Mati doesn't even exist as a settlement anymore," one woman who managed to escape told local television. "I saw corpses, burned-out cars."

Greece requested international help through the European Union, while parts of Attica, the peninsula that includes Athens, declared a state of emergency. Spain and Cyprus have offered assistance. Hundreds of firefighters were redeployed and the army was called in to help.

—Jeannette Neumann
in Madrid
contributed to this article.

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IN DEPTH

On-Hold Music Divides

Continued from Page One

CVS has been called CVS for matters such as prescription transfers while working for a competitor, posted his version of the on-hold song on YouTube. Sitting at a piano in a white pharmacist's coat, he rattles off a phone-tree script—"to refill a prescription, press one"—and tickles the ivories.

"It had a good melody," he said. "For someone who's musical, it's definitely one of the less annoying tunes that gets stuck in your head."

One commenter to his post wanted to arrange the song for acoustic guitar. Another called it "hypnotizing, deeply moving

and somewhat existentialist."

The composition is a keyboard song that flows through gentle valleys and builds to dramatic peaks, and has been played by thousands of CVS stores for almost two decades. Admirers have fueled questions about its origins reaching back a century. "Personally, I'm a fan," said Cristina Stacy, marketing director at Houston-based On Hold Marketing Works, a company that provides such music. "It's beautiful in its simplicity; it's sort of the quintessential 'on-hold' tune."

CVS Health Corp. said most comments about the song are complimentary. "We've kept this song as our on-hold music for so long because of the numerous positive comments we've received from customers over the years," spokesman Mike DeAngelis said.

Hold music is engineered to keep people on the line. "You want something that is light,

that is upbeat and that is not going to put listeners to sleep," said Mitch Keller, marketing chair for the Experience Marketing Association, formerly the On Hold Messaging Association.

The CVS song has become a prescription for annoyance among some frequent callers, many of whom are irritated by poor sound quality. Robin Lapham, 62, an Arizona resident who said her health insurer requires her to use CVS, posted a complaint on Facebook and emailed the company to urge a change. "That music enrages me every time I hear it," she said. A change.org petition, which has about 30 supporters, suggests "Scandinavian thrash metal or nature sounds of whales mating" as an alternative.

Mr. DeAngelis said all of CVS's pharmacies should be using the same sound file, and people can call customer service to report any quality problems.

The company has long told



customers the song is called "Golden Dragon" and was penned by Karl King, a famous circus composer who died in 1971. But keepers of Mr. King's legacy insist this is completely off key. Mr. King did write an overture called "The Golden Dragon" more than 100 years ago, but it requires at least 25 instruments and runs for more than 11 minutes, said Jerrold Jimmerson, conductor of the Karl L. King Municipal Band in Fort Dodge, Iowa.

He has fielded inquiries from fans led his way by details from CVS. So has C.L. Barnhouse Co., the Oskaloosa, Iowa, music com-

pany that has published Karl King's work since 1909. "It's such a stretch to me that so many people are interested in this; originally I thought one of my friends was playing a prank on me," said Andrew Glover, executive vice president at the music publisher.

CVS doesn't know how it arrived at the Karl King explanation. The company started using the music when it came loaded on an interactive voice-response system purchased around 2000, Mr. DeAngelis said.

Laura Romeo, an assistant to a vice president at Boston College, said she knows the answer: Her husband, James Romeo, created the song long before he died in 2002, and licensed it out for use. His name has popped up in some online forums where fans have discussed the song.

A Harvard-educated musician and businessman, Mr. Romeo ran a company with Ms. Romeo, who is also a musician,

and they created music for everything from entertaining cats to backing magicians' stage shows. A Catholic, Mr. Romeo was particularly proud of his sacred music, Ms. Romeo said.

He likely licensed the song for a modest, one-time fee, said Ms. Romeo. She hasn't found paperwork regarding the deal, but said CVS contacted her to ensure the company could still use the song after Mr. Romeo passed away. "I said yeah, of course," she recalled. CVS said it doesn't have records of that conversation.

Ms. Romeo said her husband, who died due to amyotrophic lateral sclerosis, or ALS, would have loved the song's lasting legacy. She still enjoys hearing it when she's on hold. "It's like Jim's in the room." She said the poor sound quality detracts from the song, but sympathized with people frequently stuck on hold. "I think I'd get tired of it if I had to listen to it all day long," she said.

who pushed back on Mr. Schnatter, said some of the people close to the company.

Papa John's reported that same-store sales in its North American pizza shops declined by 5.3% in the first quarter of 2018 from the year-earlier quarter. Mr. Schnatter said the pace of new product introductions was too fast—the company rolled out pan pizza, doughnut holes and submarine sandwiches without removing items, which he said complicated kitchen operations, slowed service and frustrated workers. "I think we just tried to do too many things at once."

A person familiar with the company said the sandwiches are being tested in only some markets and that it has scaled back on rolling out limited-time pizzas.

Mr. Schnatter said there was much discussion in recent months with Mr. Ritchie and the marketing team about his returning to appear in ads. Mr. Ritchie and the marketing team pushed back, said some of the people close to the company. "He fought every piece of data that opposed his view," said one of them. "We had consumer data that showed people equated John with Trump."

Mr. Schnatter commissioned ads on his own that featured him "to see if anybody would get upset with me being back in the commercials." He said viewers didn't voice any complaints. The board signed off on the ads, said one of the people close to the company.

The 'N-word'

The company agreed to bring him back to events such as one involving the National Hot Rod Association in Chicago in May and arranged to have Laundry Service conduct a role-playing session that would pose tough questions he might face from reporters. Asked during the session whether he was racist, he said, he answered "no," and went on to use "n—" when explaining that Colonel Sanders used the word but Papa John's didn't. He said he resisted the marketing firm's suggestion to use rapper Kanye West in ads with him because Mr. West used the "N-word" in songs.

Laundry Service declined to comment on the sessions.

In June, Mr. Schnatter said, he was preparing his critical evaluation of Mr. Ritchie ahead of the July 26 board meeting, hoping to push Mr. Ritchie out in August.

On July 11, Forbes reported Mr. Schnatter's use of the racial slur. Mr. Schnatter agreed to step down as chairman. Shares rose nearly 12% on the news.

Mr. Schnatter's comments on that call were the last straw, said one of the people close to the company. "I don't think he's racist but it doesn't even matter," the person said. "How do you not know in this day and age not to say that word?"

Mr. Schnatter, in a letter to the board, said the release of the information was the result of a "smear campaign" by Laundry Service. The ad firm strongly denied that. He said he was shocked the board acted so quickly to distance him from Papa John's without conducting an investigation of events that led up to the latest controversy.

He said no one from the board's special committee had interviewed him, despite his requests they do so. One of the people close to the company said the board didn't need to investigate, because he admitted to using that slur.

Mr. Schnatter said he plans to run for re-election to the board at the next shareholder meeting in May.

The Discord Before Papa John's Fall

Continued from Page One

ing people familiar with the matter.

The board on Sunday adopted a shareholder-rights plan to prevent Mr. Schnatter from gaining a controlling interest in Papa John's. He declined to comment on the plan.

Mr. Schnatter in the interview the day before said he had no intention of giving up his seat. "What's next? They'll want me to sell my shares. Then they'll say I can't use a Papa John's logo," he said, wearing a black polo shirt with the company emblem. "I own 30% of the company. I want a seat on that board."

People close to the company said Mr. Schnatter is to blame for poor sales and that his NFL criticism sent revenues on a downward trajectory from which it still hasn't recovered. As the face of the brand, they said, he drove away customers with his comments. "We had at least four third-party compa-

Investor Appetite

Papa John's stock rose nearly 12% on news of John Schnatter's resignation as chairman, then resumed its downward trend.

July 11, 2018

Mr. Schnatter resigns.

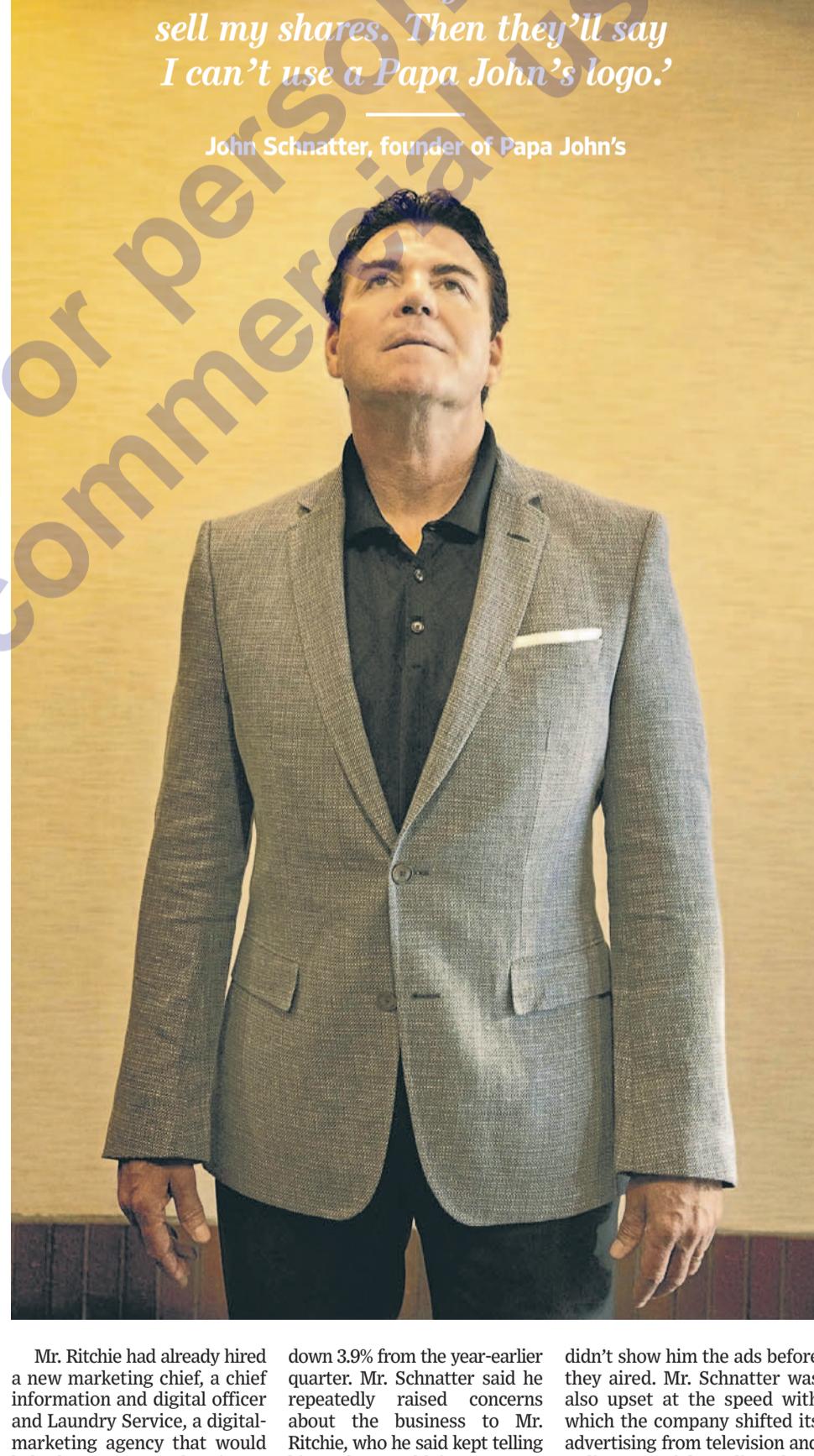


Source: FactSet

THE WALL STREET JOURNAL



John Schnatter, here with football stars Archie Manning and Deshaun Watson, was the face of Papa John's.



FROM TOP: JACK DEMPSEY/VISION/ASSOCIATED PRESS; CHLOE ALEX FOR THE WALL STREET JOURNAL

nies tell us that John was the Achilles' heel of the organization," said one of the people.

Hints of his machinations against Mr. Ritchie added to growing tension internally, said one of the people familiar with the company, and news of his racial slur was the culmination. Papa John's formed a special committee of the board's independent directors, which barred him from appearing in ads and marketing material and from using his office at Papa John's Louisville, Ky., headquarters.

Mr. Ritchie issued a statement condemning "insensitive language, no matter what the context." Papa John's removed all mention of Mr. Schnatter from its website. Mr. Ritchie declined to be interviewed.

Face of the brand

Mr. Schnatter said he quickly came to regret his decision to step down as chairman. Seeing the chain's poor performance, Mr. Schnatter said, he had been planning to urge the board to appoint him executive chairman. A month before the N-word incident became public, he said, he began working on a detailed evaluation of Mr. Ritchie he still plans to share with the board during a meeting scheduled for this Thursday.

Mr. Schnatter has often portrayed himself as a savior to Papa John's, one who left the CEO position twice only to return when sales were sliding and nurse the company back to health. Papa John's was doing well for a lengthy period under

Privately, he said, he told Mr. Ritchie: "Listen, you're going to get the title, but you're still going to have to listen to me when it comes to PR and marketing." When he gathered employees to announce Mr. Ritchie's appointment, he told them he was still going to be making the decisions, said a person who attended. "Steve was never given true authority to be CEO," this person said. "It was a puppet regime."

Mr. Schnatter said he told employees he still have input into some—but not all—of the company's decisions. In a Journal interview when his appointment as CEO was announced, Mr. Ritchie said that "I want to put the focus back on our people and pizza."

Performance worsened in the 2017 fourth quarter, with same-store sales in North America

down 3.9% from the year-earlier quarter. Mr. Schnatter said he repeatedly raised concerns about the business to Mr. Ritchie, who he said kept telling him sales would improve. He said he began voicing concerns about the business to the board.

"We know our potential is so much greater than our results, and we are taking significant steps to reinvigorate our record of profitable growth," Mr. Ritchie said in a statement on the earnings results.

Mr. Schnatter said he disagreed with the direction of the new ads, which he said he felt strayed too far from the brand's heritage. One featured puppies playing. He said Mr. Ritchie

didn't show him the ads before they aired. Mr. Schnatter was also upset at the speed with which the company shifted its advertising from television and radio to social media. These things, he said, contributed to the declining sales, but he didn't have specific evidence.

"I had the expectation," Mr. Schnatter said, "that until he fully got his arms around running Papa John's, which is a very complicated, very complex job, that I would have a lot of input on the big decisions."

On the May earnings call, Mr. Ritchie said the new ads were intended to appeal to younger audiences. Mr. Ritchie was one of the few executives

GREATER NEW YORK

School Sees Wave of Teacher Exits

Success Academy's founder rejects criticism that its first high school has punitive culture

BY LESLIE BRODY

Success Academy's first high school has seen a wave of teachers leave in recent months, with some describing a punitive culture overly focused on testing and rigid discipline.

Of the 67 teachers and administrators at the Manhattan high school last fall, 20 will be back when classes start in August, its officials said. They said 25 quit, nine were dismissed and 13 took jobs elsewhere in the network.

Faculty said the rate of departures is high even in an organization known for turnover. Six teachers who left Success Academy High School of the Liberal Arts-Manhattan had a range of complaints, such as harsh policies that require students to repeat a grade and a lack of respect among network chiefs for staff viewpoints.

"What really makes me sad is the number of first-year teachers who quit and decided never to teach again," said Natasha Venner, an experienced history teacher who left



History teacher Natasha Venner left Success Academy's Manhattan high school for a district school.

for a district school.

Success Academy founder Eva Moskowitz said in an interview that her well-trained teachers often get poached. She said teachers frequently move on after a leadership change, such as high school principal Andrew Malone's announcement in March that he would leave in June. Further, she said a revision of scheduling, structure and courses meant rede-

ploying some teachers to middle schools this fall, and some didn't accept offers to switch.

"When you're doing that kind of massive redesign, I don't think it's surprising" to see departures, Ms. Moskowitz said. "It's regretful and it makes it really hard on kids and families and on ourselves."

Network officials said they have filled nearly all positions at the high school. It is merg-

ing with its Bronx counterpart at the Manhattan site on East 33rd Street for a year, due to space constraints. Together, they will serve about 650 students, officials said.

Supporters of the city's largest charter operator champion its 47 sites as high-performing alternatives to failing district schools. This fall, it expects 16,500 students, who are mostly poor and black or Hispanic.

Success Academy won applause for graduating its first 16 seniors in a jubilant ceremony last month. All are heading to college, with nearly \$2 million in financial aid, according to the network.

Students say they rely on close ties with staff to handle intense academic pressure. Keisa Johnson, parent of a rising senior, said her daughter was stressed by the departure of teachers who understood her. "She was devastated," Ms. Johnson said. "She was having panic attacks."

Several teachers said they were upset that some bright, capable students were sent to a prior grade midyear when they felt the network should have found ways to help them catch up on missed work. "Holdover should not be used as academic intervention," Ms. Venner said. Network officials said 15 students returning to the Manhattan high school will repeat a grade because they failed classes.

Some teachers said students and faculty were reduced to test scores to measure self-worth. One teacher who left, Lynn Strong, is an adjunct assistant professor of writing at Columbia University. When she taught Ad-

Please turn to page A12B

Speed Cameras Set to End In the City

BY MELANIE GRAYCE WEST

The New York state law permitting the use of speed cameras in school zones is set to expire Wednesday, prompting finger-pointing among advocates and government officials, and stoking concerns about pedestrian safety at a time when New York City has seen declines in pedestrian deaths.

The decision to renew or expand the use of the cameras is effectively up to the state Senate; the Assembly passed legislation in support of speed cameras in June. Senate Majority Leader John Flanagan, a Republican, hasn't called his colleagues back into session to pass a version of the bill.

In a statement, Paul Steely White, the executive director of Transportation Alternatives, an advocacy group, said that the cameras have been proven to save lives.

A handful of Senate Republicans, including Senate Leader John Flanagan, Senator Marty Golden and Senator [Simcha] Felder have decided they would rather let the speed camera program expire, effectively legalizing deadly driving in New York City school zones, than act to protect New Yorkers," he said.

Messrs. Flanagan and Felder didn't return requests for comment.

Mr. Golden, who has said he supports a version of speed-camera legislation, Tuesday announced a news conference for Wednesday where he will press New York Gov. Andrew Cuomo to call the legislature immediately back into session to pass a speed-camera bill.

In response to Mr. Golden's announcement, Mr. Cuomo's office released a statement that said Mr. Golden and Senate Republicans' refusal to pass legislation was a dereliction of duty.

"Here's a tip for Senator Golden—maybe he should hold a protest in front of Senator Flanagan's office and demand he bring his own conference back to Albany to vote for speed cameras on the merits, like they should have done in June," the statement said.

Presently, there are speed cameras in 140, or about 7%, of the city's school zones. City officials, along with hundreds of other groups representing hospitals, schools and parents, have pushed for the speed-camera program to be renewed and expanded to another 150 school zones.

According to New York City Mayor Bill de Blasio's office, the speed cameras have resulted in a 63% decline in speeding violations at a typical school-zone camera location.

Total traffic fatalities fell 7% in the city last year, with pedestrian deaths dropping to 101 from 148, but more drivers, bicyclists and motorcyclists were killed in accidents, according to a year-end report released in March by the mayor's office.

Judge Frees Immigrant Pizza Delivery Man

BY CORINNE RAMEY

A Manhattan federal judge Tuesday ordered that an illegal Ecuadorean immigrant who had been arrested while delivering pizza to a Brooklyn army base be immediately released from detention.

In his ruling Tuesday, U.S. District Judge Paul Crotty said the immigrant, Pablo Villavicencio Calderon, had stayed in the U.S. unlawfully, but otherwise been a model citizen. "He has no criminal history. He has paid his taxes," the judge wrote. "And he has worked diligently to provide for his family."

Mr. Villavicencio, 35 years old, was detained last month while delivering a catering order to Fort Hamilton military base in Brooklyn. His arrest and subsequent detention generated widespread publicity and outcry from numerous activists and elected officials, including Gov. Andrew Cuomo, U.S. Sen. Kirsten Gillibrand and New York City Mayor Bill de Blasio, all Democrats.

During a hearing Tuesday morning, Judge Crotty questioned how Mr. Villavicencio's detention served immigration policy.

"The powerful are doing what they want, and the poor are suffering what they must," he said, referring to federal immigration authorities' push to deport the delivery man. "Is there any sense of justice here?"

Last month, lawyers representing Mr. Villavicencio filed a so-called habeas corpus petition, challenging his confinement. They argued that Mr. Villavicencio didn't receive good legal advice when dealing with past immigration issues and that his deportation would harm his family.

Mr. Villavicencio, who came to the U.S. in 2008 and lives in Hempstead, N.Y., is married to a U.S. citizen and has two citizen daughters. One girl has a congenital heart defect and is being treated in New York, according to court documents.

On Tuesday, Mr. Villavicencio, who was held at the Hudson County Correctional Facility in Kearny, N.J., didn't appear in court.



Protesters gathered outside a Manhattan courthouse on Tuesday to show support for Pablo Villavicencio Calderon, who was detained in June.

His wife, Sandra Chica, sat in

the front row of the courtroom with their 2- and 4-year-old daughters. The girls neatly arranged toys on a wooden divider separating the audience from the lawyers.

Ms. Chica has filed an application that is an initial step toward her husband staying in the U.S. legally. Mr. Villavicencio has an interview with immigration authorities next month, his attorneys said.

Government lawyers contend that Mr. Villavicencio is in the U.S. illegally and there-

fore breaking the law. In 2010, an immigration judge told him to leave the country, they say, but he remained.

During the Tuesday hearing, Judge Crotty asked why the government wants to deport Mr. Villavicencio so quickly. "What's the harm to the country and its immigration policy in letting him finish a process that's fairly accessible to him?" he asked. "If he's deported, he would be deprived of this."

Assistant U.S. Attorney Jo-

nathan Cordaro said Mr. Villavicencio could continue the immigration process in Ecuador.

In his written ruling issued Tuesday evening, Judge Crotty also temporarily postponed Mr. Villavicencio's deportation while he pursues legal status.

A spokesman for the U.S. attorney's office in Manhattan declined to comment. Adrienne Holder, a lawyer at the Legal Aid Society, which is representing Mr. Villavicencio, said "the rule of law, humanity and morality prevailed."

Four More, Including Heiress, Charged in Cultlike Group Probe

BY CORINNE RAMEY

Four additional women, including Seagram Co. heiress Clare Bronfman, were arrested Tuesday and charged with racketeering conspiracy for what prosecutors said was their criminal involvement in an upstate New York cultlike group.

The group's founder, Keith Raniere, and Allison Mack, an actress best known for her role in the television series "Smallville," also were charged Tuesday with racketeering conspiracy. The two face previous charges related to their involvement in the group.

The charges were part of a continuing investigation by federal authorities into Nxivm, pronounced "NEX-i-um," a purported self-help group based in Albany. Former members have called Nxivm a cult and said they were forced into bizarre rituals and sexual acts.

In April, a grand jury in-

dicted Mr. Raniere and Ms. Mack on charges of sex trafficking, sex-trafficking conspiracy and forced labor conspiracy. Mr. Raniere is being held in Brooklyn, records show, and Ms. Mack is under house arrest in California.

Ms. Bronfman pleaded not guilty in federal court in Brooklyn on Tuesday. U.S. District Judge Nicholas G. Garaufis released her on a \$100 million bond with home detention and an ankle bracelet.

The other three defendants pleaded not guilty in federal court in Albany.

Ms. Mack and Mr. Raniere, who are expected to make a Wednesday court appearance, previously pleaded not guilty.

Susan Necheles, a lawyer for Ms. Bronfman, said Tuesday her client did nothing wrong. "Nxivm was not a criminal enterprise but instead was an organization that helped thousands of people,"

she said in a statement.

"The charges against Clare are the result of government overreaching and charging an individual with crimes just because the government disagrees with some beliefs taught by Nxivm and held by Clare," she added.

A lawyer for Ms. Mack declined to comment. An attorney for Mr. Raniere said the new charges are baseless.

In an updated indictment unsealed Tuesday, prosecutors accuse Mr. Raniere and what they called his "inner circle"—

Ms. Mack, a "master" to some female "slaves"; Ms. Bronfman

and Lauren Salzman, members

of its executive board; Kathy Russell, its bookkeeper; and Nancy Salzman, its president—with acting as an organized criminal enterprise.

A lawyer for Nancy Salzman declined to comment and an attorney for Ms. Russell couldn't be reached. A lawyer

for Lauren Salzman called the indictment "extreme government overreach."

In a letter to the judge, prosecutors said Ms. Bronfman was involved in obtaining usernames and passwords of Nxivm's supposed enemies to monitor their emails; of using a deceased per-

son's credit card to help Mr. Raniere avoid paying taxes; and of helping to illegally smuggle a woman into the country.

Ms. Bronfman is the daughter of the late Edgar Bronfman Sr., the former chairman of Seagrams. In a letter, prosecutors said his net worth was

about \$2.6 billion. "Because of her extraordinary wealth and extensive foreign ties, the amount of the bond should be substantial and largely secured," prosecutors wrote.

To prove racketeering-conspiracy charges, the government must show the people involved had an agreement to engage in a pattern of illegal activity, said Rebecca Ricigliano, a former federal prosecutor in Manhattan.

"Rarely do you find criminals signing a contract agreeing to commit crimes," said Ms. Ricigliano, who isn't involved in the case. "It could be everyone doing the same thing, with a shared understanding of the goal."

Racketeering charges increase the possible prison time and can extend the statute of limitations for crimes involved, she added.

Gerald Porter Jr. contributed to this article.



Clare Bronfman, left, Tuesday departed federal court in Brooklyn.

GREATER NEW YORK

METRO MONEY | By Anne Kadet

Price Hike? 'Proud' Smokers Won't Quit



Last month, in its continuing effort to stop people from smoking, New York City

raised the minimum price of a pack of cigarettes from \$10.50 to \$13—the highest in the nation. But that hasn't stopped my neighbor, John Melia, from puffing away. A self-described "proud smoker," he says there's nothing better than a cigarette after a good meal.

"The Marlboro Man is very inspiring to me," says the 66-year-old labor consultant.

The price hike, he says, didn't affect him one bit. He typically buys cigarettes during visits to his sister's vacation home in Georgia, where a pack costs about \$6. When he runs out, he hits one of several bodegas in downtown Brooklyn that sell untaxed packs for \$7. He clearly gets a kick out of this black-market indulgence. "Everyone has a pirate streak," he says. "That happens to be mine."

According to the New York City Department of Health

and Mental Hygiene, there are about 867,000 adult smokers in the city. Officials are determined to reduce that number by 160,000 during the next 18 months.

It won't be easy. I spent a morning last week chatting with smokers on Wall Street. Of the 10 I interviewed, only two said they paid full price for cigarettes at the store.

One woman said she made regular cigarette runs to Pennsylvania, where a pack costs about \$8. Others bought from Indian reservations (as low as \$35 a carton at some New York state reservations) or airport duty-free shops.

How easy is it to evade the city minimum? I took the train two stops from the World Trade Center station in Manhattan to the Grove Street Station in Jersey City, N.J. Near the station, a drugstore sells a carton of Marlboros—that's 10 packs—for \$82.

Thanks in a large part to new taxes, the typical price of a pack in New York City doubled from \$7 in 2002 to about \$14 today. The citywide

adult smoking rate, meanwhile, dropped from 22% in 2002 to 13% in 2016, according to the city's health department. Some smokers say the decline largely is due to factors other than price, such as an increased awareness of the health risks and new city laws banning smoking from bars, plazas, parks and beaches.

Audrey Silk, a retired police officer and president of NYC Citizens Lobbying Against Smoker Harassment, doubts the new \$13 price minimum would have much impact on smoking rates because anyone easily can skirt the law. She grows her own tobacco in the backyard of her home in Brooklyn's Marine Park. "I call it 'Screw You Bloomberg Gardens,'" she says, referring to the former city mayor who banned smoking in bars and parks.

Using statistical methods to determine the impact of various government measures on smoking rates, however, the city says it has determined that 36% of the reduction in smoking since



ROBERT NEUBECKER

2002 can be attributed to higher cigarette taxes. A 10% increase in price typically leads to a 3%-5% decrease in adult cigarette consumption, says Sonia Angell, a deputy commissioner with the city health department.

The \$13 minimum deters smoking, she says, because it allows the city's black-market cigarette dealers to command higher prices. "Because the legal price is higher, they can charge more," she says.

I suspect that the truth is somewhere in between. While I never met someone who quit smoking entirely because

of the expense—they're addicts, after all—it definitely can be a factor.

My most recent friend to quit, 43-year-old filmmaker Heather Quinlan, says she was bothered for years by her spending on cigarettes,

even though she smoked less than half a pack a day. But it wasn't until she started dating her boyfriend, whose wife had died of cancer, that she finally quit in April. "I'd feel like such [a jerk] smoking in front of him," she says.

I smoked for 16 years and have a similar story. While I hated the inconvenience and

cost of smoking, I didn't quit for good until 2015, when my mother—who stopped when she was 24—was diagnosed with terminal lung cancer.

These are the sorts of interventions the government cannot arrange.

My neighbor, Mr. Melia, concedes that regulations have led him to halve his about a pack-a-day habit. But quit? Not likely. "It does curtail my use," he says. "But they'll have to pry my cigarette from my cold, dead fingers."

anne.kadet@wsj.com

CORRECTIONS & AMPLIFICATIONS

The New York City Department of Education is investigating whether city yeshivas are meeting standards for secular education. An article Tuesday about a lawsuit filed against state education officials incorrectly stated the state Education Department was conducting the investigation.

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

CHEW ON THIS



HEALTH CARE STARTS WITH HEALTHY FOOD.

Since 1985, we've been cooking and home-delivering nutritious, individually tailored meals to people living with serious illness. Being sick and hungry is a crisis.

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DONATE, VOLUNTEER, OR JUST LEARN MORE

AT GLWD.ORG



GOD'S LOVE WE DELIVER®

LIFE & ARTS



American CEO Doug Parker, left, and Delta CEO Ed Bastian, right, agreed to spend some time in their coach cabins to discuss traveler complaints about cramped conditions. The two CEOs have pledged not to make the space in coach any smaller. But they say if travelers want more room, they need to buy up.

THE MIDDLE SEAT | By Scott McCartney

Airline CEOs Try the Cheap Seats

The leaders of Delta and American defend the tightest sections of their planes while sitting in them

Have you ever been vacuum-packed into a shrunken coach seat wishing the airline CEO had to endure the same discomfort?

We did that for you, sort of. The Middle Seat asked the chief executives of the big three U.S. airlines to plop down in the back of one of their airplanes and explain why they think the skimpy confines of coach today are acceptable.

Two agreed. Delta CEO Ed Bastian, 6-foot-3, arranged for an interview on his company's most recently reconfigured Boeing 777-200 in Atlanta. American CEO Doug Parker, also 6-foot-3, snuggled into a coach seat on a reconfigured 777-200 in a Dallas-Fort Worth airport hangar.

One refused. United's Oscar Munoz declined to be interviewed in a coach seat. Asked why, United declined to comment.

Messrs. Bastian and Parker fit, although knees were kissing distance from the seat in front. Neither had to contend with a middle-seat neighbor to rub shoulders and sides or a passenger reclining in front of them.

Neither apologizes for packing in more, skinnier seats. Their message: If you want more space, buy it.

U.S. airlines in recent years have improved on many fronts, from reducing lost baggage to consistently earning profits. The biggest backslide, at least from the reader emails I receive constantly, is standard coach accommodations.

Legroom in standard coach on American, Delta and United is less than what you routinely get on Southwest and JetBlue.

More bodies in the same space agitate and aggravate the flying public. Many travelers believe airlines made coach unpleasant to force them to buy extra room they used to get automatically.

"Management should be ashamed of themselves," says John Wydeven, an electrical engineer from the Appleton, Wis., area. A 13½-hour Delta flight in coach from Detroit to Seoul left him with his knees knocking the seat in front once he put some items in the seat pocket. He found more space in coach on Korean Air and Singapore Airlines flights on the same trip.

Frustrated passenger advocates have unsuccessfully lobbied Congress to force a federal standard on airlines and tried to argue that tighter rows are a safety hazard in an evacuation. Evacuation experts at the FAA and independent researchers say struggling out of a tighter seat just means you won't wait as long in the aisle to evacuate. The limiting factor is the exit doors.

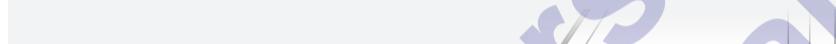
With so much attention focused on sardine seating, here's what two airline chiefs have to say in their own defense:

Do You Fly Coach?

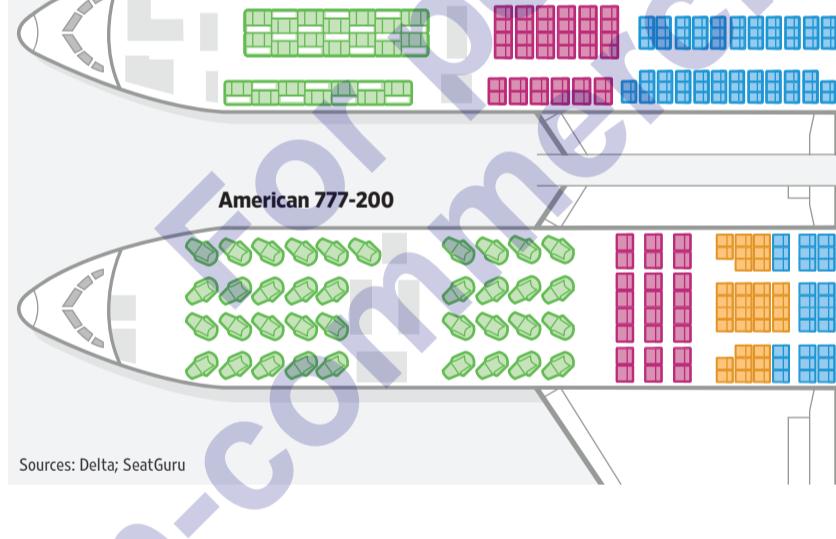
Both CEOs say they fly standard coach a lot, though not for the

One Plane, Two Seat Plans

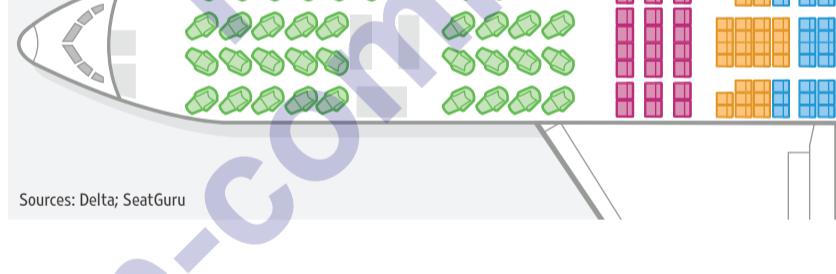
Delta and American each fly 777-200 jets, but have made different choices in how they divvy up the seating. One major difference: American fits 10 seats across in coach, while Delta only has nine.



Delta 777-200



American 777-200



Sources: Delta; SeatGuru

Mike Sudal/THE WALL STREET JOURNAL

Here's the Pitch

Seat pitch—the length from one spot on a seat to the same spot on the seat in front—is shrinking. Here's a look at the space in coach on widely used planes.

| Airline | Airbus A320 | Boeing 737 |
|-----------|-------------|------------|
| JetBlue | 34 inches | — |
| Alaska | 32 | 31-36 |
| Southwest | — | 31-33 |
| American | 31-32 | 30-32 |
| Delta | 30-32 | 30-32 |
| United | 30 | 30-31 |
| Spirit | 28 | — |

Source: SeatGuru

This month he imposed a policy that all Delta director-level employees and above must ride in coach on trips under three hours.

Mr. Parker says he's in coach roughly one out of every three flights, typically when first class and extra-legroom seats are already booked. Asked how he'd feel on a five-hour flight with the passenger in front reclining into him, Mr. Parker briefly flashed a road warrior's instinctive nod.

"I feel what our customers experience," he says. "Without a doubt, this is, by design, less space than you have in cabins for our customers who desire a different product."

Will Seats Get Smaller?

Both CEOs pledged that they won't go any tighter.

Mr. Bastian says Delta has settled on a standard seat pitch of 31 inches. (Seat pitch, the length from one spot on a seat to the same spot on the seat in front, is the industry measurement for the space of one row.) Delta does have some 30-inch rows on its Airbus A320s and A319s, a relic of years when the airline wasn't making as much money. "We're not making those decisions any longer," Mr. Bastian says.

But the number of seats in a row also makes a difference. The Delta 777 economy seat Mr. Bastian settled into is actually 1 inch wider than American's, because American has gone to 10 seats across each coach row of the 777, while Delta has remained at nine.

Mr. Bastian promised that Delta would stick with nine-abreast in its 777s. It's part of the airline's overall strategy to be more reliable and even comfier than rivals. "We believe we get more revenue by having a better product," he says.

Mr. Bastian's particular seat had 1 more inch of legroom than Mr. Parker's, too. Delta's 777-200s have some rows temporarily set at 32 inches of seat pitch instead of the airline's standard 31 inches. That inch will disappear when more extra-legroom coach seating arrives, leaving standard coach all at 31 inches.

United's standard seating on 777s is similar to American's—seats that are 17 inches wide with 10 to a row. Rows have 31 inches of space, including the seats. United A319s, A320s and some 737s have 30-inch rows.

American is bringing in new planes with even skinnier seats set in 30-inch rows. That's as low as American will go, Mr. Parker says.

He argues American pushed rows together only when they had skinnier seats "that allow the customer space to remain the same while adding another row of seats that allows us to take care of more customers." American hasn't "done anything that makes the main cabin product less desirable than it was before." If customers complain enough about tight seating space, American would change. He says that hasn't happened.

Mr. Parker did get complaints from his own flight attendants about some aspects of American's new Boeing 737 MAX 8 airplanes, which have gone up to 172 seats from 160, and 148 before that. Shrunken seats and shriveled bathrooms allow the addition of two extra rows.

So far, American's customer survey scores on seat comfort on the 737 MAX 8 are a bit higher, but basically in line with existing 737s, Mr. Parker says. The plane has lots of other enhancements over existing 737s, including speedy satellite Wi-Fi and huge overhead bins.

Customer satisfaction scores similar to existing planes might suggest that those benefits are canceled out by tighter seating at 30 inches a row.

American initially ordered the planes with three rows at 29 inches, but backed off when word leaked. Squeezing basic coach "is not something we will continue to push," he says.

What Else to Expect?

American's strategy now is to offer passengers more seating choices—a strategy seen clearly from Mr. Parker's seat in the back of the reconfigured 777.

Those interested in low fares sit in the back, where American has 146 basic coach seats. If you're willing to pay more or have

elite status, 66 coach seats provide extra legroom. You can pay several hundred dollars more and move up to premium economy: 24 seats that are 19 inches wide instead of 17 and have 38 inches row to row. Then there are 37 lie-flat business-class seats. Nearly half of the plane's 273 seats offer extra room.

"The customers that really value additional space have a lot more options on us," Mr. Parker says.

Like American, Delta is focused on customers willing to pay up for more space, and offering a standard coach seat. It's rolling out premium economy on international flights. It's also betting that people will spend more for service and reliability.

"Our strategy has been for some time to differentiate ourselves by showing the market we're not a commodity," Mr. Bastian says.

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LIFE & ARTS

MY RIDE | By A.J. Baime

An Investment With an 'AA' Rating



CHAD KIRKLAND FOR THE WALL STREET JOURNAL



In 1964, when 14-year-old Clarke Fowers paid \$25 for his 1929 Model AA truck, top, he had to borrow \$20 from his sister. He put the vehicle through two restorations. Above, inside the refurbished truck, which Mr. Fowers describes as 'not bad for the original \$25 investment.'

Clarke Fowers, 67, a retired entrepreneur from Morgan, Utah, on his 1929 Ford Model AA truck, as told to A.J. Baime.

One day back in 1964, I was driving a tractor on a neighbor's farm, harvesting hay, when I looked over and saw this old truck sitting in a field on the neighboring property. The truck had clearly been there for years. I was 14, and as I would soon learn, that truck had been sitting there for longer than I had been alive.

I found the owner—his name was Brian Ross—and I asked him if I could buy the truck. He said no, but I worked on him all summer long. Finally, he said, "OK, sure, I'll sell it to you for \$25."

I went home as fast as I could, grabbed all the money I had—\$5—and borrowed \$20 from my sister. I went back, hooked a chain onto that old truck, and pulled it home with the tractor. The truck was missing one of its doors, so I went back to find it. Turns out, the previous owner, Mr. Ross, was using the truck's door as a door for his pigpen. I had to build him a swinging wood door for his pigpen so he would let me have the truck door.

When I began work on the truck in a shop on our family's dairy farm, a lot of people discouraged me, saying I was just a dumb kid. That made me want to work harder. The truck's bed had been used to carry sugar beets and it was rotted out. I found another truck submerged in water on another neighbor's farm. I pulled it out of the water with my tractor and bought the truck bed for \$10, so I could use the steel posts for a new wagon bed for my truck. A local lumber man helped me craft the wood for the bed for free.

I started driving that truck to high school in Roy, Utah. Everyone in town knew the truck. I took it to Utah State University, and when I met my future wife, I took her on dates in the truck.

She liked me but I think she liked the truck even more. When we had our kids, we took them to drive-in movies in the truck, all seven of them, and today we take our 15 grandchildren on rides.

From 1964 until today, I have owned this truck—not bad for the original \$25 investment.

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

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The truck's hood ornament, inset, is original and also serves as the vehicle's radiator cap. Mr. Fowers's truck has a 1929 Utah license plate, below, which he discovered while plowing a field.



LIFE & ARTS

BY EDWARD ROTHSTEIN

Los Angeles
IT TAKES A LOT of paraphernalia to view images in three dimensions, as we find out at "3D: Double Vision," a new exhibition at the **Los Angeles County Museum of Art**. Four kinds of glasses are required at times to add depth to length and width: "anaglyph" glasses with red and blue lenses; polarized lenses like those used at 3-D movies; a viewer that automatically overlaps two "stereo" images; and glasses that come with a "battery-operated liquid-crystal automatic shutter system." There are other contraptions as well: a replica of a stereoscope invented in the 1830s that uses mirrors to send images to the eyes; a "Holmes Stereoscope" that led to mass-produced viewers with binocular eyepieces; and a commercially produced 20th-century View-Master with round disks holding miniature 3-D slides. Here too are all manner of processing, trickery and technology: lenticular imaging, etched holograms...well, you get the idea.

In the catalog Michael Govan, the director of LACMA, calls this exhibition "the first-ever survey of 3D objects and technology in a North American art museum." The subject is a terrific one and many of the offerings are fascinating—even if, overall, the exhibition is a bit too two-dimensional.

But before looking cross-eyed at it (which is, incidentally, a way to view some stereo images without special glasses), consider how extraordinary the 3-D enterprise is. Aren't we like Moliere's bourgeois gentleman who discovers he's been speaking prose his whole life? 3-D is the way we usually see. Why make such a fuss about replicating it?

The curator, Britt Salvesen (the head of the photography and prints and drawings departments at the museum), acknowledges in the exhibition text that 3-D "may seem to have an episodic or peripheral relationship" to mainstream culture and art, but suggests it provides an arena for exploring perception and imagery—some of which happens here. The show is roughly chronological, with the first galleries—the most interesting—bringing us up to the 1950s, when "3D" was first named. Some of these experiments are lovely: slides for learning geometry; Auguste Belloc's stereo photograph of a nude (c. 1850-51); Marcel Duchamp's evocations of space in the flat spinning wheels and spirals of "Rotorelief" (1935/65).

One of the most fascinating exhibits shows clips of 3-D films first screened in 1922. Builders extend a wall beyond the screen's frame, a pitcher throws a baseball toward your face. It is like a series of explorations, explosions, gags. But 3-D effects never evolved past novelty. Even decades later, when Hitchcock shows us a woman being strangled who gropes for a pair of sharp scissors ("Dial M for Murder"), the result remains at the level of sensation. A screening room offers excerpts from 3-D films of the mid-1980s and mid-2010s, reaching a climax in the virtuosity of "Avatar" and "Hugo," but it is astonishing how little would be lost without that extra dimension.

Contemporary virtual-reality headsets are also little more than amusements. Why? After all, there is information in some images that can't be found otherwise. We learn here, for example, that between 1942 and 1945, the American military purchased 100,000 View-Masters for training purposes: Intelligence officers routinely scrutinized 3-D images of enemy defenses.

But 3-D can also alter an image in unexpected ways. A large circular kiosk here with multiple viewing stations is modeled on a late 19th-century commercial entertainment. One set of binocular viewers reveals a 3-D slideshow of Parisian streets; another, 3-D photographs of the Civil War, which are stunning. But it isn't because they are more "lifelike" or "real." President Abraham Lincoln and Gen. George B. McClellan sit in a tent in 1862 at Antietam (photographed by Alexander Gardner) like clay figures; you end up paying attention to the 3-D world around them: the draping American flag, or dried, trampled leaves of grass. You could imagine touching these objects, but it is a world of artifacts and artifice.

That seems to be the effect, again and again: 3-D makes space seem more desiccated, not more vital. That may remain the case until a simulacrum of space is indistinguishable from our own. Is there artistic possibility in this? Artworks here by Trisha Baga, Lucy Raven, Roberto Cuoghi, Mariko Mori, Michael Snow and others are not encouraging. The most intriguing effort is a 1949 oil by Oskar Fischinger, "Triangular Planes."

Two panels of intersecting geometric forms—looking like a splintered Kandinsky—become dramatic when overlapped as a stereo image: Vertices of skewed triangles touch at a charged point in virtual space.



ART REVIEW

A Multidimensional Show Feels Flat

The Los Angeles County Museum of Art's exhibition of 3-D technology and objects makes one wish the visual trickery seemed more vital



Mariko Mori's 'Birth of a Star' (1995), above; Ken Jacobs's 'The Surging Sea of Humanity' (2006), right; Joseph Jastrow's 'Experiments in Visual Perception' (c. 1905), below; Marcel Duchamp's 'Rotoreliefs' (1935/65), top



There is much to spur interest, but the exhibition should have been better. It might have explored the idea of perspective, or featured better explanations. It certainly should have been mounted

less banally. And though it is celebratory, I left thinking that the more imposing intellectual and aesthetic achievements are not in using elaborate apparatuses to create images that seem to have

three dimensions, but in creating images of extraordinary dimensionality, using just two. The illusion of space on a flat surface has great depth. The 3-D enterprise is almost all surface.

3D: Double Vision
 Los Angeles County Museum of Art, through March 31, 2019

Mr. Rothstein is the Journal's Critic at Large.

SPORTS



Geraint Thomas in the yellow jersey.

TOUR DE FRANCE

TOUR'S SHORT STAGE

BY JOSHUA ROBINSON

Bagnères-de-Luchon, France
The peloton has covered more than 1,700 miles over 16 grueling stages at this Tour de France, from the cobblestones of the north to the mountains of the Alps. Every rider here has been on the bike, in race conditions, for at least 68 hours since this ordeal began three weeks ago.

And yet, after all that suffering, the matter of who wears the yellow jersey into Paris could come down to the shortest road stage of the race.

At just 40 miles, less than half the distance of a typical mountain stage, Wednesday's scramble from Bagnères-de-Luchon to Saint-Lary-Soulan—two villages high in the French Pyrenees—is the shortest non-time-trial road stage at the Tour de France in at least 30 years.

But brevity should not be confused for simplicity. More than 60% of the stage is spent going uphill on three of the most brutal climbs the Tour de France has to offer. It finishes with the Col du Portet, a 10-mile meat grinder that averages an 8.7% grade.

"I did a reconnaissance of it and this stage is for crazy people," said Julian Alaphilippe, who currently holds the polka dot jersey as the Tour's King of the Mountains.

The craziest people in the stage might be the two teammates vying for the overall lead, Team Sky's Geraint Thomas, who has never won a Grand Tour, and Chris Froome, the four-time Tour de France champion. After two stage wins in the Alps, Thomas leads his teammate by 1 minute, 39 seconds.

Following a quiet Pyrenean stage for both men on Tuesday, Wednesday's free-for-all could easily turn into a high-mountain duel.

"It's only 65 kilometers, but it's a lot of climbing," Thomas said. "It's going to be massively decisive really."

Teams used to value batters who could hit from both sides. Now, it isn't really worth the extra effort.

BY JARED DIAMOND
AND MATTHEW GUTIERREZ

LARRY WAYNE Jones Sr., the father who produced one of the greatest third basemen ever to play in the major leagues, worshiped Mickey Mantle, the best switch hitter in history. So as soon as his son, Chipper, could pick up a bat, he instructed him to swing from both sides of the plate, re-enacting the lineups from the Saturday Game of the Week.

Chipper didn't fully understand why his dad cared so much at first. He hit fine as a righty, his natural side. So one day in the backyard, as Chipper swatted tennis balls with a piece of PVC pipe, Larry decided to teach his boy a lesson: He spun a curveball.

"I realized, 'You know what? It'll probably be easier for me to see those breaking balls coming into me versus away from me,'" the younger Jones said. The message stuck. Jones committed himself to switch hitting and kept it up all the way to the baseball immortality.

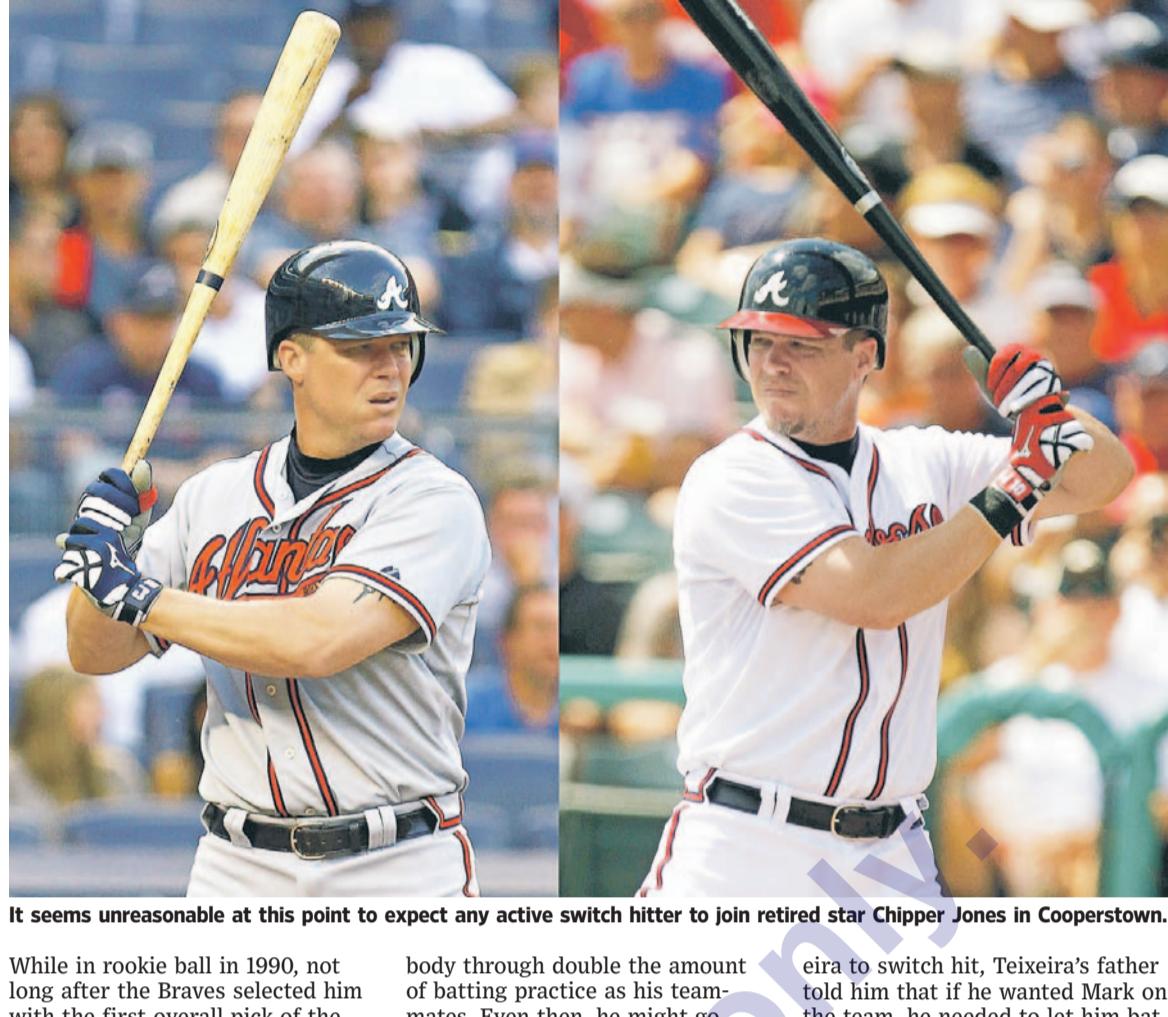
Now, as he prepares for his induction into the Hall of Fame this weekend, Jones finds himself in an ever-shrinking club, as the art of switch hitting devolves into an endangered species.

In 1992, the year before Jones first came up with the Atlanta Braves, switch hitters accounted for nearly 20% of the plate appearances across the league. That number sits at 13% this season, the result of a steady two-decade decline that will almost certainly continue.

The remaining crop of switch hitters hardly resembles Jones. It consists largely of speedsters and slap hitters rather than prodigious sluggers, with Cleveland's Jose Ramirez and Francisco Lindor among the few exceptions. At this point, it seems unreasonable to expect any active switch hitter to join Jones in Cooperstown.

"I don't think this is an anomaly," said retired first baseman Mark Teixeira, who bashed 409 home runs as a switch hitter from 2003 through 2016. "This is a trend."

Professional organizations once coveted switch hitters, valuing their versatility no matter the opposing pitcher. Washington Nationals hitting coach Kevin Long said that for his first ever coaching assignment in 1997, the Kansas City Royals sent him to Wilmington, Del., to help show a young outfield prospect how to switch hit. His name? The recently retired Carlos Beltran, perhaps the last switch hitter right now with a realistic chance of reaching the Hall. Jones tells a similar story.



It seems unreasonable at this point to expect any active switch hitter to join retired star Chipper Jones in Cooperstown.

While in rookie ball in 1990, not long after the Braves selected him with the first overall pick of the draft, Jones endured a brutal slump from the left side. Concerned that prolonged struggles would hurt his chances of a promotion, he received permission from his manager to bat exclusively as a righty during games. His performance immediately improved.

But before he knew it, Jones said some top people in the Braves hierarchy visited him in Florida to tell him, "You are not going to give up switch hitting." They didn't give him a choice. The next year in Single-A, Jones hit .326, en route to a big-league career that featured a .303 batting average, 468 homers and an MVP award in 1999.

"That wouldn't happen today," Long said. "They're not going to do that. It's too hard."

Teams increasingly view the potential added benefit of switch hitting as not worth the additional effort and won't hesitate to convert switch hitters into one-way hitters if they falter.

Switch hitting presents a challenge for the players who attempt it, requiring them to hone and maintain two separate swings with different mechanical flaws. New York Yankees infielder Neil Walker says it takes "two times the work," essentially forcing him to put his

body through double the amount of batting practice as his teammates. Even then, he might go weeks without facing a left-handed pitcher, leaving him limited opportunities to use his right-handed swing in a game situation.

Given that, few switch hitters actually produce equally from both sides of the plate. Walker, for instance, owns a lifetime on-base-plus-slugging percentage of .791 against right-handed pitchers versus .678 against southpaws, discouraging teams from using him as a true switch hitter. Meanwhile, the rise of the defensive shift, which disproportionately hurts left-handed batters, makes switch hitting less of an advantage.

"Putting in the time to basically be two hitters has become a lot more time-consuming," said Ruben Amaro Jr., the general manager of the Phillies from 2009 through 2015. "It takes away from trying to perfect the craft of hitting."

Coaches at the youth level discourage switch hitting as well, with competitive travel squads emphasizing wins over recreation and development.

Teixeira remembers that around the age of 10, a coach called him out in a team meeting, saying, "Some of you think you switch hit and aren't thinking about the team." At age 13, faced with another coach who didn't want Teixeira to switch hit, Teixeira's father told him that if he wanted Mark on the team, he needed to let him bat both ways.

Andrew Romine, the lone switch hitter on the Seattle Mariners' active roster, wishes somebody had ordered him to stop a long time ago. His father pushed him toward switch hitting, and now Romine wonders if he would have fared better focusing entirely on his right-handed swing.

Indeed, of the players with the top 100 batting averages of all time, only two—Roger Connor and Frankie Frisch—hit from both sides. Only six switch hitters have ever hit more than 350 home runs. One of them, Lance Berkman, once said in an interview that if he could start his career again, he wouldn't switch hit at all.

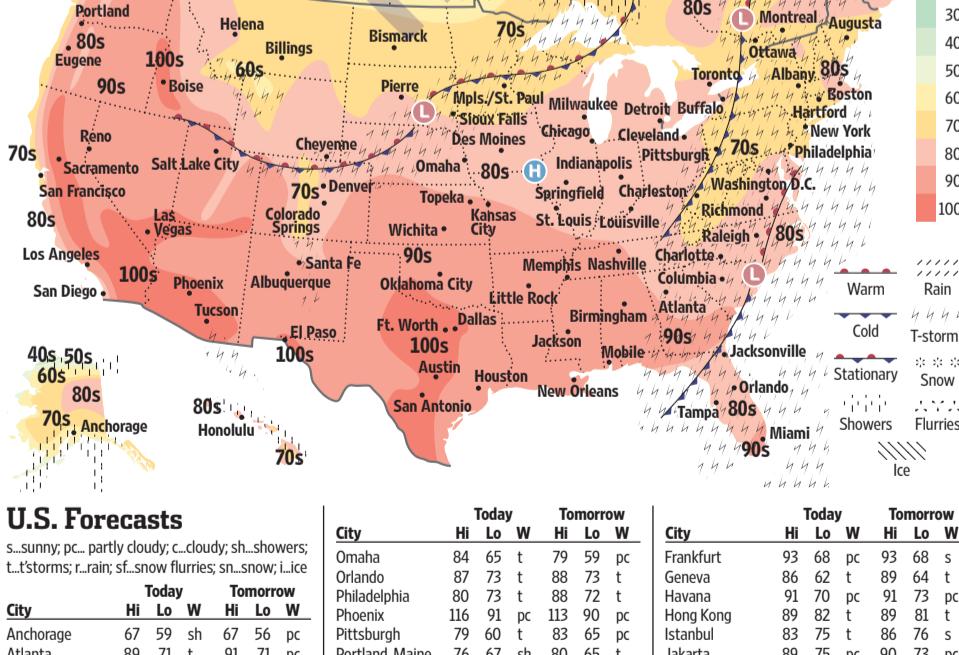
"If switch hitting was so valuable, wouldn't most people try to switch hit?" Romine said. "Nobody should ever choose that."

Jones said he doesn't regret switch hitting and insists that players who stick with it can still reap rewards.

With his plaque about to go up in Cooperstown, nobody could argue with the results.

"If I had been strictly a right-handed hitter, I would have been a nice player," Jones said. "But a guy worthy of consideration for the Hall of Fame? That's a stretch."

Weather



U.S. Forecasts

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

t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

40s 50s 60s 70s 80s 90s 100s

60s 70s 80s 90s 100s 110s 120s

70s 80s 90s 100s 110s 120s 130s

80s 90s 100s 110s 120s 130s 140s

90s 100s 110s 120s 130s 140s 150s

100s 110s 120s 130s 140s 150s 160s

110s 120s 130s 140s 150s 160s 170s

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OPINION

A Workaholic Saved Chrysler



BUSINESS WORLD

By Holman W. Jenkins, Jr.

Fiat Chrysler CEO Sergio Marchionne had planned to retire next year. He had spoken to reporters about this soon-to-be deliverance from a job to which he devoted 24 hours a day, sleeping on planes, seldom seeing loved ones. It is likely that Chrysler wouldn't exist today without his sacrifices.

Accounts are sketchy, but a surgery this month didn't end well, leaving him in what reports bleakly call a grave condition. His untimely fate will send a shiver through workaholics everywhere, not to mention all who need multiple packs of Muratti cigarettes to get through their workload. Mr. Marchionne deserved better.

As Steve Rattner, the Obama auto czar, later said, Mr. Marchionne's willingness and availability was crucial to a divided administration's decision to give Chrysler one more roll of the dice: "If we had not had Sergio, actually we would have let it go right there probably."

Mr. Marchionne had already shown his brilliance in turning around Fiat in 2004, but Chrysler was his masterpiece of industrial and political engineering. He won Fiat's initial stake for nothing more than a promise to provide small-car technology to Chrysler. A credulous New York Times

said at the time the big risk was whether Chrysler could survive long enough for these small cars to begin rolling off assembly lines.

Uh huh. Mr. Marchionne knew perfectly well Americans didn't want small cars. Obama advisers had to "nail me to a condition" that served a symbolic purpose for the administration, he said. Those small cars wouldn't be coming, except for a modest number of Fiat 500s from its plant in Mexico. The Fiat rescue of Chrysler that would soon become a Chrysler rescue of Fiat was built on big American cars sold to big Americans.

All this was plain enough this week with the naming of his successor—Mike Manley, who had been running its Jeep and Ram truck divisions. Also worth noting is the fact that GM and Ford have now copied Chrysler's decision to abandon basic sedan production.

The Italian-Canadian Mr. Marchionne was not a product of Detroit's temples of obfuscation, where executives are conditioned to elide awkward truths about what they do and why, under pressure from bureaucrats, green groups and mau-mauing politicians.

When pressed at a Brookings seminar on what had gone wrong with Chrysler, he pointed to the "unpresentable" bathrooms, unfit for workers who were expected to turn out "high-quality product . . . to compete internationally with the best of the best."

Nor would he likely have achieved as much under a

conventional board of directors. His high-risk, high-candidor adventures were possible thanks to the almost mystical backing of his boss, John Elkann, the 42-year-old grandson of legendary Fiat patriarch Gianni Agnelli.

Yes, the company remains overly dependent on the U.S. market, missing out on China. Vehicle quality lags behind its

to 1.9 million vehicles in seven years.

If there was a Faustian element in his dealings with the Obama administration, it was electric vehicles, about which he was typically frank. Please don't buy my Fiat 500e, he joked more than once, on which the company loses \$20,000 per car.

He was equally and properly skeptical of self-driving vehicles, but also struck a partnership with Google's Waymo unit. He recognized that autonomy would not be the competitive advantage of any single company. Self-driving features will eventually emerge as a package of capabilities that auto makers will buy off the shelf.

In fact, his recurrent theme was his industry's penchant for wasting capital on duplicative under-the-hood differentiation that held no value for consumers. He also understood better than most why this must be so: Because in every country, politics abhors the downsizing of an auto company.

Mr. Marchionne knew that customers want more than just Toyota-like transportation. They want cars that mean something. "Nationalities of brands matter," he said.

He was not the first to notice the untapped potential of Jeep, a name that sings the best kind of American can-doism. But under his leadership, Chrysler finally did something about it, tripling annual sales

BOOKSHELF | By Julian Baggini

Beyond a Reasonable Doubt

On Truth

By Simon Blackburn

(Oxford, 142 pages, \$12.95)

Defenders of truth have had a big job in recent decades, first tackling the challenge of postmodernism and, more recently, the rise of "post-truth." Simon Blackburn dealt with the first in his 2005 *"Truth: A Guide."* Perhaps surprisingly, he gets post-truth briskly out of the way early on in his second short, nonacademic book with "truth" in the title. That is perhaps because he correctly diagnoses that there is no "crisis in the very concept of truth." Certain politicians might be playing fast and loose with truth, but "perjury is still a serious crime, and we still hope that our pilots and surgeons know their way about." The very fact that we deplore the disregard of truth is proof that we still value it.

The post-truth phenomenon is largely a crisis of trust. The proliferation and Balkanization of news sources, abetted by the cloak of web anonymity, has left people feeling that

they "have been denied trustworthy sources of information," Mr. Blackburn writes. In response, they "take refuge in believing whatever they would like to be true." If you can't trust anyone or anything, you are left only trusting your gut. "On Truth" addresses this loss of trust obliquely, stepping back and examining how we can best reinstate our minds as judges. The first part runs through the standard textbook theories of truth, and the second deals with truth in specific contexts, particularly art, ethics and religion. This potentially dry structure allows the author, a fellow at Trinity College, Cambridge, to develop a sustained argument in defense of truth. As in his earlier books, Mr. Blackburn displays a rare combination of erudite precision and an ability to make complex ideas clear in unfussy prose.

If truth has seemed unattainable, he argues, it is because in the hands of philosophers such as Plato and Descartes it became so purified, rarefied and abstract that it eluded human comprehension. Mr. Blackburn colorfully describes their presentation of truth as a "picture of an entirely self-enclosed world of thought, spinning frictionless in the void."

The alternative is inspired by more grounded philosophers, like David Hume and especially the American pragmatists of the late 19th and early 20th centuries: Charles Sanders Peirce, William James and John Dewey. Mr. Blackburn repeatedly returns to a quote from Peirce that serves as one of the book's epigraphs: "We must not begin by talking of pure ideas—vagabond thoughts that tramp the public highways without any human habitation—but must begin with men and their conversation." The best way to think about truth is not in the abstract but *in media res*, as it is found in the warp and weft of human life.

A philosopher argues that truth is humble, not absolute: 'A tentative judgment . . . is not the same as a dogmatic assertion of certainty.'

Put crudely, for the pragmatists "the proof of the pudding is in the eating." We take to be true what works. Newton's laws got us to the moon, so it would be perverse to deny that they are true. It doesn't matter if they are not the final laws of physics; they are true enough. "We must remember that a tentative judgment of truth is not the same as a dogmatic assertion of certainty," says Mr. Blackburn, a sentence that glib deniers of the possibility of truth should be made to copy out a hundred times. Skepticism about truth only gets off the ground if we demand that true enough is not good enough—that truth be beyond all possible doubt and not just the reasonable kind.

Truth of the more modest variety is neither mysterious nor elusive. We accept things as true not because they are immune from any conceivable doubt but because they are supported by the evidence of experience. As a school of thought called "coherentism" maintains, there is no rock-hard, indubitable foundation for our beliefs, only a mutually supporting web of beliefs that hang together.

Seen in this way, truth even has a role in ethics and aesthetics. Ethics does not establish facts akin to scientific laws, but it can get things more or less right. Racism and sexism, for example, rest on false views of human difference, and the morality of abortion cannot be divorced from truths about how the fetus develops. "Ethics is our technique for living," says Mr. Blackburn, "and like any technique it can be practiced well or badly."

He is sympathetic to the different theories he presents, trying to find what is true in each of them, even when the whole is false. The exception is religion, in which he finds no substantive redeeming features. Religion needs "to weld people into a social unit or congregation," he writes, and for that it needs a faith that "deliberately stupefies the understanding" with ideas of ineffability and mystery. The only kind of religion that Mr. Blackburn finds remotely intellectually credible is one in which we express awe and gratitude to an unknown source of being without any pretense of understanding it.

Given his stress on how provisional and uncertain our grasp of truth is, he could perhaps have been more accommodating. As he quotes Peirce saying, inquiry "is not standing upon the bedrock of fact. It is walking upon a bog, and can only say, this ground seems to hold for the present. Here I will stay until it begins to give way." Many non-fundamentalist forms of religion would seem to exemplify this spirit. Ironically, Mr. Blackburn's own last words suggest that we can be justified in believing some things that we cannot rationally establish. Expressing his hope that the enemies of reason will not prevail, he leaves the reader with an exhortation to "have faith that the best will overcome the worst." Amen.

Mr. Baggini is the author of "A Short History of Truth," "The Edge of Reason," and "Freedom Regained: The Possibility of Free Will."

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Why Republicans Can't Get Enough Trump



POLITICS & IDEAS

By William A. Galston

As his presidential campaign gathered momentum in early 2016, Donald Trump declared that "I could stand in the middle of Fifth Avenue and shoot someone and I wouldn't lose voters." At the time, this was regarded as memorable hyperbole, but subsequent events—capped by his meeting with Vladimir Putin—suggest it is closer to literal truth.

Though no one would have called President Trump "restrained" during his first year in office, he has upped the ante in 2018 by challenging established arrangements at home and abroad. From immigration and trade to NATO, North Korea and Russia, the assumptions that have guided American policy in the postwar era have been cast aside.

Many of Mr. Trump's initiatives lack public support. Despite his breathtaking embrace of Mr. Putin in Helsinki, a recent NBC News/Wall Street Journal poll found that only 5% of Americans have a positive view of the Russian president. They disapprove of Mr. Trump's handling of U.S.-Russian relations by a margin of 2 to 1. By a similar margin, Americans believe Mr. Trump's tariffs will raise costs and hurt average citizens. About 6 in 10 Americans also believe that immigration helps rather than hurts the

U.S., despite Mr. Trump's hard-line policies. And Americans don't share Mr. Trump's contempt for the North Atlantic Treaty Organization; they support the alliance by a 3-to-1 margin.

What's more, Mr. Trump's disruptive efforts haven't yielded notable success. Despite his insistence that trade wars are easy to win, China is pushing back with tariffs of its own, and the lost agricultural sales are beginning to hurt America's heartland. U.S. trading partners in the Europe and Asia are banding together in new multilateral agreements that leave the U.S. in the cold.

North Korean leader Kim Jong Un is resisting U.S. efforts to translate his vague promises at the Singapore summit into meaningful progress toward denuclearization. NATO members have pledged only marginal increases to their defense contributions. And the Trump administration's "zero tolerance" stance on immigration enforcement led to the cul-de-sac of family separations, drawing widespread condemnation at home and abroad.

On Mr. Trump's most unpopular policies, there is a big gap between Republicans and the rest of the electorate. Whereas two-thirds of Americans opposed family separation as a method of immigration enforcement, 55% of Republicans supported it, according to a June 2018 Quinnipiac poll. While only 26% of Americans approve of the president's handling of U.S.

relations with Russia, 53% of Republicans do. But these narrow majorities of support for specific policies are dwarfed by overwhelming Republican backing—among the highest levels ever recorded—for the president's overall performance in office and for the president himself.

conservatives the tax cuts and deregulatory policies he advocated during the campaign. Social conservatives have gotten the judicial nominees they were promised, along with policy changes in areas from transgender bathrooms to abortion and religious liberty. And the populist conservatives who put Mr. Trump over the top in key Midwestern states have found an unwavering champion of the nationalist policies—on trade, immigration and putting America first—that energized them during the campaign.

The third reason transcends policy. In Donald Trump, dissatisfied Americans have found a man who resents cultural elites as much as they do, who is as dismissive of convention as they would like to be, and, above all, who fights constantly, retreats rarely, seldom apologizes, and takes every setback as an opportunity to renew the underlying struggle.

There are three reasons, I believe, why President Trump's approval has remained rock-solid in the face of unending controversies and policy fiascoes. First, the economy has kicked into higher gear, spurred by tax cuts, deregulation and Republicans' now-familiar willingness to enact large budget deficits into policy even as they denounce them in principle.

Second, President Trump

has kept faith with the 46%

Americans who voted for him in 2016. He gave economic

moreover, Mr. Trump has managed to increase the intensity of support he enjoys. Just three months ago, 22% of voters strongly approved of his job performance. Today, this figure stands at 29%. His personal favorability has also intensified: In April 21% of voters were "very positive" about him, compared with 28% today.

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OPINION

REVIEW & OUTLOOK

Tricky Dick Schumer

Spare a thought for Chuck Schumer. The Senate Minority Leader is under enormous political pressure to defeat Supreme Court nominee Brett Kavanaugh, or at least pretend that he's trying very hard. His strategy so far is to stall for time and compare the nominee to Richard Nixon. Bear with us; you'll enjoy this.

As expected, Mr. Schumer has demanded millions of documents from Mr. Kavanaugh's years in government to push a confirmation vote past the November election. The New Yorker has refused even to meet with Mr. Kavanaugh unless Republicans first agree to let Democrats dive through the Bush and Clinton archives. When he was Minority Leader in 2013, Mitch McConnell met with nominee Elena Kagan within two days.

This Democratic *sitzkrieg* isn't likely to work. Joe Manchin of West Virginia and Heidi Heitkamp of North Dakota have already said they'll meet with the nominee, date to be determined. Others running for re-election will likely follow as their opponents back home highlight the pettiness of not meeting.

More substantively, Republicans have no reason to agree to what are unreasonable Democratic demands. Judiciary Chairman Chuck Grassley is trying to work out a document deal with ranking Democrat Dianne Feinstein. But Democrats are seeking literally millions of documents from Mr. Kavanaugh's years as Staff Secretary in the George W. Bush White House that are irrelevant to his views or his qualifications for the Court.

The White House has said it is willing to produce some 80,000 document pages and 200,000 email pages from Mr. Kavanaugh's time in the White House counsel's office. This is more than the 173,000 pages produced for Justice Kagan's White House service, and the 182,000 pages for Neil Gorsuch's time in the George W. Bush Justice Department.

The Obama Administration produced no documents from Justice Kagan's years in the Solicitor General's office. The reason was that such documents were said to be the crown jewels of the executive branch's deliberations on legal issues. They surely would have been relevant to how Justice Kagan would rule on the bench, but failing to turn those over is a precedent.

Documents from Mr. Kavanaugh's time as White House Staff Secretary weren't created by him and would say little or nothing definitive about his views on the issues. The Staff Secretary's job is to channel to the President the work product of the rest of the White House and government. The documents relate to Mr. Bush's decisions, not Judge Kavanaugh's.

If Democrats want to examine a relevant record, they have more than 300 of his judicial

opinions to inspect. When she was nominated, Ms. Kagan had none. Mr. Grassley stands on solid ground if he chooses to limit the document search on Mr. Kavanaugh to the standard that prevailed for Justice Kagan.

Which brings us to Mr. Schumer's resort to Dick Nixon, which suggests he's getting desperate. Mr. Kavanaugh submitted his speeches, opinions and other writings to the Judiciary Committee last week, and it included the transcript of an exchange about *U.S. v. Nixon*, the famous 8-0 ruling in which the Supreme Court ordered President Nixon to turn the Watergate tapes over to a federal court.

In a 1999 panel discussion with Bill Clinton's defense team, Mr. Kavanaugh pointed out that the executive privilege arguments used by President Clinton were similar to those used by Nixon in the tapes case. He then argued that a Clinton lawyer on the panel had "not argued that Nixon was wrongly decided," adding "but maybe Nixon was wrongly decided, heresy though it is to say so."

Mr. Schumer jumped on these snippets to charge on Monday that "if Kavanaugh would have let Nixon off the hook, what is he willing to do for President Trump?"

* * *

The answer is that Mr. Kavanaugh wouldn't have left Nixon off the hook and he's certainly willing to hold Presidents accountable under the law. It's clear from the context of the 1999 discussion that Mr. Kavanaugh was debating the compatibility of the Clinton arguments with the *Nixon* case, not his views of the 8-0 ruling on the merits.

The nominee's views are clear from other statements over the years in which he has supported *Nixon*. In a 2014 speech Judge Kavanaugh called the ruling one of the three "most significant cases in which the judiciary stood up to the President," along with *Marbury v. Madison* and the *Youngstown* steel case.

In a 1998 law review article, Mr. Kavanaugh said there is "no need to revisit" *Nixon* and that it should not be overruled. He added that the ruling "reflects the proper balance of the President's need for confidentiality and the government's interest in obtaining all relevant evidence for criminal proceedings."

Ken Starr and others who worked with Mr. Kavanaugh in the independent counsel's office in the 1990s have also said that the nominee supported the *Nixon* ruling.

The political point of all this is that Republicans shouldn't be the least bit defensive about Judge Kavanaugh's record, and Mr. Grassley has good reasons to limit a document search. Mr. Schumer is the fellow who is employing some Nixonian deception.

Election-Year Devices

can from Minnesota, which is home to Medtronic and other device companies.

Congress has suspended the tax twice but the moratorium expires in January 2020. The House vote was bipartisan and overwhelming, with all but one Republican and 57 Democrats in favor, and 131 Democrats against. Those Democratic nays include nearly all of the House Democratic leaders, who will control the agenda if they retake the House, as they are now favored to do. Mr. Paulsen is a leading Democratic target.

Senate Democrats are expected to block the bill before the election, though many of them have voted for it in the past. They want to block any GOP legislative victory—another reminder of the policy stakes in November.

A \$12 Billion 'Rounding Error'

the trade war and restart the flow of American products to foreign customers.

Instead the USDA announced it will use the Commodity Credit Corporation, born in the Great Depression, to buy surplus farm goods that are driving down commodity prices. Tapping the CCC means that the program doesn't need congressional authorization. If the surpluses are never sold, the losses will be piled on taxpayers at a later date.

But don't worry: U.S. Agriculture Secretary Sonny Perdue says this is only a "short-term solution." Tell that to the farmer who took years to cultivate a customer a half a world away. As Nebraska Republican Senator Ben Sasse put it, "This administration's tariffs and bailouts aren't going to make America great again, they're just going to make it 1929 again."

The Iowa Corn Growers Association said on Tuesday that, given the circumstances, the government ought to help. But it added: "Ultimately, resolving trade differences and repairing relationships with our trading partners must be our top priority because much of the demand for our corn lies outside our state and our country's borders" and so "fair and open trade remains the key."

American farmers won't prosper on welfare. They need access to customers abroad. Mr. Trump may think that his farm tariff bailout will get Republicans past the November election, but sooner or later bad economic policy becomes bad politics.

Hours after President Trump tweeted on Tuesday morning that "tariffs are the greatest!" his Administration announced a \$12 billion aid package for American farmers to offset the harm from the Trump trade wars.

If you're confused, join the White House. The Trump Administration is trying to fix an economic problem of its own making by putting the victims on the federal dole. Perhaps this is what White House trade adviser Peter Navarro meant when he said the trade harm was merely a "rounding error."

In May the U.S. imposed tariffs on steel (25%) and aluminum (10%) using a preposterous claim of harm to national security. Earlier this month it put new duties on \$34 billion of imports from China. It has also been threatening to blow up Nafta. Canada, Mexico, the European Union and China have retaliated by imposing new tariffs of their own on exports they know are crucial to U.S. producers, and by strengthening trade relationships with suppliers from other countries.

This is hurting U.S. businesses, and nowhere more than in highly efficient U.S. agriculture. American farmers need access to foreign markets for output they can't sell domestically. When their exports get hit with higher tariffs, they become less competitive against growers that don't face those tariffs.

The upshot is a glut of American food, from soybeans to pork, beef and corn—and falling farm prices. The right solution would be to end

The Trump farm trade bailout won't make up for lost markets.

national authorization. If the surpluses are never sold, the losses will be piled on taxpayers at a later date.

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LETTERS TO THE EDITOR

Cadillac Tax Does More Harm Than Good

A tax that targets older, sicker workers and drives up health-care costs for 178 million Americans isn't worth keeping. In "An Obamacare Tax Worth Keeping" (op-ed, July 20), James Capretta fails to recognize the damage already caused by the Affordable Care Act's 40% "Cadillac tax."

While Mr. Capretta is right that the "Cadillac tax" causes employers to raise deductibles and restrict benefits, he is wrong that as benefits are cut and costs are shifted to workers, employers will provide a commensurate pay raise.

According to the Kaiser Family Foundation, in anticipation of the looming "Cadillac tax" employers have been forced to slash benefits and increase out-of-pocket costs for workers by 89%. And those wage increases Mr. Capretta promises? They haven't materialized. Over the same period, wages have remained relatively flat. Workers are paying more and getting less.

Mr. Capretta fails to mention that for every \$1 the federal government forgoes, employers provide an additional \$4.45 return on that investment, according to American Benefits Council estimates—a great ROI. This investment in employers' innovative health-care solutions drives a healthy economy, controls costs and keeps workers healthy. I know this firsthand as a longtime small-business owner.

Taxing health care through the "Cadillac tax" or by limiting the exclusion won't reduce America's rising health-care costs. Taxing health care is bad policy and undermines the benefits of the pro-growth tax cuts enacted seven months ago.

REP. MIKE KELLY (R., Pa.)

Washington

Rep. Kelly is the lead sponsor of H.R. 173, bipartisan legislation to fully repeal the 40% "Cadillac tax."

A 40% excise tax on any employer-based premiums over \$11,000 for an individual and \$30,000 for families is hardly market based. A true market-based plan could start with tax parity for whomever buys an insurance pol-

icy, whether individual or employer, with the proviso that pretax dollars may be used up to \$11,000 per individual and \$30,000 per family, period.

Congress should repeal the essential medical-benefits rules and let states decide what baseline insurance covers, opening the door to inexpensive catastrophic "bare bones" insurance to prevent medical bankruptcy. Second, expand Health Savings Accounts with reasonable limits and allow pretax dollars to be used for whomever funds them. The net effect would be a gradual shift to cash-based health care with true market competition and more prudent use of health-care resources as individuals and families would be spending their own health-care dollars directly.

Some of my patients tell me they are paying \$600 a month for a premium with a \$5,000 deductible, and their "copays" don't go toward their deductible. They are essentially cash payers on top of the insurance they will only realistically use in the event of an unexpected disaster, essentially making "Cadillac" payments for a bare-bones policy. To add insult to financial injury, their insurance company limits their choices in drugs, practitioners and other ancillary services.

According to the Kaiser Family Foundation's Health System Tracker, only 6% of the age 64 and under American population spends more than \$2,500 a year on actual medical expenditures. For most people two good years would mean they could pay their insurance premium and most of their deductible from their HSA.

JANE LINDELL HUGHES, M.D., FACS
San Antonio

I am glad to hear that the \$11,000 I'm paying for my bare-bones, \$7,000 deductible before anything is covered Blue Cross plan for one person is considered a Cadillac. I really thought of it as a used Pinto. Thanks for the clarification.

DENISE MISSON
Richmond, Mich.

A Different Look at Those Immigration Polls

The Pew Research survey William A. Galston cites ("Americans Want an Immigration Deal," Politics & Ideas, July 11) found that Americans are sympathetic to illegal immigrants who were brought here as children (a convincing refutation of the frequent charge that Americans have turned xenophobic). But what Pew didn't ask, and other polls have, is under what conditions should this cohort of illegal immigrants be permitted to stay here?

A recent Harvard-Harris poll found that 63% of Americans want any benefits given to these illegal immigrants to be conditioned on adopting a merit-based, legal immigration policy, eliminating the visa lottery and building a border-security barrier. Seventy percent think we need stricter immigration laws, and 61% believe that people who arrive here illegally with their children should be sent back.

Much as the Pew poll revealed that most Americans are unaware that the majority of immigrants are here legally, another Harvard-Harris poll makes it clear that most Americans have no idea how many immigrants are admitted to the U.S. While many respondents might think they

are generous and sympathetic, not stupid. They want conditions met in exchange for their generosity.

DAN STEIN
President, Federation for American Immigration Reform
Washington

Impressive, but Ms. Ocasio-Cortez Got Very Few Votes

Roger Kelly's July 21 letter responding to Sen. Joe Lieberman's July 18 op-ed ("Vote Joe Crowley, for Working Families") about Alexandria Ocasio-Cortez is misguided. She won in Congressional District 14 of New York with only about 16,000 votes. The total population of District 14 is just under 700,000, which means that only a bit more than 2% of the district's population voted for her.

By the way, almost half of the population in the district is Hispanic.

SAM TAYLOR
Colorado Springs, Colo.

CORRECTION

The Minnesota Public Utilities Commission voted to approve the Line 3 oil pipeline. A July 23 editorial, "Standing Rock Redux," misstated which state utilities commission had approved Line 3.

Pepper ... And Salt

THE WALL STREET JOURNAL



"I'm binge working tonight."

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MAX WISOTSKY
Highland Park, N.J.

OPINION

The Global Order Will Outlast U.S. Leadership

By James Dobbins

President Trump is clearly no fan of the liberal international order, but he isn't an isolationist or unilateralist either. He is a bilateralist. Mr. Trump prefers to negotiate with each nation one-on-one, confident that no individual competitor can match American power. But a strategy of divide and rule works only if competitors stay divided.

One effort to defend Mr. Trump's skeptical view of multilateralism appeared on these pages during his administration's first months. In a May 2017 op-ed, the president's then national security and economic advisers, H.R. McMaster and Gary Cohn, argued that "the world is not a 'global community' but an arena where nations . . . compete for advantage."

China and Europe will happily take the reins—to America's detriment.

Consistent with this view, Mr. Trump has railed against the North Atlantic Treaty Organization, the North American Free Trade Agreement, the United Nations, the World Trade Organization and the European Union—all major multilateral institutions—while withdrawing the U.S. from the Paris climate accord, the seven-nation nuclear agreement with Iran and the Trans-Pacific Partnership.

This behavior runs counter to 70 years of U.S. policy. At the ends of both world wars, America sought to establish multilateral arrangements to keep peace and promote prosperity. It succeeded on its second try; two wars and the Great Depression had provided compelling evidence that neither isolationism in foreign policy nor bilateralism in trade policy would serve U.S. interests. So America built an international order in which nations still compete for advantage, but do so within rules that restrain armed conflict and trade manipulation.

Many are now questioning whether any rules-based multilateral order can survive the withdrawal of its founding and leading member. The answer is yes. There is plenty of evidence that Europe, China, Japan and the rest of the developed world will continue to maintain existing multilateral structures and build new ones, even if America bails. The other partners of the TPP have decided to go ahead without the U.S. Japan and the EU reached an agreement last week to form the world's largest free-trade partnership. And the EU is strengthening its security arrangements, hedging against the possibility that NATO won't suffice.

Though the order will survive, it will become less liberal, less democratic and perhaps less peaceful. China already is working both to buttress the international system and reshape it in its interest. It moved within the International Monetary Fund to make the renminbi a reserve currency alongside the dollar. China also has created its own multinational development bank, which has secured the participation of many major American allies, including Germany, France, the United Kingdom and Australia. The Chinese have become the largest contributor to international peacekeeping efforts among the five permanent members of the U.N. Security Council. Finally, China's Belt and Road Initiative is promoting massive new infrastructure projects to tie together the economies of 70 countries from East Asia to Western Europe.

The real alternative to an American-led rules-based international order isn't successful bilateralism. It's a Chinese-led order.

Mr. Dobbins is a senior fellow with the Rand Corp. and a former assistant secretary of state for Europe.

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The FTC's Abusive Cyber Enforcement

By Craig A. Newman

For years, the Federal Trade Commission has had nearly absolute power over how companies manage their digital security. In theory, this arrangement protects consumers. But in reality, at least according to one federal court, the FTC has been abusing its authority.

The FTC has brought more than 60 cybersecurity cases since 2002, often ordering companies to overhaul their cybersecurity operations despite no adjudication of any wrongdoing or specific legal violation. That kind of demand exceeds the commission's authority, according to a ruling last month from the 11th U.S. Circuit Court of Appeals. The court held that the FTC must lay out concrete data-security standards for companies to follow, rather than relying on "an indeterminate standard of reasonableness." If the ruling stands—which is likely, since the FTC's only remaining legal option is a long-shot appeal to the Supreme Court—it will cause a sea change in the commission's cyber enforcement.

At the center of the case is LabMD, a startup that worked with physicians to perform cancer screenings. LabMD is now defunct, but when this saga began a decade ago, it was a promising company with 30 employees and \$4 million in revenue.

In 2008, LabMD was approached by Tiversa, a private cybersecurity firm in Pittsburgh. Tiversa claimed that a file containing LabMD's sensitive patient information had been found unprotected on the internet. Tiversa offered to help LabMD address the problem—for a price.

Quickly, LabMD's internal team found the apparent issue on its own. A billing manager who wanted to download music had used a file-sharing program, contrary to company



ISTOCK/GETTY IMAGES

policy. This inadvertently exposed a file on her computer containing billing data on some 9,000 patients: birth dates, Social Security numbers, laboratory test codes. After removing the program, LabMD declined to hire Tiversa.

An investigation sparked by a dubious security firm leads to a verdict that could force reform.

The next year, Tiversa arranged to deliver the data file to the FTC, which soon began investigating LabMD. In 2013, after LabMD declined to settle the case, the FTC launched an enforcement action seeking to overhaul the company's practices, including by requiring it to have a third-party security assessment performed biennially for the next 20 years. One of the commissioners, J. Thomas Rosch, had warned against relying on evidence provided by Tiversa, because the company had a conflict of interest.

His plea was ignored, and his term expired.

The FTC's approach was shaped by its previous successes in cybersecurity enforcement. Instead of issuing specific rules to explain what security practices would pass muster, the commission relied on legal settlements—with Uber, Wyndham Worldwide and Oracle—as precedent for its expansive authority.

But the case against LabMD didn't hold up. A former Tiversa forensic analyst, Richard Wallace, turned whistleblower in 2015. He testified at the trial that Tiversa's business model was to troll file-sharing networks looking for sensitive data exposed by unsuspecting companies. Then Tiversa would leverage the threat of an FTC investigation, Mr. Wallace said, "to let them know that an enforcement action is coming down the line and they need to hire us or face the music, so to speak." Tiversa has denied this allegation.

The case caught the attention of Rep. Darrell Issa, who launched an investigation into Tiversa's activities. The report, issued in 2015, said that "Tiversa often acted unethically and

sometimes unlawfully." It questioned the company's friendly relationship with the FTC, which used Tiversa's data without doing any substantive verification. The Issa report said that Tiversa provided the FTC with a list of 88 potential targets for cybersecurity enforcement. The commission sent warning letters to 63 of those companies and opened investigations into nine of them.

In 2015, the FTC's chief administrative law judge, D. Michael Chappell, held that the commission had failed to prove its case against LabMD. Although the data file had been accidentally exposed, there was no evidence it had been downloaded by anyone other than Tiversa. Not a single instance of identity theft or other untoward use of LabMD's patient information could be found. Yet the FTC reversed Judge Chappell's ruling in a 3-0 vote and reinstated the case. LabMD appealed to the 11th Circuit.

That court's ruling has now effectively blocked, at least for a while, the FTC's legally questionable approach to cybersecurity enforcement. But no one has been held accountable for the commission's missteps, and in the meantime LabMD has been forced out of business. Fortunately, the FTC now has a chance to get to the bottom of what happened. Four new commissioners, appointed by President Trump, were sworn in two months ago. The FTC also has a new acting inspector general, Andrew Katsaros, appointed last month. The commission ought to demand that Mr. Katsaros investigate the LabMD debacle. The FTC cannot responsibly oversee companies' data security without first safeguarding the integrity of its own process.

Mr. Newman is a partner with Patterson Belknap Webb & Tyler LLP, and chairman of its privacy and cybersecurity practice.

A Critique of Identity Politics—From Obama



UPWARD MOBILITY

By Jason L. Riley

For better or worse, Donald Trump is becoming a far more transformative president than many of his critics like to acknowledge. Democrats become foreign-policy hawks when the topic turns to Russia. And they morph into states'

rights activists when they want to shield illegal immigrants from deportation.

Meanwhile, conservative Never Trumpers who have spent entire careers advocating for deregulation, lower taxes, judicial restraint and colorblind public policies have abandoned those principles to make common cause with liberals and their media allies. These days, even Mr. Trump's immediate predecessor, Barack Obama, doesn't quite sound like his old self.

Mr. Obama traveled to Johannesburg last week to give a speech marking the 100th anniversary of Nelson Mandela's birth, and the choicest passages sounded like gentle digs at his fellow leftists back home. Mr. Obama didn't mention the current president by name, but he did weigh in on some current controversies, including immigration.

Democrats in Congress are under the impression that voters want our nation's porous international borders erased rather than fixed. To that end, they are calling to abolish Immigration and Customs Enforcement, the agency that tracks down human traffickers, drug smugglers and other people who are in the country illegally.

But Mr. Obama, sounding a lot more like Mr. Trump than like Elizabeth Warren or Alexandria Ocasio-Cortez, told his South African audience that "it's not wrong to insist that national borders matter, [that] whether you're a citizen or not is going to matter to a government, that laws need to be followed." He

added that "newcomers should make an effort to adapt to the language and customs of their new home. Those are legitimate things, and we have to be able to engage people who do feel as if things are not orderly." Wow!

But wait, there's more. Since leaving office, Mr. Obama has become not only a stickler for border enforcement and cultural assimilation but also a critic of identity politics. To make democracy work, he told the crowd, we have to "engage with people not only who look different but who hold different views." We should endeavor to "get inside the reality of people who are different than us," he said. "And you can't do this if you just out of hand disregard what your opponents have to say from the start. And you can't do it if you insist that those who aren't like you—because they're white or because they're male—that somehow there's no way they can understand what I'm feeling, that somehow they lack standing to speak on certain matters."

Regular readers of these pages don't need to be reminded that President Obama rarely practiced what he's now preaching. He made overt racial and ethnic appeals to voters.

He embraced racial demagogues like Al Sharpton and movements like Black Lives Matter. The Obama Just-

ice Department exploited racially charged police incidents in Baltimore, Ferguson, Mo., and elsewhere. And when facing objections to his administration's stance on everything from health-care reform to voter-identification laws to environmental protection, Mr. Obama seldom failed to ascribe the basest

If Democrats want to win back Congress and the White House, they'll listen to the former president.

of motives to his critics.

Mr. Obama can take the high road now because he's done running for elective office, but he shares as much blame as anyone for the political rancor and racial division we see today. In a sense, Donald Trump stole Barack Obama's playbook and reminded the left that Democrats aren't the only ones capable of successfully playing resentment politics.

If Mr. Obama's advice to Democrats is disingenuous, however, that doesn't make it unwise. The former president seems to understand better than most leaders in his party that simply calling President Trump

a racist nincompoop as often as possible and dismissing his supporters may not be the best strategy for winning back Congress in the fall or taking the White House in 2020. If it were, Hillary Clinton would be president.

What we're hearing from Mr. Obama isn't entirely new or surprising. Before becoming president, he famously dismissed talk of separate "red" and "blue" and "liberal" and "conservative" and "black" and "white" Americas, and he campaigned as a unifier. Of course, Mr. Obama governed as a leftist ideologue, and Democrats today increasingly believe that moving still further left will bring political success.

Policy proposals that once placed you on the political fringe—single-payer health care, free college tuition, guaranteed jobs, drug legalization—are now considered mainstream Democratic positions. Mr. Obama remains the most popular Democrat on the planet, but the party now belongs to hard-core progressives who don't pretend to be anything else on the campaign trail.

Mr. Obama believes that his party must win back those working-class whites in the Midwest who voted for him twice and then swung the 2016 election to Mr. Trump. Republicans should hope that Democrats continue to ignore him.

A Deal for Trump and Juncker

By Jamie Fly

If the fate of the 20th century was decided in the West, the fate of the 21st will be decided in Asia. In recognition of this, the Trump administration is refocusing U.S. policy to counter a rising China. To be successful, the U.S. will need to muster as many partners as it can in the region lately called the "Indo-Pacific." An unlikely potential ally, European Commission President Jean-Claude Juncker, arrives in Washington this week.

Despite trans-Atlantic tensions, there is increasing convergence between U.S. and European interests in Asia. European companies, like their American counterparts, are concerned about China's unfair trade practices, intellectual-property theft, and government-backed efforts to dominate new technologies. As the U.S. updates its foreign-investment screening mechanism, Mr. Juncker has proposed a Europe-wide screening mechanism, modeled in part on America's.

Meanwhile, European governments, like the U.S., are increasingly targets of Chinese influence operations. China has attempted to exploit divides between Brussels and poorer member states in Southern and Eastern Europe since launching the "16+1" initiative in 2012. "Countries are welcome to board China's economic express to share opportunities of China's development," said Chinese

Premier Li Keqiang during a 16+1 meeting in Bulgaria earlier this month.

Such statements should concern anyone familiar with China's history of buying, bribing and stealing its way to prosperity, not to mention its abysmal human-rights record.

When the EU leader visits Washington this week, the talk should be on standing united against China.

Like the Trump administration, Europeans are attempting to firm up relations with key Indo-Pacific partners. French President Emmanuel Macron recently visited India and Australia, where he vowed to work to protect the region from "hegemony." Mr. Juncker and European Council President Donald Tusk signed a sweeping trade agreement with Japan last week. In coming months the EU will announce the details of its new approach toward relations with India as well as its response to China's Belt and Road Initiative to fund infrastructure projects across South and Central Asia.

Europeans still tend to view China—and Asia more broadly—through the prism of trade and investment. But when it comes to Beijing's

bullying of Taiwan or its tightening political grip on Hong Kong, Europe should take a stronger stand. While most European militaries have not traditionally had a robust presence in the Indo-Pacific, EU officials have lately been touting European naval patrols in the South China Sea. Europe should do more to increase its security and diplomatic engagement in the region.

Most important, Europeans need to ensure that their tensions with the American president don't turn them into easy marks for Beijing. As Mr. Trump was in Helsinki meeting Russian President Vladimir Putin, Mr. Juncker was concluding his own summit in Beijing. At that meeting, the Chinese attempted to convince the former prime minister of Luxembourg that they, not the U.S., were Europe's natural partners in upholding the international order on issues ranging from climate to Iran to trade.

With Europe finally getting serious about the threat posed by China, there couldn't be a worse time for the Trump administration to antagonize its natural allies with tariffs on steel, aluminum and automobiles. There are some issues on which the U.S. can go it alone. This isn't one.

Mr. Fly is a senior fellow and director of the Asia Program at the German Marshall Fund of the United States.



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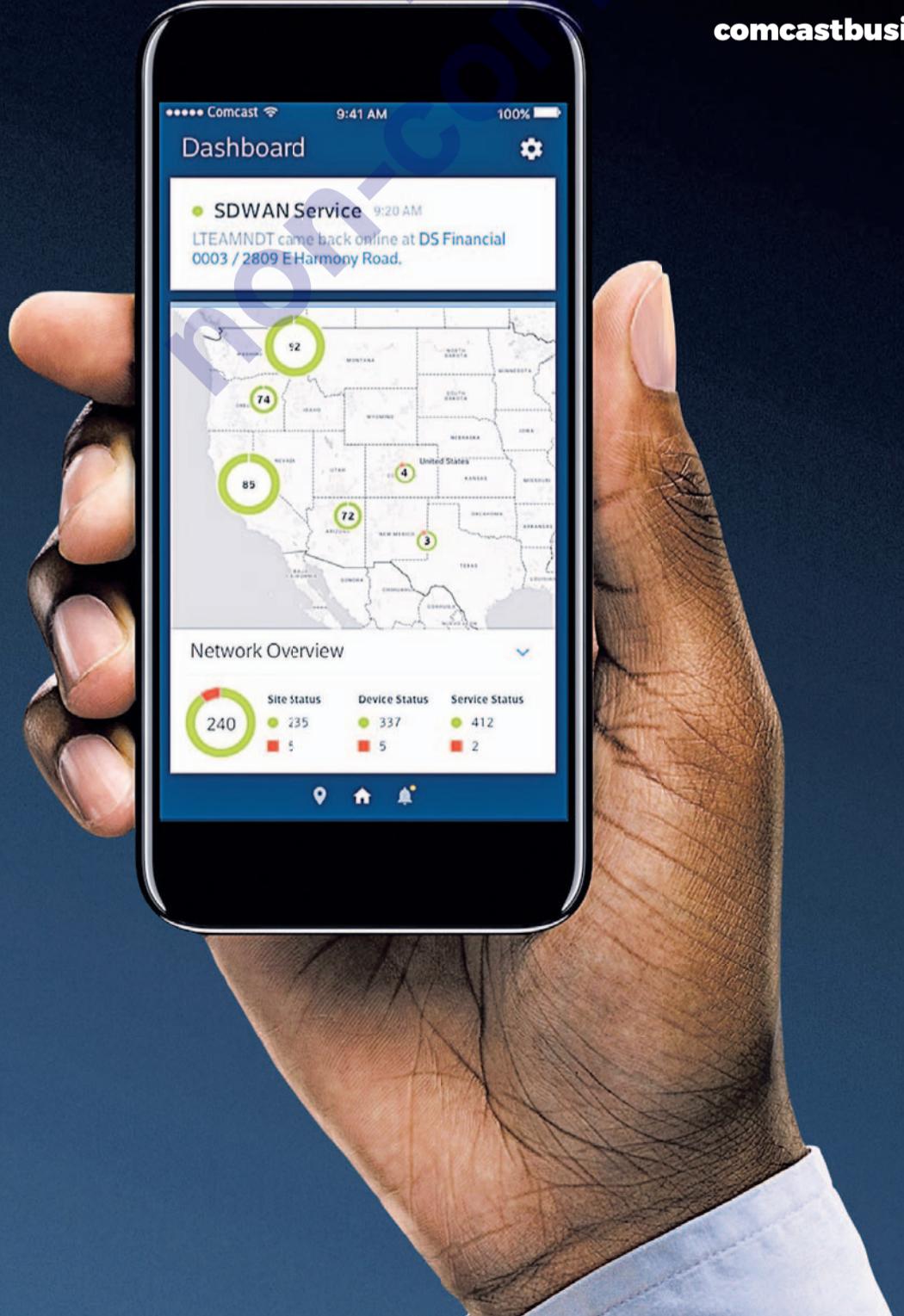
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AT&T Gets Help From New Assets

WarnerMedia keeps revenue from falling further, as DirecTV continues to struggle

BY DREW FITZGERALD

Growth in AT&T Inc.'s new media division helped paper over deep losses in the company's satellite-TV business stemming from a cord-cutting trend that executives have said first drove their appetite for entertainment assets.

Overall, the company reported lower revenue for the three-month period ended

June 30 despite getting a more than \$1 billion revenue injection from Time Warner for the 16 days that AT&T owned the business during the quarter.

AT&T acquired the owner of CNN, HBO and Warner Bros. last month in an \$81 billion cash-and-stock deal that turned the Dallas-based telecommunications company into an overnight media giant. That division, now called WarnerMedia, enjoyed gains in advertising and premium subscriptions.

AT&T Chief Executive Randall Stephenson said the company's new media assets per-

formed well. "We've now assembled the key elements of a modern media company," he said Tuesday in a conference call with analysts.

The Justice Department sued last fall to block the Time Warner deal saying it was anticompetitive, but the companies prevailed at trial. The Justice Department has appealed the decision, but Mr. Stephenson said the company was moving forward with its plans. "We've had a few months of distraction," he said. "That is behind us."

The country's second-largest wireless carrier by subscribers reported 46,000 more

cellphone customers on postpaid plans, a category investors value for its predictability. AT&T ended the quarter with 93.6 million subscribers on postpaid and prepaid plans.

Wireless competition has cooled in recent months as companies focus on their balance sheets and use other offers, like free video, to entice new customers.

The detente helped rival Verizon Communications Inc. add 199,000 postpaid phone customers in the recent quarter without cutting prices. AT&T raised the administrative fees it charges postpaid

customers to \$1.99 a month, which boosted revenue.

Television viewers continued to seek cheaper video packages. AT&T's DirecTV lost 286,000 satellite-TV customers during the second quarter, ending with just under 20 million connections. The cheaper online DirecTV Now business posted a net gain of 342,000 customers, ending the quarter with 1.8 million accounts.

The DirecTV satellite unit has lost more than one million customers after five straight quarters of declines. AT&T has offered free HBO to cert-

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Debt Funds Back Off Emerging Markets

BY MATT WIRZ

Emerging-market government bonds have bounced back from their decline in the first half of 2018, but many bond-fund managers aren't buying the rebound.

Individual investors put about \$100 million into emerging-market debt mutual funds in the second week of July as prices rose, reversing months of outflows, and adding to \$13 billion they had already invested since mid-2016, according to Lipper. Rising dollar-denominated bond prices in July erased more than half of the losses from the first half of the year, showing the appeal of high-yielding bonds issued by nations including Argentina, Egypt and Brazil at a time of solid global growth and low interest rates.

Yet portfolio managers who focus on emerging debt remain lukewarm, zeroing in on signs that the debt remains risky despite price declines earlier in 2018. A survey of emerging-market debt investors conducted by Citigroup in early July found increasingly bearish sentiment compared with the second quarter, with more respondents building up cash in expectation of further price declines and 50% believing a full-blown trade war will break out. Trading and issuance remain below year-earlier levels, and firms such as Deutsche Bank AG and Nomura Holdings Inc. have cut staff in their emerging-market bond departments.

Among the concerns voiced by many bond managers: A resurgent dollar could take off, reigniting fears about debt sustainability and economic resilience in countries whose debt-servicing capacity stands to decline as local currencies depreciate.

"There are very strong and sometimes opposing forces that make this a very challenging time," said Henry Peabody, co-manager of an \$810 million global bond fund at Eaton Vance. About half of the fund's investments are in emerging markets, but Mr. Peabody is keeping about 12% in cash in anticipation of further downturns. "If we see a more pronounced dollar rally, that's when we want to buy, when others are forced sellers," he said.

Chevron signed a seven-year deal with Microsoft in October worth hundreds of millions of dollars. Azure will capture and store the terabytes of data Chevron generates around the globe in everything from underwater oil exploration to refineries, al-

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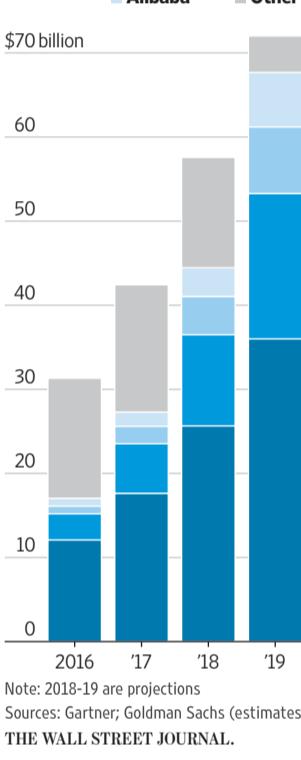
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LUKE SHARRETT/BLOOMBERG NEWS



Up in the Air

Estimated size of the public cloud market, by company



Note: 2018-19 are projections

Sources: Gartner; Goldman Sachs (estimates)

THE WALL STREET JOURNAL.

Oil Mixes With Silicon Valley—but Warily

BY CHRISTOPHER M. MATTHEWS

HOUSTON—A Google executive wearing white jeans and a navy T-shirt stood before a roomful of suit-clad oil executives here last month and delivered a blunt sales pitch: We can manage your data better than you.

Darryl Willis, part of a new group Google has created to court the oil and gas industry, said energy companies have reams of data but only use 5% of it, a serious problem in the digital economy. Signing a cloud deal with Google, part of Alphabet Inc., could solve that, he argued.

"Companies in the oil and gas industry will either be a catalyst for change or they will be a casualty of change," he said during a presentation at the Unify Conference, an in-

dustry forum on digital technology put on by Baker Hughes, a part of General Electric Co.

Silicon Valley has come to Houston, as tech companies push to sign oil and gas companies to lucrative cloud and artificial intelligence deals. In

recent months, companies including Chevron Corp., Equinor ASA, Total SA and Repsol SA have entered into contracts with companies such as Google and Microsoft Corp. collectively worth billions of dollars.

But the relationship between Silicon Valley and the energy industry is complicated. While oil and gas companies need Silicon Valley's expertise, some energy executives worry they could be competing with technology companies in years to come,

especially as both sides explore renewable energy. In learning the ways of the industry, tech companies could also develop analytical expertise of value for energy production and oil-field services.

"I can imagine us competing with, but also partnering with digital companies," said Maarten Wetselaar, the head of the gas and new energies business at Royal Dutch Shell Plc. "There's a very different competitor set that could emerge in this business."

Companies in other sectors have already seen their cloud providers encroach on their business.

The big question, then, for energy companies is: Are they comfortable turning over their data to potential competitors, analysts say.

While energy companies

have been using AI and cloud services for years, they have recently become more aggressive in digitizing operations as the industry undergoes a modernization push. That is creating a race in Silicon Valley to win their business.

Google recently hired Mr. Willis, who despite his decidedly tech-like business attire, worked at BP PLC for the better part of three decades, as the internet company seeks a bigger piece of the energy action.

"If it has to do with heating, lighting or mobility for human beings on this planet, we're interested in it," Mr. Willis said in an interview, playing down any potential competition between Google and energy companies. "Our plan is to be the partner of choice for the energy industry."

While energy companies

are increasingly focused on the energy industry, said Jason Zander, executive vice president at Microsoft Azure, the company's cloud platform. He said the company is sensitive to customers' concerns that providers could use their data even if indirectly to become competitors.

"Our message is: 'We are not in these industries. I'm not in retail. I'm not in energy,'" he said.

Chevron signed a seven-year deal with Microsoft in October worth hundreds of millions of dollars. Azure will capture and store the terabytes of data Chevron generates around the globe in everyting from underwater oil exploration to refineries, al-

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◆ Heard on the Street: Cloud is rainmaker for Google..... B12

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HEARD ON THE STREET | By Aaron Back

Kimberly-Clark Has Big Mess to Clean

A combination of rising competition, higher costs and reduced pricing power are hitting consumer-goods makers. Few are suffering as much as Kimberly-Clark.

The maker of Kleenex tissues, Scott toilet paper and Huggies diapers reported second-quarter results that narrowly beat muted analyst estimates. But the company also lowered its outlook for full-year earnings, citing higher commodity costs.

U.S. retailers like drugstores and supermarkets, themselves under pressure from online retailers and hard-discounter supermarkets, are responding by pressuring suppliers for lower prices and investing in private-label alternatives.

Kimberly-Clark is especially exposed to these trends because its product categories have weaker brand value compared with the likes of Colgate toothpaste or Tide detergent. Private-label market share in facial tissues has risen to 24% from 22% over the past four years, according to Wells Fargo analyst Bonnie Herzog, while the private-label share of toilet paper has risen to 22% from 19%.

In the second quarter, Kimberly-Clark's comparable net sales were flat from a year earlier. In the personal-care segment that includes diapers, North America sales fell 1%. In the consumer-tissue segment, North America sales declined 4%.

The company is running two concurrent cost-cutting

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efforts. One is focused on improving efficiency and the other on reducing costs through the elimination of non-essential products and facilities. The company also announced a plan to sell its medical products business, which includes brands such as Huggies and Pampers.

Kimberly-Clark's stock has

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GOOD PROFITS POWER BLUE CHIPS

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Coming: 'Hamilton' the Movie

BY BEN FRITZ

"Hamilton" may be coming to movie theaters, exactly as audiences saw it on Broadway.

Hollywood studios are currently bidding for the big-screen rights to Lin-Manuel Miranda's hit musical about founding father Alexander Hamilton, according to people involved in sales talks. But in an unusual twist, the "Hamilton" movie won't be a filmed adaptation. Instead, it is a recording of the show made in 2016 with its original cast, including Mr. Miranda in the lead role.

The world-wide theatrical rights for "Hamilton" could sell for more than \$50 million, two of the people with knowledge of the deal talks said. Representatives for the production have recently screened the recording for interested buyers. A spokesman for Mr. Miranda didn't respond to a request for comment.

Though some stage shows have played in a limited number of theaters as one-time events, and live musicals like "Jesus Christ Superstar" have

been hits on television, there are no recent examples of recorded stage shows that play in theaters globally, like a traditional movie.

Several studios have expressed interest in "Hamilton," the people with knowledge of the deal talks said. Contenders include AT&T Inc.'s Warner Bros., which in June bought the rights to adapt Mr. Miranda's musical "In the Heights," and 21st Century Fox Inc.'s Twentieth Century Fox, which made

"The Greatest Showman."

Netflix Inc. recently bought the rights to stream a recorded version of Bruce Springsteen's one-man Broadway show for more than \$20 million, said people with knowledge of that deal. It is also a potential bidder for "Hamilton," one of those people said. If the subscription-video company is successful, the show would likely play in few, if any, theaters.

—Joe Flint contributed to this article.



JOAN MARCUS/PBS/ASSOCIATED PRESS

BUSINESS NEWS

Pentagon's Spending Boosts Lockheed

By DOUG CAMERON

Lockheed Martin Corp. expects to end the year with a record order backlog of more than \$110 billion, driven by overseas sales and more Pentagon spending.

The world's largest defense company by sales has been a prime beneficiary of congressional actions boosting Pentagon spending above requests from the White House. The effort is aimed at replacing worn-out equipment and addressing an array of threats, including North Korea's nuclear program and military buildups by Russia and China.

Investors have fretted that defense companies weren't translating the buoyant military budget climate into higher sales and profits, but Lockheed Martin raised its own full-year financial guidance after reporting forecast-beating quarterly earnings.

Chief Executive Marillyn Hewson on Tuesday highlighted additional F-35 combat jets and Thaad missile-defense systems requested by Congress during an upbeat investor call.

Lockheed ended its second quarter with a backlog of \$105 billion, which is expected to rise with a final agreement on selling another 141 F-35 jets. Lockheed Martin is also competing for two other big Pentagon contracts: an Air Force trainer and a refueling drone for the Navy.

Chief Financial Officer Bruce Tanner said the company had won more contracts in the quarter than it anticipated, and was already securing sales from the recently enacted 2018 defense budget. Congress granted Lockheed around \$7 billion more in work than requested by the presidential budget, and the company is likely to gain billions more from the 2019 budget being debated by lawmakers.

Congress approved almost \$47 billion in arms sales during the first half of the year, some \$5 billion more than in all of 2017. Lockheed's wins include a \$450 million deal to start building frigates for Saudi Arabia and \$1.1 billion to supply Bahrain with 16 F-16 jet fighters.

Lockheed raised the midpoint of its 2018 profit guidance by 6% to a range of \$16.75 to \$17.05 a share, above analysts' expectations.

The company reported profit of \$1.16 billion in the June quarter, with per-share earnings rising to \$4.05, above the \$3.92 consensus among analysts.

It took a \$96 million charge in the quarter for severance and restructuring costs.

United Technologies Looks Up

Group raises outlook as jet-engine business helps bolster revenue; latest profit leaps 42%

By THOMAS GRYTA

United Technologies Corp.'s second-quarter profit rose 42%, prompting the industrial company to nudge its full-year outlook higher as sales increased in all its major divisions.

The Farmington, Conn., conglomerate said revenue growth was driven by its Pratt & Whitney jet-engine unit and its aerospace-systems business. While positive on the year, the company warned that it is working to manage rising costs across its businesses through cost reductions and price increases.

United Technologies owns one of the world's biggest jet-engine makers, Pratt & Whitney, along with Otis elevators and Carrier air conditioners. UTC expects to close its \$23 billion acquisition of aerospace company Rockwell Collins in the coming months, after which it will explore rearranging the portfolio.

"I think all options are on the table," Chief Executive Greg Hayes said during a conference call with analysts. UTC continues to work with its board on reviewing the portfolio, including a potential split of the company into three pieces, and will share its decision in the fourth quarter.

While a breakup has received the most attention, Mr. Hayes stressed that other outcomes are possible. He said that UTC's 2015 evaluation of a spinoff of its Sikorsky Aircraft business led to selling the helicopter maker to **Lockheed Martin** for \$9 billion.

Activist investor William Ackman's **Pershing Square Capital Management** LP and Daniel Loeb's **Third Point LLC** have been pushing the company to pursue a split.



A fire-safety display at UTC's Center for Intelligent Buildings in Florida. The group warned that it is working to manage rising costs.

Shares in UTC rose 3.8%, or

\$4.87, to \$134.24 on the New York Stock Exchange.

Mr. Hayes warned that rising costs from commodities, as well as from a labor shortage in the U.S. and Europe, are "a recurring theme" in UTC's commercial businesses.

The company expects tariffs to cut 2018 earnings by five cents a share.

"If you think about next year, obviously, you can see a much bigger impact from all

of these tariffs," Mr. Hayes said. The rising costs will lead to higher prices and inflation, with the company being mindful that larger price tags could reduce demand.

The adjusted earnings of \$1.97 a share exceeded analyst expectations of \$1.85, according to Thomson Reuters. Revenue of \$16.7 billion also beat a projection of \$16.27 billion.

UTC boosted its 2018 adjusted-earnings outlook to a

range of \$7.10 to \$7.25 a share, up from a previous view of \$6.95 to \$7.15 a share. It also raised the low end of its 2018 sales projection by \$500 million and now expects \$63.5 billion to \$64.5 billion.

The company reported second-quarter net income of about \$2 billion, up from \$1.4 billion a year earlier. Per-share earnings rose to \$2.56 from \$1.80. Total sales rose 9% to \$16.7 billion from \$15.3 billion.

Harley Warns Higher Duties Will Hogtie It

By AUSTEN HUFFORD AND BOB TITA

Harley-Davidson Inc. said its profit would take a hit this year as tariffs compound a long sales slump for the motorcycle maker.

Harley said its costs would increase by up to \$55 million this year as the Milwaukee-based manufacturer pays more for steel and aluminum used to make its motorcycles in the U.S. and pays higher duties on hogs it exports from the U.S. to Europe.

"We are working with the administration and all the governments we can to do the best we can to get these tariffs removed," Harley Chief Financial Officer John Olin told investors on Tuesday.

Harley said its operating margin, a measure of profitability, would be 9% to 10% this year, down from a previous forecast of 9.5% to 10.5%.

Still, Harley shares rose 7.7% to \$44.63 as the company's per-share earnings surpassed

analyst estimates. Before Tuesday, the stock had fallen 19% this year amid slowing U.S. sales and concerns about the impact from tariffs.

In June, Harley said it would move more production overseas to avoid European Union duties applied in response to Trump administration tariffs on foreign steel and aluminum.

Executives said Tuesday a final decision hasn't been reached on where production will be moved.

President Donald Trump and union leaders have criticized Harley's move.

Chief Executive Matt Levatich on Tuesday defended the decision, which he said was made to keep down the cost of its motorcycles in Europe.

Harley's sales in Europe and other foreign markets have become increasingly important as sales stall at home.

Harley's U.S. retail sales fell 6.4% to 46,490 motorcycles in the second quarter, while international sales rose 0.7% to 31,938 including a 3.6% in-

Uneasy Rider

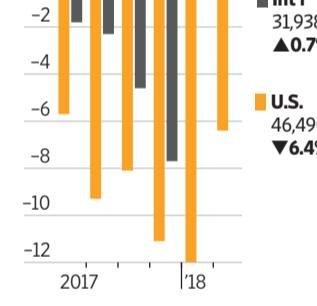
Harley shares rose on Tuesday as per-share earnings beat analyst estimates, while international sales have become more important as sales fall in the U.S.

Harley-Davidson share price in five minute intervals



Source: the company

Motorcycle unit sales, change from previous year



Source: the company

crease in sales to Europe. The company said its global motorcycle shipments fell 11% in the latest quarter, but Harley maintained its forecast of shipping 231,000 to 236,000 motorcy-

cles this year.

The company's latest quarter ended on July 1, about a week after the EU's motorcycle tariffs went into effect, so the impact on the financial results

released Tuesday was limited. Harley had said that until it shifts production abroad, it will cover the cost of the tariffs rather than raise prices in the EU. That will add up to about \$2,200 per motorcycle and a total of up to \$35 million this year, Harley said.

Pricier steel and aluminum in the U.S. will cost Harley up to \$20 million more than planned this year, Harley said. Prices for domestic flat-rolled steel in the U.S. have risen by more than 30% this year in response to a 25% U.S. tariff on imported steel.

Overall, Harley's revenue from motorcycles and accessories fell 3.3% in the second quarter to \$1.53 billion.

Harley posted a profit of \$242.4 million, or \$1.45 a share, compared with \$258.9 million, or \$1.48 a share, a year earlier. Excluding certain costs, the company reported per-share earnings of \$1.52.

♦ Heard on the Street: Harley rides to the border..... B12

BUSINESS WATCH



Lackluster sales of laundry appliances dented quarterly sales.

billion acquisition of **Tribune Media** Co., taking sides against the **Federal Communications Commission** in the politically charged deal.

"So sad and unfair that the FCC wouldn't approve the Sinclair Broadcast merger with Tribune," tweeted Mr. Trump. He said the acquisition would have created a "much needed conservative voice by and for the people."

The FCC didn't immediately respond to a request for comment. Jessica Rosenworcel, a Democratic commissioner on the FCC, tweeted a one-word response: "Disagree."

Earlier this month, the Republican chairman of the FCC, Ajit Pai, said he had "serious concerns" about the deal and took action to block it. Mr. Pai said that proposed station divestitures by Sinclair to meet FCC regulations could leave the company in practical control of the stations "in violation of the law."

—John D. McKinnon

Whirlpool Appliance Maker Reports Soft Demand

Whirlpool Corp. said U.S. demand for its washing machines was "very soft" in the second quarter as the appliance maker raised prices to cover the rising cost of raw materials.

Whirlpool shares fell 15% to \$128.82.

Chief Financial Officer Jim Peters said Whirlpool's rivals stockpiled appliances before the implementation of tariffs that the company wanted the U.S. to enact. The Wall Street Journal last week reported signs of declining demand for washing machines in the wake of the tariffs.

Whirlpool swung to a second-quarter loss after booking \$747 million in charges on its European business and paying \$114 million for an antitrust settlement in France.

—Andrew Tangel

INTESA SANPAOLO

The securities of Intesa Sanpaolo S.p.A. have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. There will be no such public offering of shares of Intesa Sanpaolo S.p.A. in the United States.

NOTICE TO THE SHAREHOLDERS

(pursuant to Article 84 of Consob Regulation no. 11971/1999)

RESULTS OF THE PRE-EMPTION AND PRE-EMPTIVE RIGHTS OFFERING OF INTESA SANPAOLO SAVINGS SHARES PURSUANT TO ARTICLE 2437-QUATER OF THE ITALIAN CIVIL CODE 108,453 SAVINGS SHARES FOLLOWING WITHDRAWAL HAVE BEEN PURCHASED PURSUANT TO THE PRE-EMPTION AND PRE-EMPTIVE RIGHTS OFFERING

Intesa Sanpaolo S.p.A. ("Intesa Sanpaolo" or the "Company") hereby announces that, at the end of the pre-emption and pre-emptive offering period (the "Offering"), which ended on 17 July 2018 (the "Offering Period"), with regard to the savings shares of Intesa Sanpaolo subject to withdrawal (the "Shares", each a "Share"), following the resolution of the special meeting of savings shareholders of 27 April 2018 which approved the mandatory conversion of the Intesa Sanpaolo savings shares into ordinary shares (the "Mandatory Conversion") and the consequent amendments to the Company's Articles of Association, pre-emption rights have been exercised in relation to 37,061 Shares and pre-emptive rights have been exercised in relation to 71,392 Shares.

Furthermore, following the expiration of the term for exercising the right of withdrawal (6 June 2018) and the date on which the number of shares offered in the context of the Offering was communicated pursuant to Article 2437-quater of the Italian Civil Code (18 June 2018), additional withdrawal statements were received in relation to 5,396 shares of the Company that were sent by the abovementioned term of 6 June 2018; therefore, the right of withdrawal has been exercised in relation to a total of 15,070,477 shares.

Recalling that:

- in view of the outcome of the Offering and, as previously announced, given the overall amount of exercised withdrawal rights, the condition precedent to the execution of the Mandatory Conversion has been formally satisfied. The condition stipulates that the amount owed to those electing to exercise the withdrawal right must not exceed Euro 400 million at the end of the offering period relating to the Shares;
 - the Shares were offered on a pre-emption rights basis in accordance with a ratio of 1 Share per 1,113 pre-emption rights at a price, set in accordance with the provisions set forth under Article 2437-ter, paragraph 3 of the Italian Civil Code, of Euro 2.74 each;
 - the conversion ratio is 1.04 Intesa Sanpaolo ordinary shares per each savings share;
- it should be noted that:
- as a result of the Offering, 14,962,024 shares following withdrawal remain, the value of which is equal to Euro 40,995,946;
 - the Company shall announce in accordance with provisions of law: (i) the subsequent methods of liquidation in relation to the remaining Shares following the Offering that the Company deems more appropriate and (ii) the terms and methods of settlement of the Shares purchased following the exercise of the pre-emption and pre-emptive rights.

Turin, 25 July 2018

Intesa Sanpaolo S.p.A. Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 9,094,056,582.12 euro Registration number on the Torino Company Register and Fiscal Code 0079999158 VAT number 10810700152 Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund. Parent Company of "Intesa Sanpaolo" banking group, included in the national register of Banking Groups.

SINCLAIR BROADCAST GROUP

Trump Calls Blocking A Deal 'Disgraceful'

President Trump said Tuesday it was "disgraceful" that federal regulators have blocked **Sinclair Broadcast Group** Inc.'s \$3.9

—Waverly Colville

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BUSINESS OPPORTUNITIES

GOVERNMENT OF MAHARASHTRA

OFFICE OF THE EXECUTIVE ENGINEER, Public Works Division, Miraj
NOTICE FOR HYBRID ANNUITY MODE [HAM] (ONLINE) TENDER
E - TENDER NOTICE NO. 14 For 2018-19 (Vith Call)

Notice Inviting Bid

Phone No. 0233-2222665

E-Mail- miraj.ee@mahapwd.com

Subject: Hybrid Annuity Mode, Package No.PN-42: Upgradation of Roads Under Public Works Circle, Kolhapur 1. The Government of Maharashtra had entrusted to the Authority the development, maintenance and management of State Highways of State of Maharashtra. The authority had resolved to augment the existing roads in the state of Maharashtra by improvement thereof (The "Project") on "Hybrid Annuity" basis and has decided to carry out the bidding process of selection of (a private entity) as the Bidder to whom the project may be awarded.

Brief particulars of the projects are as follows:

| Sr. No. | Hybrid Annuity Mode Package No. | Name work | Length (in Km) | Estimated Project Cost (Rs. in Crores) |
|---------|---------------------------------|---|----------------|--|
| 1) | PN-42 | Improvements to SH-143 to Vizor - Nimgaon - Piliv - Itkai - Dighnchi - Atpadi - Shetfale - Kole - Ghatnadre - Kavathemahankal - Belanki - Miraj - Arjunwad - Narsobachivadi - Herwad to state Border Road, SH - 153, Km 41/100 to 81/900 & Km 96/100 to 195/600 Dist. Sangali (Part II- Sangare to Herwad Km 135/500 to Km 195/910) | 58.07 | 192.00 |

2. All information of e-tendering is available on the following website / Notice Board.
I) <http://www.mahapwd.com/informatoryNotice> II) <http://mahatenders.gov.in>

3. The complete bid document can be viewed / downloaded from e-procurement portal from **23.07.2018 at 10.00 hrs to 06.08.2018 (upto 17.45 Hrs. IST)** Bid must be submitted online only.

4. The e-procurement portal is given below.

<http://mahatenders.gov.in>

5. e-Tender Schedule is as given below.

| Sr. No. | Event Description | Date |
|---------|--|---|
| 1) | Invitation of RFP (NIT) (Download Period of online e-tender) | 23.07.2018 at 10.00 Hrs. to 06.08.2018 at 17.45 Hrs. |
| 2) | Last date for receiving queries for Pre-bid | 31.07.2018 upto 11.00 Hrs. |
| 3) | Pre-Bid Meeting | 31.07.2018 at 12.00 Hrs. in the office of the Chief Engineer, Public Works Region, Pune. |
| 4) | Authority response to queries for pre-bid Meeting | 03.08.2018. |
| 5) | Bid Lock | 06.08.2018 at 17.45 Hrs. |
| 6) | Physical submission of Bid Security / POA etc. (as per clause 2.11.2 of RFP) | At any of the following places within 72 Hrs. after Bid Lock at office of the 1) Chief Engineer, Public Works Region, Pune. 2) Superintending Engineer, Public Works Circle, Kolhapur. 3) Executive Engineer, Public Work Division, Miraj. |
| 7) | Opening of Technical Bids | On dt. 10.08.2018 from 11.30 Hrs. in the office of the Superintending Engineer, Public Works Circle, Kolhapur, (Maharashtra) |
| 8) | Declaration of Eligible/Qualified Bidders | 13.08.2018 |
| 9) | Opening of Financial Bids | 13.08.2018 from 11.30 Hrs. to 17.55 Hrs. |

6. Note:-

- a) Bid Submitted through any other mode shall not be entertained. However, Bid Security, Proof of online payment of cost of Bid Document, Power of Attorney and joint bidding agreement etc. as specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before **09.08.2018 (at 17.45)**. Please note that the Public Works Department reserves the right to accept or reject all or any of the Bids without assigning any reason whatsoever.
- b) Other terms and conditions are detailed in online e-tender form. Right to reject any or all online bid of work, without assigning any reasons thereof, is reserved with department.

DEVENDRA SHANTARAM JADHAV
Executive Engineer,
Public Works Division, Miraj

DGIPR/2018-2019/6137

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CAREERS

PUBLIC NOTICES

NOTICE OF DEFEASANCE
\$44,205,000
STATE OF WEST VIRGINIA
WEST VIRGINIA PARKWAYS, ECONOMIC
DEVELOPMENT AUTHORITY PARKWAY REFUNDING
REVENUE BONDS
SERIES 2002

Dated February 13, 2002

CUSIP NUMBER 956661ER9
MATURITY DATE (MAY 15) 2019
PRINCIPAL AMOUNT DEFASED \$3,585,000
INTEREST RATE 5.250%

TO ALL REGISTERED OWNERS OF THE ABOVE
NOTICED BONDS:

NOTICE IS HEREBY GIVEN that all West Virginia Parkways, Economic Development and Tourism Authority Parkway Refunding Revenue Bonds, Series 2002 of the West Virginia Parkway Authority (the "Authority"), originally issued in the aggregate principal amount of \$44,205,000, and outstanding on the date hereof in the aggregate principal amount of \$3,585,000 (the "Series 2002 Bonds"), have been defeased and will be redeemed in full on May 15, 2019, and are deemed to have been paid in accordance with the provisions of that certain Indenture of Trust, dated as of February 15, 1993 (the "1993 Indenture"), by and between the Authority and United National Bank, as Trustee, and that certain Supplemental Indenture, dated as of February 1, 2002 (the "2002 Supplemental Indenture"), together with the 1993 Indenture, ("the Indenture"), by and between the Authority and United National Bank, as Trustee (now United Bank, a Virginia corporation having a corporate trust office in Charleston, West Virginia), and the liens on the Pledged Revenues and other property pledged in the granting clauses of the Indenture have been released. Sufficient funds and Government Obligations are irrevocably credited to United Bank, as Escrow Trustee, under an Escrow Deposit Agreement dated July 18, 2018, in amounts sufficient to pay all required payments of accrued interest on the outstanding Series 2002 Bonds due on November 15, 2018, and May 15, 2019, respectively, prior to paying the maturing principal amount of the bonds on May 15, 2019, the final maturity date of such Series 2002 Bonds, in full at the redemption price of 100% of the principal amount thereof, plus accrued interest to said final maturity date, in accordance with the applicable provisions of the Indenture.

WEST VIRGINIA PARKWAYS AUTHORITY

By: UNITED BANK, TRUSTEE,
REGISTRAR AND PAYING AGENT

Dated: July 18, 2018

The above CUSIP Numbers are provided solely for the convenience of the bondholders. The Registrar does not certify as to their correctness or completeness.

ANNOUNCEMENT
FROM THE 4TH FAMILY COURT OF KUCUKEMKECE

BASIS NO : 2012/746

DECISION NO : 2017/202

At the end of the divorce case, heard in our court, between the plaintiff Bora Ergin represented by the Attorney Ozgur Akca and the defendant Ervola Nad Ergin;

The street address for notification of ERVOLA NAG ERGIN, citizen of the United States of America, hasn't been ascertained despite the researches that have been carried out. Therefore, it has been decided that the decision given by our court on 10/03/2017 shall be notified by publication, and

THE CASE SHALL BE ACCEPTED, and BORA ERGIN with Turkish Identity Number 39436592988, son of Saban Nejdet and Nurten, born on 27/01/1978 and registered to Istanbul province, Silivri county, Fatih neighborhood/village under volume number 2, section number 13 and individual registration number 19 and ERVOLA NACI ERGIN, citizen of the United States of America shall be DIVORCED in accordance with article 166/1 of Turkish Civil Code.

There is no need for giving decision regarding pecuniary and non-pecuniary damages, alimony, properties and receivables, since it is not requested,

With the deduction of the previously collected fee of TL 21,15 from the fee at the amount of TL 31,40 required to be taken pursuant to the Act of Fees; the remaining balance amounting at TL 10,25 shall be collected from the defendant and recorded as revenue to the treasury,

The total amount of TL 24,30 for litigation expenses of TL 42,30, which has been covered by the plaintiff, total of fees, judgment fees at the amount of TL 45,60, judgment fees at the amount of TL 41,50, judgment fees at the amount of TL 35,00 and postage costs and other expenses at the amount of TL 79,00 shall be collected from the defendant and recorded as revenue to the treasury,

The counsel's fee of TL 1,980,00 which has been designated for the benefit of plaintiff in accordance with the Law on the Procedure for Collection of Public Receivables shall be taken from the defendant and given to the plaintiff.

Such decision was clearly read and duly told to the faces of the plaintiff and his/her counsel, in the absence of the defendant party; and it can be appealed to Istanbul Regional Court of Justice within TWO WEEKS from the notification date of the decision and this announcement is notified by publication to be replaced by the notice, 21/04/2017

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TECHNOLOGY

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Mark Zuckerberg has made China a priority despite the company's limited presence in the country.

Facebook Plans China Hub To Nurture Tech Startups

BY LIZA LIN

SHENZHEN, China—Facebook Inc. said it would set up

an innovation hub in China to groom and support the nation's developers and startups, the latest in a series of steps aimed at expanding its presence in the world's largest consumer market.

Facebook's social network has been blocked in China since 2009, leading the Menlo Park, Calif., company to pursue other initiatives to gain a foothold. In January, Facebook signed an agreement with Chinese hardware company Xiaomi Corp. to produce a virtual reality headset only for the Chinese market.

Facebook's new China hub will be located in Hangzhou, home to Chinese internet giant Alibaba Group Holding Ltd., the owner of China's two most popular e-commerce sites and

a major player in China's mobile internet ecosystem.

The hub will offer training and workshops to help developers and entrepreneurs in the region innovate and grow, a Facebook spokeswoman said, and is similar to centers the company has established in countries including France, Brazil, and India.

Despite Facebook's limited presence in China, its chief executive, Mark Zuckerberg, has made China a priority, turning up at gatherings in the Asian nation almost annually. The company also internally developed a tool that people familiar with the matter say would have allowed third parties—including governments like China—to block content before it could be posted on Facebook.

Yet the absence of significant progress for the company's main business in China

reflects the challenges social networks face in a country where the government keeps a tight rein on information channels, including social media, to contain political dissent.

According to a filing by Facebook with the National Enterprise Credit Information Publicity System, China's business registration website, the new \$30 million subsidiary would engage in internet services such as internet technology research, handle commercial inquiries and organize events.

The filing listed Facebook's Hong Kong entity as the only shareholder of the Hangzhou subsidiary, with Damian Yeo, Facebook's Singapore-based associate general counsel and head of its Asia Pacific legal team, as chairman of the new company.

—Zhu Lin in Beijing contributed to this article.

Texas Instruments Expects A Strong Third Quarter

BY MARIA ARMENTAL

Texas Instruments Inc. said it expects

BUSINESS NEWS

Ford Takes Step To Help Finance Self-Driving Push

BY MIKE COLIAS AND AISHA AL-MUSLIM

Ford Motor Co. is carving out its autonomous-vehicle program into a separate wholly owned company, a bid to accelerate its driverless-car efforts by attracting outside investors.

Ford said Tuesday the newly formed unit, Ford Autonomous Vehicles LLC, will be structured to take on third-party investment. The setup will allow large investors to bet on a part of Ford's business that has high growth potential but likely will be a financial drain in the near term, without taking a stake in the slower-growth business of making traditional cars.

The move follows rival Gen-

Valley companies as electric-car maker Tesla Inc. and ride-sharing provider Uber Technologies Inc. have matched or exceeded the car companies' valuations despite losing money.

Ford's new company could be a "precursor to outside investment and unlocking value" from the car maker's autonomous efforts, RBC Capital Markets analysts said in a research note. The bank said Ford's driverless-car program might need further investment, either from new investors or raising capital by other means.

Shares of Ford rose about 1% to \$10.57 Tuesday. The stock is down about 5% in the last year.

Ford also said it will invest \$4 billion in its autonomous-vehicles efforts through 2023, including its \$1 billion investment in Argo AI, the company's Pittsburgh-based partner for self-driving system development. That spending would be in the same range as GM's recent pace of investment on driverless cars, which is expected to total around \$1 billion this year.

Ford named Sherif Marakby as chief executive of Ford Autonomous Vehicles. He is currently the Ford vice president of autonomous vehicles and electrification and has spent most of his career at the auto maker, though he served as Uber's vice president for global vehicle programs for about a year until April 2017.

Ford said the newly formed entity would bring together several teams currently working on self-driving vehicles. It will be based in Detroit's Corktown neighborhood, a scruffy area near downtown where Ford is investing in old buildings to serve as a technical hub for electric and driverless-vehicle development.

For years, the Detroit auto makers have struggled to lift their stock prices, despite record or near-record profits and driverless-car programs that some analysts view as rivaling those of tech giants, like Waymo, Google parent Alphabet Inc.'s autonomous-vehicle unit. Meanwhile, such Silicon

The company looks to keep pace with GM by drawing outside investors to new firm.

General Motors Co.'s disclosure last month that Japan's **SoftBank Group** Corp. would invest \$2.2 billion in GM Cruise, the auto giant's driverless-car business. That deal—which gave SoftBank a 19.6% stake in GM Cruise, valuing the company at \$11.5 billion—allows GM to pursue a driverless-car strategy without siphoning as much capital away from its core vehicle-manufacturing business.

For years, the Detroit auto makers have struggled to lift their stock prices, despite record or near-record profits and driverless-car programs that some analysts view as rivaling those of tech giants, like Waymo, Google parent Alphabet Inc.'s autonomous-vehicle unit. Meanwhile, such Silicon

Efficiently than in the past and preparing for the rebound," Mr. Tavares said in reference to Opel while discussing Peugeot's results on Tuesday.

Opel was a drag on GM for years, racking up billions of dollars in losses in a European market struggling with overcapacity and low profits. The sale left GM with almost no presence in Europe, the world's third-biggest auto market.

"The group demonstrates since 2014 its recurring ability to level up global profitability, efficiency and volumes, despite strong headwinds," Mr. Tavares said Tuesday in the company's news release.

He applauded Opel's management team and employees, and asked shareholders to acknowledge their achievement.

"I knew from day one that they were great people," Mr. Tavares said.

Opel is led by Michael Lohscheller, who was finance chief at the unit before being promoted to CEO last summer.



Opel recorded an operating profit in the first half. Cost cuts and the adoption of Peugeot technology have aided the German unit.

Peugeot Gets Opel in Gear

Under new owner, former GM business is turning the corner after years of losses

BY MAX BERNHARD

General Motors Co. failed to make money out of Opel for years. Now **Peugeot** SA is showing its U.S. rival how it has done.

Shares in Peugeot jumped 11% Tuesday after the French car maker said its newly acquired German unit sported an operating profit in the first half.

GM sold Opel and British brand Vauxhall to Peugeot last August for \$2.2 billion after numerous attempts to pull the unit out of losses stretching back about two decades. In

November, Peugeot Chief Executive Carlos Tavares launched an ambitious restructuring of Opel, aiming to repeat the success he had in rejuvenating Peugeot.

Tuesday's results may be the first clear indication that his effort is paying off.

Peugeot, which also manufactures the Citroën brand, said group net profit in the first half of the year rose to €1.48 billion (\$1.73 billion) from €1.26 billion a year earlier, beating expectations. Revenue rose 40% to €38.40 billion.

Opel made an operating profit of €502 million and sharply increased its operating margin. Mr. Tavares said the unit cut fixed costs by 28% and has started to reduce variable costs ahead of schedule.

"We have been right-sizing the costs, investing much more

efficiently than in the past and preparing for the rebound," Mr. Tavares said in reference to Opel while discussing Peugeot's results on Tuesday.

Opel was a drag on GM for years, racking up billions of dollars in losses in a European market struggling with overcapacity and low profits. The sale left GM with almost no presence in Europe, the world's third-biggest auto market.

But Mr. Tavares bet that with Opel he could replicate the turnaround he has engineered at Peugeot, where after taking the helm in 2014 he slashed jobs and production to turn it into one of Europe's most profitable companies.

Mr. Tavares was quick to announce sweeping changes at Opel after the acquisition.

As well as cutting jobs and

For Fiat Chrysler's New CEO, Truck-Assembly Woes Linger

BY CHESTER DAWSON AND MIKE COLIAS

One of the first issues Mike Manley will likely have to address as **Fiat Chrysler Automobiles** NV's new chief executive is a problem from his old job: a slow-moving redesign of the Ram 1500 truck.

Mr. Manley took the helm of the Italian-American auto maker on Saturday and is expected to make his first public remarks on Wednesday, when Fiat Chrysler reports second-quarter earnings.

Manufacturing delays have hobbled the launch of the redesigned Ram 1500, FCA's top-selling U.S. vehicle, some six months after the start of production. Sales of Ram trucks and Jeep sport-utility vehicles are critical to Fiat Chrysler, accounting for what UBS says is 80% of the company's profit.

The success of those two brands is a big part of Fiat Chrysler's revival and likely helped vault Mr. Manley, who recently led Jeep and Ram, into the job of CEO. He was named to the top spot after the company announced the resignation of longtime chief Sergio Marchionne, whose health deteriorated suddenly.

Mr. Marchionne, who forged the company into a profit-maker by combining the once-ailing Fiat and Chrysler, is at a Zurich hospital. The company hasn't provided any updates on his condition since its initial statement on Saturday.

Exor NV, Fiat Chrysler's controlling shareholder, on Tuesday voiced its support for the continued independence of the car maker in the wake of Mr. Marchionne's sudden illness and exit as CEO. Exor, which owns 29% of FCA, hadn't commented previously after the weekend revelation of Mr. Marchionne's illness.

Ironing out the Ram's production issues is a near-term test for Mr. Manley.

He must grapple with several changes roiling the global auto industry, such as a shift toward electric and self-driving technologies, as well as heightened tensions between the U.S. and its major trading partners over tariffs. Fiat Chrysler also has been dogged by recalls and federal investigations into allegations of intentional emissions cheating and labor-law violations, both of which it has denied.

Representatives for the company declined to comment on the Ram's production until after its release of second-quarter earnings.

The Ram competes against Ford Motor Co. and General Motors Co. in a highly profitable full-size pickup segment, where average selling prices have far outstripped other categories, surging nearly 35% since 2010 to more than \$43,000, according to researcher J.D. Power.

Fiat Chrysler has limited dealer orders on several option packages for the new

truck, said John Kleintop, general manager at a Ram dealership in Slatington, Pa. The company told dealers one pricey option that allows for maximum towing capacity won't be available until January, Mr. Kleintop said.

"The launch of this truck has been inhibited by a lot of these constraints," he said.

Those delays appear to be weighing on Fiat Chrysler's truck sales. Ram pickup sales fell 7% this year through June, to 233,539 trucks.

The consensus adjusted operating-profit forecast among Wall Street analysts is for €2.1 billion (\$2.5 billion) in the second quarter, up from €1.6 billion the previous quarter and €1.8 billion a year ago, Evercore said.

—Eric Sylvers contributed to this article.

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Delays have hobbled the launch of the redesigned Ram 1500.



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THE PROPERTY REPORT

Cushman IPO Faces a Test

Closely watched debut to serve as a measure of investor confidence in economic growth

By PETER GRANT
AND MAUREEN FARRELL

Stock investors are awaiting one of the real-estate industry's most closely watched initial public offerings in years, setting up what could be a Wall Street referendum on the current economic expansion.

Cushman & Wakefield, a global brokerage and real-estate-services firm that reported \$6.92 billion in 2017 revenue, hopes to sell \$719 million to \$931 million in shares in an IPO that would value the firm at roughly \$6 billion including debt, according to pricing documents released Monday.

Trading is expected to begin in early August on the New York Stock Exchange after a roadshow in which backers of the offering will discuss Cushman with potential investors, the firm said.

The real-estate business is closely aligned with the health of the broader economy, and the success or failure of Cushman's IPO will reflect in part whether investors believe economic growth in many parts of the world will continue.

Like CBRE Group Inc., JLL and other publicly traded real-estate firms, Cushman is highly dependent on sales and leasing brokerage commissions. These balloon when companies are expanding and real-estate investors are gobbling up office buildings, hotels, apartment buildings and other commercial property.

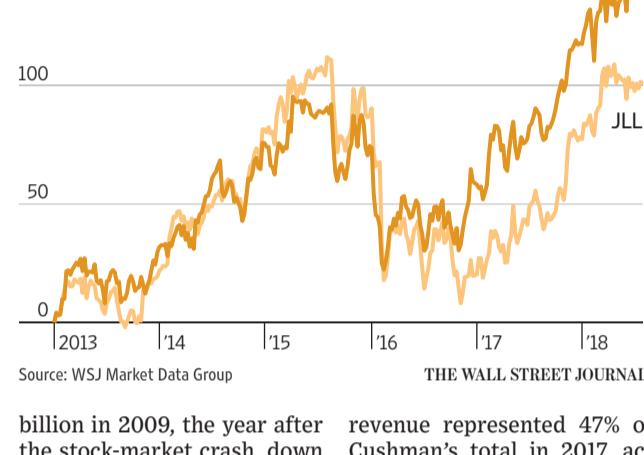
But this revenue cratered when economies contract. For example, CBRE reported \$4.2



Cushman & Wakefield expects to raise up to \$931 million in an IPO that would value it at \$6 billion.

Booming Brokers

Share-price performance since 2012



billion in 2009, the year after the stock-market crash, down from \$5.1 billion in 2008 and \$6 billion in 2007.

Global brokerage firms have been trying to insulate themselves from this volatility by building up businesses with steadier revenue like property management. Such "recurring"

revenue represented 47% of Cushman's total in 2017, according to papers the firm filed with the Securities Exchange Commission.

Still, the brokerage business draws the biggest profit from its more economically sensitive businesses, rather than those generating steady recur-

ring revenue.

Real-estate bulls believe the current economic expansion may have years to run. They point out that shares of CBRE and JLL, the world's largest and second-largest commercial real-estate firms, respectively, are trading near record highs.

"I think we're in for an extended cycle," said Ross Smotrich, an analyst with Barclays who follows CBRE and JLL.

But Wall Street bears point to signs that the rebound of commercial real-estate values that began shortly after the latest recession ended is running out of steam.

Meanwhile, rising interest rates have increased the likelihood that capital will increasingly shift from commercial real estate to the bond market, driving down property values. These concerns already have sent tremors through the real-estate investment trust sector, causing it to underperform the broader stock market since the beginning of 2016.

Medical Building Sells at a Record

By ESTHER FUNG

A medical office building in Houston sold this month for more than \$400 million, the largest price ever paid in the U.S. for such a building and the latest sign that many health-care-related properties are in high demand.

LaSalle Investment Management said one of its funds bought the 28-story, 500,000-square-foot building, which is anchored by Memorial Hermann, the largest not-for-profit health-care provider in Texas, and is 99% occupied. Pricing wasn't disclosed, but the Chicago-based investment firm paid \$405 million for the Memorial Hermann Medical Plaza, according to a person familiar with the matter.

The record sale reflects how real-estate investors are piling into medical offices and other properties that serve an aging population. About 14.5% of the U.S. population is 65 years old or older, according to the Census Bureau's 2012-2016 American Community Survey. People in that age group will outnumber children by 2035, the Census Bureau projects.

"Competition among real-estate investors for high-quality medical office buildings is intense," property consultancy CBRE wrote in a recent research report.

That doesn't mean any property in the health-care sector is poised to benefit as baby boomers grow older and have more health-care needs. Recent changes to the Affordable Care Act and tax policies have made predicting which ones will thrive from the shifting health-care landscape more complicated, analysts say.

Many investors say they have become wary about own-

ing buildings for skilled nursing facilities, following changes to reimbursement structures that have hurt nursing-home operators and resulted in court battles over unpaid rent.

But these properties are starting to produce higher returns. Shares of real-estate investment trusts focused on skilled nursing facilities, such as Sabra Health Care REIT and **Omega Healthcare Investors** Inc., have this year outperformed REITs that invest primarily in medical office buildings.

Still, medical offices are considered the safest of all types of health-care real estate, in part because they are

'Competition for high-quality medical office buildings is intense.'

less vulnerable to changes to reimbursements and regulations. These properties usually include outpatient surgery centers, which are expected to benefit from efforts to rein in health-care costs and lengthy hospital stays.

"There's a sense of stability about the asset class that is appealing to a wide range of investors," said Richard Anderson, managing director at Mizuho Americas Research, who focuses on health care real estate, among other sectors.

Medical office buildings have predictable income streams, with tenants generally paying \$1 in rent for every \$10 generated in revenue, so landlords have some room to raise rents, Mr. Anderson said.

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UCC Public Sale Notice

Please take notice that Jones Lang LaSalle on behalf of BSPT St. Johns Holdco, LLC, a Delaware limited liability company (the "Secured Party"), the assignee of Benefit Street Partners Realty Operating Partnership, L.P., a Delaware limited partnership (the "Original Secured Party") offers for sale at public auction August 22, 2018 at 3:00 PM (New York Time) in the offices of Stroock & Stroock & Lavan LLP, 767 3rd Ave., #37th floor, New York, New York 10017, in connection with a Uniform Commercial Code sale, (i) 99.5% of the limited liability company membership interests in 564 St. Johns Acquisition LLC, a New York limited liability company (the "Senior Borrower"), which is the sole owner of the property known as "The Olmstead Luxury Residences" and also known as "The Frederick" located at 564 St. Johns Place, Brooklyn, New York 11238 (the "Property"), together with certain rights and property relating thereto, including, without limitation, all distributions and proceeds now or hereafter becoming due and payable to Mezzanine Borrower (defined below) by Senior Borrower, and (ii) 100% of the limited liability company membership interests in 564 St. Johns Borrower DE LLC, a Delaware limited liability company (the "Managing Member"), sole managing member of Senior Borrower and owner of 0.5% of the limited liability company membership interests in Senior Borrower, together with certain rights and property relating thereto, including, without limitation, all distributions and proceeds now or hereafter becoming due and payable to Mezzanine Borrower by Managing Member (collectively, the "Interests"). The limited liability company membership interests owned by Mezzanine Borrower and Managing Member collectively represent 100% of the indirect ownership interest in the Property. The Interests are owned by 564 St. Johns Mezz DE LLC, a Delaware limited liability company, having its principal place of business at 1274 49th Street, Suite 184, Brooklyn, New York 11219 (the "Mezzanine Borrower").

The Interests were originally scheduled to be offered at a public auction on July 31, 2018 at 3:00 PM (New York Time) in the offices of Stroock & Stroock & Lavan LLP, 767 3rd Ave., #37th floor, New York, New York 10017 (the "Original Auction"). Secured Party has elected to adjourn the Original Auction to the date set forth in this notice.

The Original Secured Party, as lender, made a loan ("the Mezzanine Loan") to the Mezzanine Borrower. In connection with the Mezzanine Loan, the Mezzanine Borrower granted to the Original Secured Party a first priority lien on the Interests pursuant to that certain Pledge and Security Agreement dated October 19, 2017 by Mezzanine Borrower in favor of the Secured Party ("Pledge Agreement"). Prior to the sale described herein, the Original Secured Party will assign the Mezzanine Loan and related documents to the Secured Party. The Secured Party is offering the Interests for sale to enforce the rights of the Secured Party under the Pledge Agreement. The Mezzanine Loan is subordinate to a mortgage loan and other obligations and liabilities of the Senior Borrower or otherwise affecting the Property (the "Senior Loan").

The sale of the Interests will be subject to all applicable third party consents and regulatory approvals, if any. Without limitation to the foregoing, please take notice that there are specific requirements for any potential successful bidder in connection with obtaining information and bidding on the Interests, including but not limited to, (1) that each bidder must comply with the restrictions applicable to the sale of the Interests under the Intercreditor Agreement dated as of October 19, 2017 by and between the Secured Party and the holder of the Senior Loan (the "Intercreditor Agreement"), including that such bidder is a "Qualified Transferee" (as defined in the Intercreditor Agreement) and (2) that each bidder must deliver such documents and pay such amounts as required by the Intercreditor Agreement and the applicable governing documents relating to the Interests.

The Interests are being offered as a single lot, "as-is, where-is", with no express or implied warranties, representations, statements or conditions of any kind made by the Secured Party or any person acting for or on behalf of the Secured Party, without any recourse whatsoever to the Secured Party, or any other person acting for or on behalf of the Secured Party, including but not limited to, (1) that each bidder must comply with the restrictions applicable to the sale of the Interests under the Intercreditor Agreement, (2) that each bidder must comply with the requirements of the Intercreditor Agreement, (3) that each bidder must comply with the requirements of the Pledge Agreement, (4) that each bidder must comply with the requirements of the Security Agreement, (5) that each bidder must comply with the requirements of the Intercreditor Agreement, (6) that each bidder must comply with the requirements of the Pledge Agreement, (7) that each bidder must comply with the requirements of 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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq (ISE). The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, July 24, 2018

A B C

D E F

G H I

J K L

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S T U V W X Y Z

Footnotes:

- i-New 52-week high.
- j-New 52-week low.
- k-Most active in the recent four quarters.
- l-FIRST day of trading.
- m-Does not meet continued listing standards.
- n-Late filing.
- o-Temporary exemption from Nasdaq requirements.
- p-NYSE bankruptcy.
- q-Trading halted on primary market.
- r-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Net

Stock Sym Close Chg

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25241.94 ▲ 197.65, or 0.79%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio **23.61** 20.70
 P/E estimate * **16.35** 18.35
 Dividend yield **2.15** 2.30
 All-time high **26616.71, 01/26/18**

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

| | Contract | Open | High | Low | Settle | Chg | Open interest |
|-------------------|--------------------------|---------|---------|---------|--------|---------|---------------|
| Copper-High (CMX) | -25,000 lbs.; \$ per lb. | 859.00 | 878.00 | 857.00 | 873.25 | 10.50 | 441,457 |
| July | 2,736.5 | 2,792.0 | 2,736.5 | 2,800.0 | 0.060 | 1,453 | |
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BANKING & FINANCE

UBS Buoyed by Investment Bank

By BRIAN BLACKSTONE
AND PIETRO LOMBARDI

ZURICH—UBS Group AG on Tuesday said strong gains at its investment bank boosted overall profit in the last quarter, but warned political and trade tensions could shake investor confidence in financial markets.

The better-than-expected results could help the Swiss bank convince investors about its strategy of focusing on managing money for wealthy clients while maintaining a streamlined investment-banking operation.

UBS has struggled to persuade investors on its approach at a time it faces higher costs and low interest rates across Europe. That has made for a stagnant share

price since the start of 2017.

Switzerland's largest bank said net profit rose 9.4% to 1.28 billion Swiss francs (\$1.29 billion) in the second quarter, beating analysts' forecast of 1.02 billion francs.



Sergio Ermotti says UBS expects to reach its target for growth in net new money.

The bank's results were "relatively solid," according to analysts at Baader Helvetic Equity Research. "But we see also a couple of weaker data points, which might overshadow the headline beat,"

noting the bank's cautious outlook regarding client activity amid muted market volatility.

The rise in profit was driven by an improvement at its investment bank, where pretax profit rose 26% to 569 million francs, above expectations of 397 million francs. The increase was driven by revenue growth at its equities, currency and rates units.

UBS's wealth-management unit reported a 7% year-over-year increase in adjusted pretax profit to 1.08 billion francs.

But wealth management reported net outflows of 1.2 billion francs in the quarter, which UBS attributed to normal tax-related outflows in the U.S. and about 4.4 billion francs leaving from a single corporate employee share program in the Americas region.

Despite this almost "perfect storm" of forces damping net money inflows, UBS Chief Executive Sergio Ermotti said on an analyst call that the bank still expects to reach its full-year target of 2%-4% growth in net new money in 2018.

However, the bank did issue notes of caution on both costs and political tensions.

Mr. Ermotti said UBS faced annual regulatory costs of about 1.5 billion francs, with some of these costs expected to be permanent. This year, regulatory-related costs associated with Britain leaving the European Union will amount to around 100 million francs, he said.

There are infrastructure and technology costs associated with merging the bank's U.K. subsidiary into its Euro-

pean holding company, which is in Frankfurt, one senior executive said, as well as costs to make sure the entity complies with European regulations.

The bank was also cautious about the prospects for the global economy and the resilience of client activity.

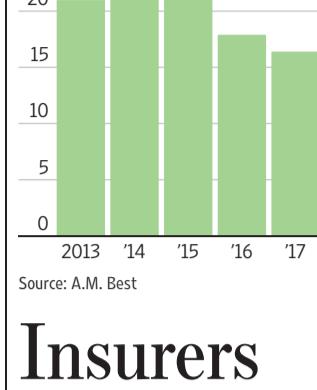
"Global economic-growth prospects continue to provide a supportive backdrop to markets, although ongoing geopolitical tensions and rising protectionism have dampened investor confidence and remain a threat," UBS said.

"Market volatility remains muted overall which is usually less conducive to client activity," UBS said.

◆ Heard: UBS's defense against cautious clients..... B12

Dwindling

Insurance-industry assets held by hedge funds



Source: A.M. Best

Insurers Retreat From Funds

By MENGQI SUN

Wall Street money managers are having problems hanging onto insurance companies as customers.

American International Group Inc. and **MetLife Inc.** pulled more than \$700 million from hedge funds in the first quarter of 2018, according to filings. That followed billions of dollars in withdrawals over the previous two years.

Net hedge-fund outflows from all U.S. insurers amounted to \$8.7 billion in 2016 and 2017, according to a new report from ratings firm A.M. Best Co.

Total insurance-industry assets held by hedge funds were \$16.4 billion at the end of 2017, down 8.5% from the same time a year earlier.

Six other insurers beyond AIG and MetLife also reduced their holdings in 2017, according to A.M. Best. Twelve insurers, including **Prudential Financial Inc.**, added to their investments, but those inflows were collectively smaller than the industry's outflows.

Insurers aren't the only investors rethinking their hedge-fund holdings. Clients pulled a net \$70 billion from hedge funds in 2016, according to research firm HFR, before adding back roughly \$10 billion in 2017. Through the first six months of 2018, they have pulled another \$2 billion.

Hedge funds still oversee \$3.24 trillion, according to HFR. Hedge funds typically bet on or against stocks, bonds or other securities, often using borrowed money and charging hefty fees. Since the latest financial crisis, the funds have struggled to do better than low-cost, passive investment products that track indexes such as the S&P 500.

"Many hedge funds have been challenged on the performance front and hedge funds also attract the same capital charges as private equity and other equity products that have achieved higher net returns," said MetLife Chief Investment Officer Steve Goulart in an email.



India banking is dominated by 21 state-owned lenders, which account for 70% of industry assets.

India Pumps Up Fraud-Hit Lender

By MANJU DALAL

India injected more than \$400 million into one of its largest state-backed lenders, scrambling to avoid a potential crisis of confidence in the debt markets.

Late Monday, Punjab National Bank said it had received 28.2 billion rupees (\$408.9 million) from the government. The infusion means the bank, which earlier this year said it had suffered a \$2 billion fraud, will be able to make a coupon payment due this week on 15 billion rupees of "contingent convertible" bonds, or Cocos.

Cocos were created after the 2008-09 global financial crisis to help minimize taxpayer-funded bailouts. They behave like bonds, paying regular coupons, but if a bank runs short of capital they can be converted into equity to

shore up the balance sheet.

However, the Indian government occupies an unusual double role: as a major shareholder in many publicly traded banks and the guardian of the financial system. It has been reluctant to let these instruments function as intended, for fear that would upset investors.

Before the capital injection, Punjab National Bank's core equity was at 5.95% of risk-weighted assets. This gauge of financial health needed to be at least 7.375% before the bank was able to make interest payments on these bonds.

Some analysts said India's second-largest state lender by assets should have skipped the coupon and let the central bank decide if the bonds needed to be converted. But while this wouldn't technically have counted as an "event of default," because it is provided

for in the security's design, it could have proved destabilizing.

"India has never allowed a public-sector bank to fail," said Anil Gupta, vice president at ICRA, the local affiliate of Moody's Investors Service. "It's the most sacrosanct thing

for the government to keep the faith in its banking system."

Mr. Gupta said nonpayment might have caused some investors to lose confidence in the banking system, no matter the features of the bond.

India's banking sector is

dominated by 21 state-owned lenders, which account for nearly 70% of the industry's assets. These banks have struggled with soaring bad loans, as well as paper losses on their bond portfolios, as prices of Indian government debt have fallen.

Emerging Bonds Fail To Excite

Continued from page B1
holders with an average loss of 2.7% as of Monday.

The managers' caution underscores an unhappy fact about emerging-market sovereign bonds issued in local currencies: On average, they haven't returned much given their well-chronicled risks, ranging from economic volatility to political upheaval.

Local-currency emerging-market bonds delivered average annualized total returns of 2.9% over the past 10 years. Over the same span, U.S. investment-grade corporate bonds returned 5.5% and U.S. junk-rated corporate bonds, 8.4%, according to

data from Bloomberg Barclays Indices. Dollar bonds returned more than local-currency ones but were more volatile than U.S. junk debt, the data show.

"What we've seen in emerging-markets debt, frankly, over the years is a lot of downside and not enough upside to offset it," said Wade O'Brien, a managing director at Cambridge Associates who advises foundations and endowments on bond-market investing. He recommends clients trade in and out of emerging markets tactically, rather than dedicating a fixed percentage of their portfolios to the asset class.

Borrowing by emerging-market countries surged after the financial crisis as low interest rates in the U.S. and Europe pushed institutional investors to scour the globe for higher-yielding investments.

Government debt in the top 30 emerging markets more than doubled to \$15.2 trillion

since 2009, mostly through the issuance of local-currency debt that was increasingly sold to foreign investors, according to the Institute of International

Finance. Foreign ownership of government bonds has doubled in many emerging markets over the past decade and exceeded 30% in countries in-

cluding South Africa, Malaysia, Peru and Russia as of March 31, according to the IIF.

When the aftershocks of the crisis faded, emerging-market fund managers predicted a new age of better regulation and financial stability would dampen the political risks.

"Years of progress toward better governance and mature financial markets have allowed emerging-markets debt to establish deeper and broader support from investors," investment firm Nuveen said in a December research report.

But recent sell-offs in Turkish and Argentine government bonds offer a reminder that there is a potential price to be paid for that support. The Turkish lira has lost 22% this year against the dollar, and the Argentine peso has fallen 32%, the two worst performances in a basket of currencies tracked by The Wall Street Journal.

Mutual Funds

Data provided by LIPPER

| Fund | NAV | Net YTD Chg % | Net YTD % Ret | Fund | NAV | Net YTD Chg % | Net YTD % Ret | Fund | NAV | Net YTD Chg % | Net YTD % Ret | Fund | NAV | Net YTD Chg % | Net YTD % Ret |
|----------------------|-------|---------------|---------------|---------------------|--------|---------------|---------------|--------|-------|---------------|---------------|----------------------|-------|---------------|---------------|
| American Century Inv | 50.48 | +0.24 | 16.3 | Baird Funds | 21.76 | +0.16 | -5.3 | FF2020 | 16.41 | +0.04 | 1.5 | FrankTemp/Frank Adv | 14.33 | +0.04 | 1.8 |
| AggBdInst | 10.54 | +0.02 | -1.8 | TAUSCoreEq2 | 18.98 | -0.02 | 5.3 | FF2025 | 17.99 | +0.05 | 2.5 | First Eagle Funds | 16.49 | +0.10 | 2.1 |
| CorBdInst | 10.88 | +0.02 | -1.7 | US CoreEq | 24.09 | -0.01 | 6.4 | FF2030 | 16.39 | +0.04 | 1.9 | FrankTemp/Franklin C | 14.31 | +0.04 | 1.8 |
| AmcPdA p | 34.01 | +0.05 | 10.7 | US CoreEq2 | 22.56 | -0.02 | 5.6 | FF2050 | 15.23 | +0.08 | 3.0 | Fidelity Advisor I | 35.48 | +0.03 | 2.9 |
| AMutlI p | 41.68 | +0.1 | 3.1 | GblAlloc p | 19.65 | +0.05 | 0.1 | FF2055 | 16.41 | +0.04 | 1.5 | Freedom | 16.41 | +0.04 | 1.5 |
| BalA p | 27.69 | +0.09 | 2.9 | CorePlusD | 22.05 | +0.01 | -0.9 | FF2060 | 17.97 | +0.05 | 2.3 | Freedom | 16.41 | +0.04 | 1.5 |
| BondA p | 12.53 | +0.02 | -1.6 | EqtyDivd | 23.27 | +0.07 | 3.1 | FF2065 | 15.25 | +0.05 | 3.0 | Freedom | 16.41 | +0.04 | 1.5 |
| CapIBA p | 60.78 | +0.29 | 1.7 | US TdgVal | 26.16 | -0.19 | 5.5 | FF2070 | 16.39 | +0.04 | 1.9 | Freedom | 16.41 | +0.04 | 1.5 |
| CapWGrA | 51.67 | +0.34 | 2.2 | USLgYva | 39.10 | +0.07 | 0.9 | FF2075 | 16.34 | +0.18 | 6.9 | Freedom | 16.41 | +0.04 | 1.5 |
| EupacA p | 54.48 | +0.37 | -0.3 | Bridg Builder Trust | 107.15 | +0.31 | 2.3 | FF2080 | 16.34 | +0.04 | 1.5 | Freedom | 16.41 | +0.04 | 1.5 |
| FdlnV p | 64.59 | +0.29 | 5.2 | Bridg Builder Trust | 10.95 | +0.01 | -1.6 | FF2085 | 16.40 | +0.04 | 1.5 | Freedom | 16.41 | +0.04 | 1.5 |
| GwthA p | 55.64 | +0.17 | 12.3 | Bridg Builder Trust | 9.80 | +0.01 | -1.4 | FF2090 | 16.40 | +0.04 | 1.5 | Freedom | 16.41 | +0.04 | 1.5 |
| IHi TrA p | 10.19 | -1.5 | ... | Del Invest Instl | 22.19 | +0.06 | 4.2 | FF2095 | 16.40 | +0.04 | 1.5 | Freedom | 16.41 | +0.04 | 1.5 |
| ICAA p | 41.51 | +0.27 | 5.0 | Stock | 209.49 | +0.07 | 4.6 | FF2100 | 16.40 | +0.04 | 1.5 | Freedom | 16.41 | +0.04 | 1.5 |
| IncoA p | 24.55 | +0.14 | 7.8 | Stock | 10.90 | +0.01 | -0.9 | FF2105 | 16.40 | +0.04 | 1.5 | Freedom | 16.41 | +0.04 | 1.5 |
| N PerA p | 43.54 | +0.1 | 1.8 | Stock | 10.90 | +0.01 | -0.9 | FF2110 | 16.40 | +0.04 | 1.5 | Freedom | | | |

MARKETS

Price of Bitcoin Jumps Above \$8,000

Some attribute digital currency's recent strength to hopes an ETF is in works

BY STEVEN RUSSOLILLO

The price of bitcoin soared above \$8,000, extending a rally that has lifted the largest cryptocurrency by market value to its highest level in two months.

After a dismal first half of the year, bitcoin has shown signs of life in recent weeks. It hurdled back above \$6,000 a token in late June, surpassed \$7,000 last week and exceeded \$8,000 on Tuesday. The 25% gain so far in July puts bitcoin on pace for its second biggest monthly gain this year.

Bitcoin late Tuesday traded

at \$8,226.15, its highest level since May, according to research site CoinDesk.

Some market watchers said the gains have been fueled by mounting optimism that the first bitcoin-based exchange-traded fund could eventually come to fruition. Asset manager Van Eck Associates Corp. and startup SolidX Management LLC applied last month to the Securities and Exchange Commission for permission to launch a regulated bitcoin ETF.

Bitwise Asset Management Inc., a San Francisco asset manager specializing in cryptocurrencies, on Tuesday filed with the SEC for permission to launch an ETF that would track an index of the top 10 cryptocurrencies such as bitcoin and ethereum.

Such instruments could boost bitcoin's valuation by



A bitcoin mine in Canada. Optimism about a bitcoin ETF grows.

opening it up to a broader range of investors.

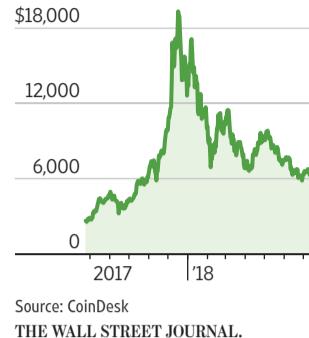
"There are a lot of rumors that a bitcoin ETF is finally going to be approved," said Adrian Lai, managing director at BlackHorse Group, a cryp-

tocurrency investment firm in Hong Kong. "I'm not so sure. It's too optimistic to think it's actually going to happen, but the market is reacting really well to this speculation."

The SEC has previously

Bouncing Back

Bitcoin has gained 25% in July, putting it on pace for its second largest monthly gain this year.



Source: CoinDesk
THE WALL STREET JOURNAL.

been resistant to approving such products. In January, Wall Street's top regulator all but shut the door to approving ETFs that hold bitcoin and other cryptocurrencies. The agency questioned whether

such products could comply with rules meant to protect individual investors.

Van Eck and SolidX, both based in New York, have said their proposal was designed to address the SEC's main concerns.

The recent rebound also helped lift rival digital currencies such as ether and ripple, pushing the market capitalization for the entire cryptocurrency market back above \$290 billion, according to research site Coinmarketcap.com. But bitcoin has recently started to separate itself from the pack. Bitcoin's market cap has risen to 47% of the entire market, up from 33% in January.

Even after the latest surge, bitcoin is still down about 60% from its peak late last year.

—Asjlyn Loder contributed to this article.

Dow Gains, Powered by Strong Earnings

BY ALLISON PRANG
AND BEN ST. CLAIR

U.S. stocks rose as investors cheered what is shaping up to be a strong corporate-earnings season.

With results in from about 20% of the companies in the S&P 500, the **TUESDAY'S MARKETS** vast majority of companies in the index have posted stronger-than-expected earnings and revenue, according to FactSet. Strong results from Google parent **Alphabet** helped set the upbeat tone in markets Tuesday.

The Dow Jones Industrial Average rose 197.65 points, or 0.8%, to 25,241.94. The S&P 500 rose 13.42 points, 0.5%, to 2,820.40, and the tech-heavy Nasdaq Composite edged down 1.11 points, or less than 0.1%, to 7,840.77, giving up its earlier gains.

Earnings from U.S. companies have been "unparalleled" elsewhere, said Michael Scanlon, portfolio manager at Manulife Asset Management. He added that although some money managers have said investors should put more money in places such as emerging markets, he thinks investors should zero in even more on the U.S.

Mr. Scanlon also noted that "stocks have been responding more favorably" to good results this earnings season compared with last. Although there are worries with trade and tariffs, "thus far it hasn't hit results," he said.

Among Tuesday's big movers, shares of Alphabet jumped \$47.15, or 3.9%, to \$1,258.15 after the search giant reported revenue and adjusted earnings that beat analysts' estimates.

Harley-Davidson climbed 3.18, or 7.7%, to 44.63 as earnings topped projections and the motorcycle maker backed its guidance for the year, even though it said the tariffs would dent its profit.

Shares of **Eli Lilly** rose 4.47, or 5%, to 93.35 after the company reported strong results and said it would take a minority stake in its animal health business public. Shares of **Biogen** rose 14.71, or 4.1%, to 372.84 after the company raised its financial guidance



Coca-Cola is among several large companies scheduled to report earnings Wednesday. The beverage maker's stock rose 0.7%.

for 2018.

Shares of **JetBlue Airways**, however, declined 2.02, or 10%, to 17.79 after the company missed earnings estimates and lowered the top end of its capacity guidance for the year. Shares of **Quest Diagnostics** declined 9.47, or 8.2%, to 105.42 after the medical-testing firm lowered the high end of some of its annual guidance.

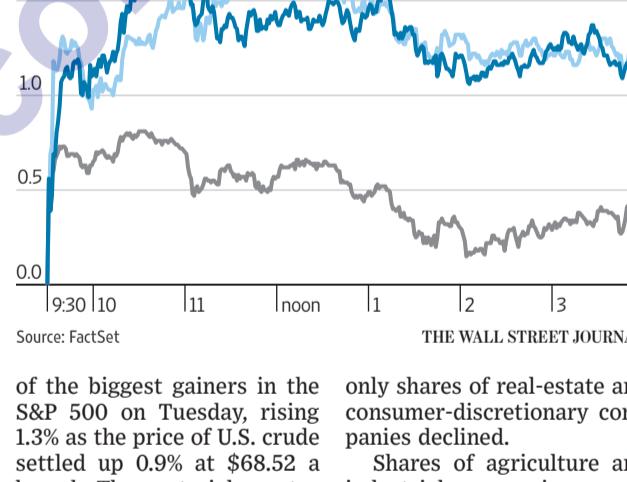
Coca-Cola and **General Motors** are on tap to report earnings results before the market opens Wednesday, along with **Boeing** and **United Parcel Service**. **Facebook** and **Visa** are among the companies that will report after the market closes Wednesday.

Despite investors' interest in earnings, trading volumes, which have slumped in recent weeks, remained light. About 4.53 billion shares changed hands on exchanges operated by the New Stock Exchange and Nasdaq, the lowest full day for trading volume this year, according to WSJ's Market Data Group.

The energy sector was one

Full of Energy

A rally in crude oil and other commodities buoyed shares of energy and materials companies in the S&P 500 Tuesday.



Source: FactSet
THE WALL STREET JOURNAL.

of the biggest gainers in the S&P 500 on Tuesday, rising 1.3% as the price of U.S. crude settled up 0.9% at \$68.52 a barrel. The materials sector was also strong, rising 1.3%, along with the small telecom sector, which rose 1.8%.

Of the S&P 500's 11 sectors,

only shares of real-estate and consumer-discretionary companies declined.

Shares of agriculture and industrials companies rose as the White House said it would provide farmers with \$12 billion to counter any fallout from tariffs. Shares of **Deere**

rose 4.31, or 3.2%, to 139.84.

"If you look at people outside of the market, people are more fearful" when it comes to trade, said Darren Pollock, portfolio manager for Cheviot Value Management LLC. "The market is so optimistic looking at Trump's negotiating style."

President Trump is set to meet Wednesday with European Commission President Jean-Claude Juncker about trade policies between the U.S. and EU. Ahead of that meeting, Mr. Trump tweeted about tariffs Tuesday, calling them "the greatest."

In overseas markets, the Stoxx Europe 600 added 0.9%. Asian stocks rose after China's cabinet, the State Council, unveiled measures to boost domestic consumption amid economic pressure from the trade spat with the U.S. Hong Kong's Hang Seng Index rose 1.4% and the Shanghai Composite Index added 1.6%. Early Wednesday, the Hang Seng was up 0.7% and the Shanghai benchmark was flat. Japan's Nikkei was

up 0.4% early Wednesday.

The yield on the two-year note, which is typically more sensitive to changes in expectations for Federal Reserve policy, rose to 2.637% from 2.633% Monday.

"There was nothing really in the way of news; the only spillover was higher yields from" Monday, said Mark Chandler, head of fixed-income strategy at RBC Capital Markets.

Tuesday's relative calm follows the largest one-day gain for the 10-year yield in more than seven weeks on Monday amid concerns that central banks were poised to take new steps back from postcrisis stimulus. Reports that the Bank of Japan could adjust its policies rattled global debt markets, pushing yields higher in the U.S. and other developed markets.

The jump in benchmark yields Monday ended a period of quiet for the Treasury market unrivaled since the spring of 1978. In the 21 sessions ended Friday, just 0.075 percentage point separated the highest and lowest levels on the benchmark 10-year yield.

Treasurys investors will be watching this week for the release of the European Central Bank's policy statement Thursday and data on U.S. gross domestic product Friday.

"There's still lingering concern about what Japan's central bank is planning to do, allowing rates to drift higher," said Mark MacQueen, bond portfolio manager at Sage Advisory. "If they adjust the policy to slight tightening, it would be the end of the global party."

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing rate. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

| | |
|----------------------|-------------------|
| Applications | \$156,164,841,200 |
| Accepted bids | \$55,000,121,200 |
| "noncompetitively" | \$807,505,600 |
| Auction price (rate) | 1.880% |

\$807,505,600
1.880%

TWO-YEAR NOTES

| | |
|----------------------|-------------------|
| Applications | \$104,146,278,700 |
| Accepted bids | \$36,900,694,700 |
| "noncompetitively" | \$437,836,600 |
| Auction price (rate) | 2.657% |

\$437,836,600
2.657%

Coupon equivalent

| | |
|---------------------------------|-----------|
| Bids at clearing yield accepted | 26.78% |
| Cusip number | 912796PV5 |

26.78%
912796PV5

Four-week bills

The bills, dated July 26, 2018, mature on Aug. 23, 2018.

Two-year notes

| | |
|----------------------|-------------------|
| Applications | \$104,146,278,700 |
| Accepted bids | \$36,900,694,700 |
| "noncompetitively" | \$437,836,600 |
| Auction price (rate) | 2.657% |

\$437,836,600
2.657%

Interest rate

Bids at clearing yield accepted

19.42%

Cusip number

912828Y5

The notes, dated July 31, 2018, mature on July 31, 2020.

Crude Oil Rises on China Stimulus, Iran Tensions

BY CHRISTOPHER ALESSI
AND DAN MOLINSKI

Oil prices rose Tuesday on expectations China's plan to boost government spending will keep global oil demand robust and on concerns sim-

mering tensions between the U.S.

and Iran may disrupt oil supplies.

Light, sweet crude for September delivery ended 63 cents, or 0.9%, higher at \$68.52 a barrel on the New York Mercantile Exchange. Brent crude, the global benchmark, was up 0.5% to \$73.44 a barrel.

China's State Council revealed new measures to support growth, such as tax breaks and special bonds for infrastructure investment, which translated into broad buying in financial markets.

"Oil rose today on Chinese

stimulus, a risk-on rally in stocks and commodities, and on heightened US-Iran jawboning," said Ethan Bellamy at Baird Equity Research. "We doubt the ramp in rhetoric between Trump and Iran will amount to much. In contrast, we would expect other producers to step up and use the geopolitical turmoil as cover to sell more oil."

Oil prices had swung between gains and losses before closing lower Monday following threats between President Donald Trump and his Iranian counterpart, Hassan Rouhani, as the oil market tried to assess how much Iranian crude supply might be at risk.

Mr. Trump in May pulled the U.S. out of a 2015 international agreement to curb Iran's nuclear program, setting the stage for the reimposition of economic sanctions that are expected to hinder Iran's oil industry. Analysts have esti-

mated that as much as 1 million barrels a day of Iran's

more than 2.5 million barrels a day in crude exports could be at risk. Mr. Trump has vowed to impose the strictest sanctions possible.

"The market wants to get its head around the actual

prices much more.

MARKETS

Turkish Lira Sinks on Fear of Interference

BY CHRISTOPHER WHITTALL
AND DAVID GAUTHIER-VILLARS

Turkey's currency fell sharply amid investor concerns that President Recep Tayyip Erdogan's growing influence over the central bank could push the country toward a currency crisis.

In its first monetary-policy decision since Mr. Erdogan was re-elected in June and inherited vastly expanded executive powers, the central bank left its main rate unchanged at 17.75%.

Many analysts had anticipated a rise of at least a percentage point to combat inflation, which hit 15.4% in June, its highest annual rate in 15 years.

The decision sent the lira down by about 3% against the dollar in late European trading on Tuesday, while government bonds sold off, reflecting investors' fear that the central bank is bowing to Mr. Erdogan's preference for lower interest rates to support investment and consumer demand.

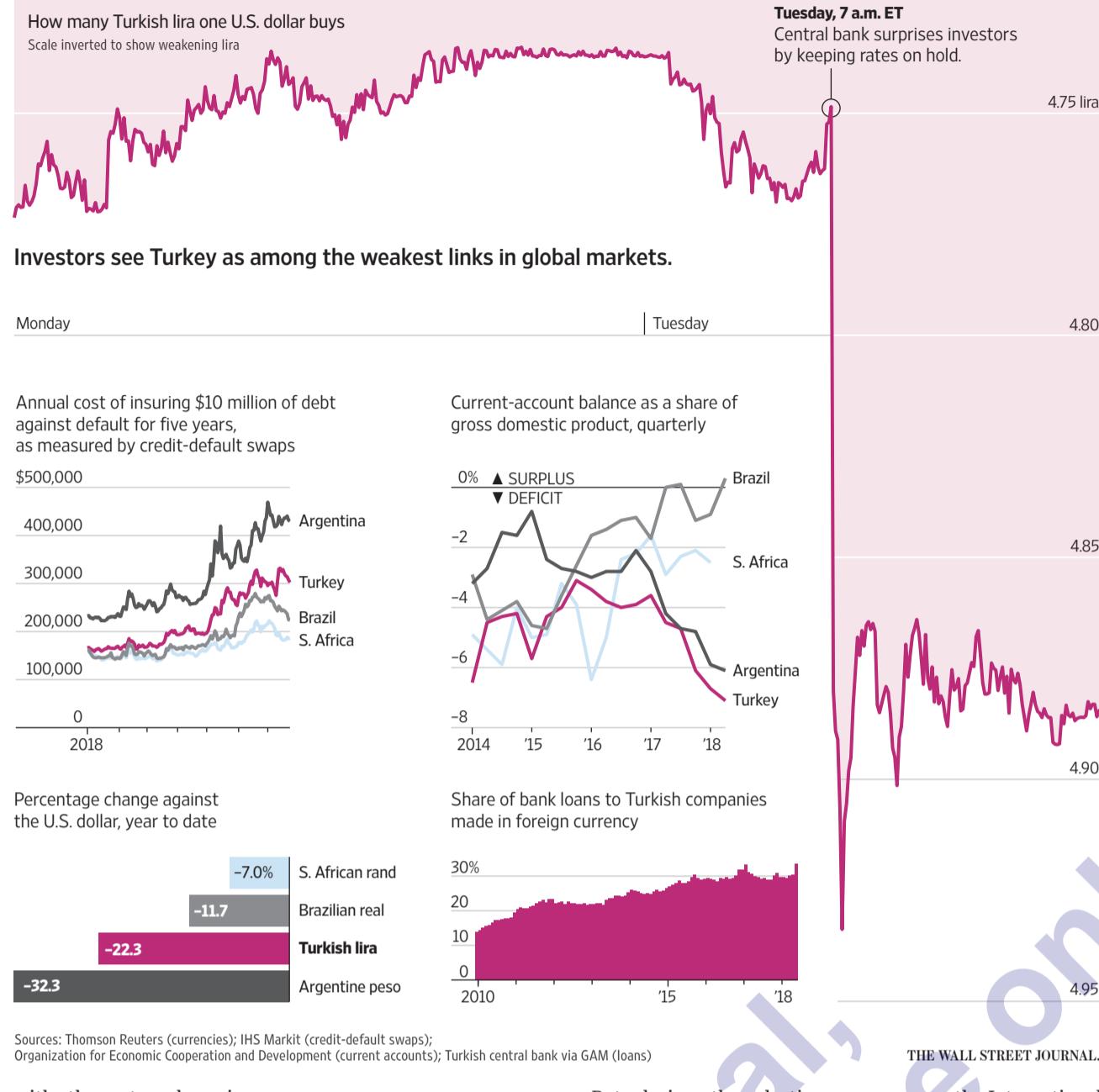
The currency has shed nearly one-quarter of its value this year at a precarious time for developing economies around the world.

Emerging markets have come under intense pressure amid a strengthening dollar, higher U.S. interest rates and an escalating trade conflict between the U.S. and other countries.

Investors say they believe Turkey is especially vulnerable, given that a sliding currency makes its large pile of foreign-currency debt much harder to pay off, and what they see as political interference in the central bank.

Tuesday's decision "wasn't about monetary policy, it was about the independence of the central bank," said Viktor Szabo, a senior investment manager at Aberdeen Standard Investments.

"Turkey needs to get lucky



Sources: Thomson Reuters (currencies); IHS Markit (credit-default swaps); Organization for Economic Cooperation and Development (current accounts); Turkish central bank via GAM (loans)

with the external environment not to get a currency sell-off. It's the most obvious victim, having one of the poorest external balances," he added.

In June, Argentina was forced to ask for a \$50 billion credit line from the International Monetary Fund after a sharp drop in its cur-

rency.

Economists had viewed Tuesday's central-bank decision as an important sign of its intentions to implement market-friendly policies.

The central bank's decision to raise interest rates aggressively ahead of the election to defend the lira cheered many investors.

But during the election campaign, Mr. Erdogan said he would promote lower rates.

In June, Mr. Erdogan granted himself the sole right to appoint the central bank's governors and named Berat Albayrak, his son-in-law, as finance minister.

Preventing the lira from going into free fall is crucial in

Tuesday, 7 a.m. ET
Central bank surprises investors by keeping rates on hold.

4.75 lira

4.80

4.85

4.90

4.95

data showed.

A sliding currency makes it harder to repay those foreign debts.

"The credibility of the institutions, especially the central bank, [is] diminished for a country that has a lot of need for external support, external money," said Luca Sibani, a senior portfolio manager at Epsilon SGR.

Pressure on local business can be seen at companies such as **Keskinoglu Group**, one of Turkey's leading poultry firms.

The costs in lira of the soy it imports to feed chickens soared 50% in the past year, but the company said it couldn't pass that extra expense on to customers.

Strapped for cash, and unable to meet installments on some loans carrying interest rates of about 25%, the company filed for protection from creditors in June.

"In a good year, profit only reaches 3% to 5%," said Mehmet Keskinoglu, vice chairman and son of the firm's founder. "It is impossible for producers to stand on their feet."

Most Turkish banks are well-capitalized, but investors are concerned that a pickup in troubled loans could weigh on the sector.

"Loan quality in the banking sector is clearly deteriorating," said Rob Drikkonen, co-head of emerging-market debt at Neuberger Berman. "The system can ill afford another major depreciation cycle of say 10% to 20%" in the lira, he added.

Mr. Albayrak, the finance minister, said the concerns are misplaced.

Returning from a meeting of Group of 20 finance ministers in Argentina this weekend, he told Turkish reporters that the government wouldn't fight with markets.

"An effective central bank in all processes is one of our main goals," he said.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

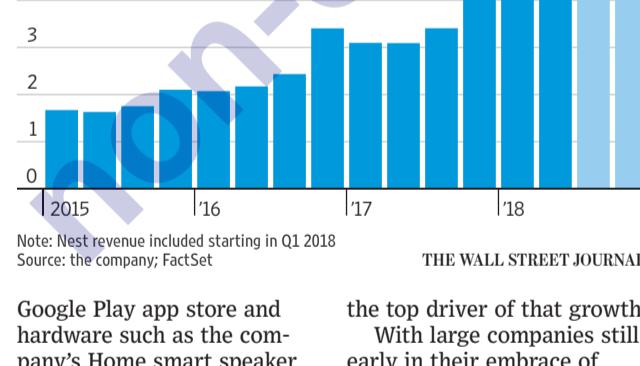
WSJ.com/Heard

Email: heard@wsj.com

Google Makes Rain From Cloud

Cloud Watching

Google's 'other segment' revenue per quarter



Note: Nest revenue included starting in Q1 2018
Source: the company; FactSet

Google Play app store and hardware such as the company's Home smart speaker and Pixel smartphones.

"Other" revenue totaled \$8.8 billion for the six-month period ended June 30, up 36% year over year compared with 24% growth for the company's advertising business over that time. The cloud business is credited as

the top driver of that growth.

With large companies still early in their embrace of cloud computing, the potential for Google is vast, along with its main cloud rivals **Amazon.com** and **Microsoft**.

Amazon's success in particular could show the way forward for Google. Its AWS cloud service now accounts for 10% of the retail giant's

total revenue compared with 7% three years ago.

Google, though, still refuses to break out results for its cloud venture. That reticence has likely helped keep a lid on its stock. Alphabet's share price is up 19% for the year compared with Amazon's 55% gain.

Better disclosure would help Alphabet's investors understand the payback potential for the billions they are investing.

Capital spending for the core Google business, which includes the cloud business, hit \$5.3 billion in the second quarter, nearly doubling year over year. Alphabet CFO Ruth Porat also cited the cloud as the main driver of the company's increased spending in research and development along with sales and marketing.

Investors understand that you have to spend money to make money. Google could do better at helping them understand how much.

—Dan Gallagher

Harley-Davidson Is Riding to the Border

Harley-Davidson is an American icon. A key question for the motorcycle maker is just how soon it will be able to ramp up production outside the U.S.

Harley has had a rough ride this year. Already struggling to attract new riders as its customer base ages, Harley was hit first by tariffs on steel and aluminum imports and then by retaliatory tariffs from the European Union. Last month the company announced plans to move production of bikes destined for the EU out of the U.S. in order to avoid tariffs—a costly plan criticized by President Donald Trump who tweeted, "I've done so much for you, and then this."

For investors in the company, Tuesday offered a respite: Harley reported second-quarter earnings that topped analyst estimates, helping to send its shares up sharply.

Harley also lowered the range on its estimate of how much the European tariffs will cost it this year to a

range of \$30 million to \$35 million, from \$30 million to \$45 million. One reason is that the company was able to send a lot of bikes to Europe before the tariffs went into effect last month. That helped cause a 25% jump in its inventories from a year earlier. The company expects operating margins to fall by a less-than-expected half percentage point, to a range of 9% to 10% this year.

Harley says that if it does nothing, the combined effect of tariffs will cost it \$90 million to \$100 million next year. But rushing bikes over to Europe shows how aggressively the company is moving. Harley already has factories in Brazil and India and expects to open a factory in Thailand early in the fourth quarter.

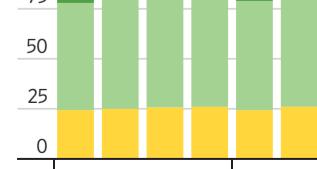
When it announced it plans to move production abroad, Harley said the process could take nine to 18 months to fully complete. The early evidence is investors could be surprised by how quickly Harley moves.

—Justin Lahart

UBS Defends Against Cautious Clients

Charged Up

UBS global wealth revenues split between repeated business and commissions, quarterly



Source: S&P Capital IQ

THE WALL STREET JOURNAL.

market cycle after years of central-bank stimulus.

It is likely a bit of both. That puts a damper on the outlook for wealth management and investment banking over coming years.

UBS's investment bank did well enough in the second quarter, especially equities trading. That bodes well for other equities-focused European banks like **Credit Suisse** and **Société Générale**.

But in global wealth, which supplies 55% of UBS's revenue, there were signs of a slowdown. New money from clients was weak. Historically fast-growing Asia slowed dramatically compared with last year, while outflows from the U.S. arm

more than offset Swiss inflows.

UBS's clients were less active, too. Transaction-based revenue dropped 11% in dollar terms versus a year ago. UBS has a strong bias toward Asia, where it is by far the biggest Western wealth manager, and Asian clients were notably more risk averse.

This may be partly nervousness over political and trade tensions, but it is also linked to the strengthening dollar, which brings with it tighter monetary conditions and lower liquidity.

UBS and other wealth managers are protected against a sudden drop in revenue, but finding growth is turning into a grind.

—Paul J. Davies

OVERHEARD

Why does the luxury industry move into places that investors are deserting?

The Turkish lira plunged 3% against the dollar Tuesday after the Turkish central bank unexpectedly kept its policy rate on

hold. President Recep Tayyip Erdogan, a vocal critic of higher interest rates, has further tightened his grip on economic policy since voters elected him to another term last month, including by appointing his son-in-law to the finance ministry. The currency has lost more than half of its value over five years.

Investors' worries don't seem to put off luxury goods makers. Exclusive leather-goods brand Hermès opened its third store in Istanbul, Turkey's financial capital, in May. It chose the Emaar Square Mall, which already contains a Cartier outlet and is about to get Gucci and Rolex stores. There is a logic here: Fancy French bags and Swiss watches are a highly portable form of wealth that may keep their value better than troubled local currencies. Problems in emerging markets may therefore spell opportunity for luxury brands. Next up, Argentina?