

THE WALL STREET JOURNAL.

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FRIDAY, JULY 20, 2018 ~ VOL. CCLXXII NO. 16

WSJ.com

★★★★ \$4.00

DJIA 25064.50 ▼ 134.79 0.5%

NASDAQ 7825.30 ▼ 0.4%

STOXX 600 386.18 ▼ 0.2%

10-YR. TREAS. ▲ 8/32, yield 2.845%

OIL \$69.46 ▲ \$0.70

GOLD \$1,222.40 ▼ \$3.90

EURO \$1.1644 YEN 112.46

What's News

Business & Finance

Trump said he hoped the Fed would stop raising interest rates, departing from a convention by which presidents have refrained from speaking specifically on monetary policy. **A1**

◆ **Comcast** dropped its bid for Fox's entertainment assets, clearing the way for Walt Disney, but said it was still pursuing Sky. **A1**

◆ **Congress** is poised to strengthen U.S. processes for vetting foreign investment involving cutting-edge American technology. **A4**

◆ **U.S. stocks** fell, as trade tensions rose and tepid earnings results dented sentiment. The Dow shed 134.79 points to 25064.50. **B10**

◆ **Microsoft** exceeded \$100 billion in annual revenue for the first time as the software giant remakes itself as a power in cloud computing. **B1**

◆ **Wells Fargo** is refunding tens of millions of dollars for products the bank added to customers' accounts without their full understanding. **B1**

◆ **Alcoa's stock** tumbled after the aluminum maker, which relies on imports from Canada, said tariffs are hurting its profit. **B3**

◆ **Alphabet** will appeal the antitrust fine the EU imposed on its Google unit for abusing the dominance of its Android mobile operating system. **B3**

◆ **Blackstone** reported a sharp jump in second-quarter profit as the value of its private-equity portfolio surged. **B9**

World-Wide

◆ **The White House** said it had invited Putin to Washington for a follow-up meeting, even as it remained unclear what Trump and the Russian leader discussed in Helsinki. **A1**

◆ **Trump rejected** a Putin proposal to allow Russian investigators to question a number of Americans. **A8**

◆ **The number** of Americans claiming new unemployment benefits fell last week to the lowest level in nearly five decades. **A2**

◆ **Weak oversight** at the local, state and federal levels contributed to and slowed the response to the Flint, Mich., water crisis, the EPA inspector general reported. **A3**

◆ **At least eight died** when a tourist boat capsized during a storm on a lake in Missouri. **A2**

◆ **Senate Republicans** were cool to a House GOP bill to extend tax cuts that are due to expire after 2025. **A2**

◆ **South Carolina** is defending the construction of a plutonium-disposal plant the federal government wants to abandon. **A3**

◆ **The EU said** it would retaliate if Trump imposes tariffs on automobile exports to the U.S. **A6**

◆ **The U.S. launched** an intensive diplomatic effort to free an American pastor still detained in Turkey. **A8**

◆ **Israel's parliament** passed a law defining the country as a Jewish state, a move that opponents said discriminates against Arab citizens. **A10**

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Syrian Rebels Lift Siege to Allow Thousands to Leave Territory



GUARDED JOURNEY: Syrians from rebel-held territory in the northern part of the country were evacuated by bus under a deal reached by the rebels and the Assad government. Thousands of residents from two pro-regime villages were moved to government-held areas. **A18**

Breaking Custom, Trump Raps Fed

By NICK TIMIRAO

President Donald Trump delivered a rare presidential critique of the Federal Reserve, saying he hoped the central bank would stop raising interest rates.

"I am not happy about it," Mr. Trump said about interest-rate increases, in an interview Thursday with CNBC.

His comments departed from a convention in which presidents have refrained from speaking specifically on monetary policy.

The Fed raised its benchmark rate twice this year, in March and in June, to a range between 1.75% and 2%. Central bank offi-

cials have penciled in two more rate increases this year.

Fed Chairman Jerome Powell was tapped by Mr. Trump last November to succeed Janet Yellen, and he took his post in February.

Mr. Trump, a Republican, said he was "not thrilled" because every time the economy strengthens "they want to raise rates again." But he said he wouldn't interfere with the Fed. "I'm letting them do what they feel is best," he said.

Mr. Trump also called Mr. Powell a "very good man" in the portion of the interview that aired Thursday.

Analysts said Mr. Trump's comments were unlikely to sway the Fed's rate-setting decisions,

and if anything, they could backfire by forcing the central bank to affirm its independence. Marc Sumerlin, managing partner at economic consulting firm Evenflow Macro, said the already-high likelihood of a rate increase in September had climbed higher after Mr. Trump's remarks.

"If the president publicly tells a Fed chair to stop, they have to keep going," said Mr. Sumerlin, who served as an adviser to former President George W. Bush. "Trump's being counterproductive

to his own goal because any time a president says publicly to stop, a central bank can't."

Even if the president's unhappiness doesn't influence the Fed, the comments risk calling the Fed's independence into question if the central bank, on its own, concluded it needed to slow its gradual pace of rate increases, analysts said.

Central bankers have long argued for independence from politics.

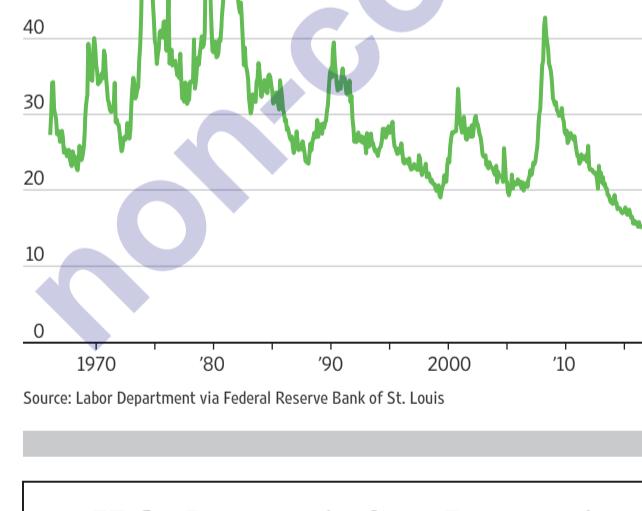
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◆ Battleground widens over trade..... A6
◆ **U.S. won't let Russia question Americans**..... A8

Jobless Claims Lowest Since '69

Initial jobless claims last week decreased to a seasonally adjusted 207,000, the lowest level since December 1969. **A2**

Jobless claims filed for every 10,000 in labor force



Source: Labor Department via Federal Reserve Bank of St. Louis

Holy Director's Cut, Batman! Fans Want a Redo of a Dud Film

* * *

A director's unhappy followers wage a campaign for a new 'Justice League'

By BEN FRITZ

In the annals of director's cuts that restored a movie to its creator's original vision stand such greats as Ridley Scott's "Blade Runner" and Sergio Leone's "Once Upon a Time in America."

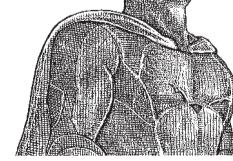
Now some fans are pushing for Zack Snyder's "Justice League" to join those ranks, even though no such version may exist yet.

Devotees have grown especially hopeful about the prospect of "Snyder cut" news with Thursday's start of Comic-Con in San Diego, where studios frequently make big announcements to

gathered pop-culture fanatics.

Never mind that "Justice League" fizzled at the box office last November and helped drive Time Warner Inc.'s Warner Bros. to replace the executive team that oversees its DC Comics superheroines on the big screen. Or that Zack Snyder's prior superhero opus, "Batman v Superman: Dawn of Justice," scored a 27% on Rotten Tomatoes. It was called "godawful" by New York magazine and "one of the most assaultive movies ever made" by The Wall Street Journal.

An ardent group of fans believe "Batman v Superman" Please turn to page A11



No justice?

Comcast Abandons Fox Bid, But Keeps Its Sights on Sky

By SHALINI RAMACHANDRAN

Comcast Corp. dropped its bid for 21st Century Fox's entertainment assets amid mounting odds, clearing the way for rival Walt Disney Co. to acquire key pieces of Rupert Murdoch's media empire for \$71.3 billion.

However, Comcast said it was still pursuing European pay-television giant Sky PLC, which also has been the subject of a takeover battle between Comcast and Fox. Comcast has the higher offer for the operator, in which Fox already owns a 39% stake. Disney Chief Executive Robert Iger has called Sky a "crown jewel" in the deal for Fox.

Comcast's retreat on Thursday amounts to a major victory for Mr. Iger and ends a high-stakes chess match for Fox's entertainment assets, viewed as a means to combat a declining U.S. pay-TV market and the rise of streaming services like Netflix Inc.

Assuming Disney wins all necessary regulatory approvals abroad—it already secured clearance from the U.S. Justice Department—it will wind up with such businesses as the Twentieth Century Fox film and TV studio, a controlling stake in streaming-video service Hulu, and international properties including Fox's Sky stake and Star India.

"I'd like to congratulate Bob

Iger and the team at Disney and commend the Murdoch family and Fox for creating such a desirable and respected company," Comcast Chief Executive Brian Roberts said on Thursday.

Comcast executives remain focused on winning Sky, which they view as a mini-version of Comcast-NBCUniversal that could give them a boost in the global streaming race. The cable-and-entertainment giant has offered to buy Sky for £14.75 (\$19.28) a share in cash, valuing the company at \$34 billion, a 5% premium to the latest offer from Fox, which Please turn to page A4

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FRUMPY HOMES GET HIP UPDATES



REFUNDS FOR WELLS ADD-ON SERVICES

BUSINESS & FINANCE, B1

Devotees have grown especially hopeful about the prospect of "Snyder cut" news with Thursday's start of Comic-Con in San Diego, where studios frequently make big announcements to

swing from blue to red.

WASHINGTON—The Republican Party has become the party of blue-collar America.

After the 1992 election, 15 of the 20 most manufacturing-intensive Congressional districts in America were represented by Democrats. Today, all 20 are held by Republicans.

The shift of manufacturing from a Democratic stronghold to a Republican one is a major force remaking the two parties. It helps explain Donald Trump's political success, the rise of Republican protectionism and the nation's polarized politics. It will help shape this year's midterm elections.

South Carolina's Third Congressional district, on the edge of the Blue Ridge Mountains, epitomizes the

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Please turn to page A11

U.S. NEWS

Senate GOP Cool to New Tax Plan

BY RICHARD RUBIN

WASHINGTON—House Republicans are busily preparing what they call “Tax Reform 2.0,” an extension of tax cuts they passed last year that are scheduled to expire after 2025. So far, their Senate counterparts aren’t so interested.

House Republicans expect to vote on their tax plan in September, and one leading option is a three-bill package: Extension of expiring tax cuts, expansion of incentives for savings and policies to promote innovation.

The tax-cut extension, the largest of the three bills, is the one that is most likely to become a campaign-season talking point and also least likely to become law this year.

“We’ve got a pretty full agenda,” said Sen. Bill Cassidy (R., La.), listing nominations, spending bills and flood insurance as priorities ahead of the new tax bill.

Republicans in the Senate have a 51-49 advantage, but the bill would need 60 votes to clear procedural hurdles. Sen. John Thune (R., S.D.), a member of GOP leadership, said Republicans likely wouldn’t bring the tax bill to the floor unless they are sure it could get 60 votes.

Even attempting a sure-to-fail vote carries risks for Senate Republicans, because a few Democrats up for re-election in states won by President Donald Trump could muddle the GOP’s campaign message against them by voting for middle-class tax cuts.



House members debate the tax bill last year. The House GOP is working on an extension of the cuts.

ANDREW HARRER/BLOOMBERG NEWS

One of those Democrats, Sen. Claire McCaskill of Missouri, said she backed making the “tax cuts for regular families” permanent but that they should be paid for. One suggestion she made was lowering the income cap for child tax-credit eligibility, which now starts phasing out at \$400,000 for married couples.

“I don’t know how they look in the mirror. I can’t remember how many righteous lectures I got from my Republican colleagues about the debt and deficit,” she said.

The tax cuts expire because of choices Republicans made as they passed their tax law without any Democratic votes last year. They used a fast-track procedure that let them avoid the 60-vote Senate threshold,

Trump's Pick for IRS Gets Panel Backing

The Senate Finance Committee backed President Donald Trump’s choice to run the Internal Revenue Service on a 14-13 party-line vote Thursday.

Charles Rettig, a California tax lawyer who specializes in

complex disputes with the IRS, would run the tax agency until November 2022 if confirmed by the full Senate.

Democrats, voting against Mr. Rettig, were protesting a Treasury Department decision to let some nonprofit groups provide the government with less information about their donors.

—Richard Rubin

but it came with the restriction that they couldn’t increase budget deficits beyond a decade.

They made the corporate tax-rate cut permanent, but they set the individual tax cuts to expire after 2025. If Congress doesn’t act, the top tax rate would return to 39.6%

from 37%, the child tax credit would shrink back to \$1,000 from \$2,000, the standard deduction would get cut and a new break for partnerships and other pass-through businesses would vanish.

“We want to work toward permanence, making sure these

tax cuts that Americans are already working on and using now can become permanent,” said Rep. Jim Renacci (R., Ohio).

Tax increases embedded in the law, including limits on the state and local tax deduction and the elimination of deductions for personal exemptions, would also reverse after 2025 if Congress doesn’t act.

On net, extending all those major changes would reduce federal revenue by \$214.5 billion in 2027 alone, according to the conservative-leaning Tax Foundation.

Mr. Trump has also suggested lowering the corporate tax rate from 21% to 20%.

“We’re very well-aligned with the White House,” Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee, said after a meeting Tuesday with Mr. Trump. “We continue to have discussions with the Senate and listen to what they’d like to see.”

Mr. Brady’s Senate counterpart, Sen. Orrin Hatch (R., Utah), backs making the tax cuts permanent and wants to “find a viable path and timing to achieve this goal,” said his spokeswoman, Julia Lawless.

The other pieces of the House GOP tax agenda stand a somewhat better chance of becoming law if passed separately. There’s bipartisan interest in incentives for retirement savings, and the outlook for them will become clearer once Republicans release details.

—Siobhan Hughes contributed to this article.

At Least 8 Die in Missouri Boating Accident

BY JOE BARRETT

At least eight people died when an amphibious tourist boat capsized during a storm Thursday evening on a lake near Branson, Mo., authorities said.

Stone County Sheriff Doug Rader told local media in a televised briefing that the boat capsized and sank on Table Rock Lake in a heavy storm. He said it appeared all eight victims had drowned.

Seven additional people were taken to a hospital, but divers were still searching for others. The sheriff didn’t know the exact number of people on the tourist boat.

“This is going to be an all-night into tomorrow, we’re still going to be working on this,” he said.

The sheriff said one of his deputies was on the boat providing security at the time of the accident. He said the deputy was in the water trying to save some of the other passengers when rescuers arrived on the scene.

The sheriff declined to say whether any children were among the fatalities.

Jobless Claims Lowest Since 1969

BY SARAH CHANEY

WASHINGTON—The number of Americans claiming new unemployment benefits fell last week to the lowest level in nearly five decades.

Initial jobless claims, a proxy for layoffs across the U.S., decreased by 8,000 to a seasonally adjusted 207,000 in the week ended July 14, the Labor Department said Thursday.

This marks the lowest level for claims since December 1969, when there were 202,000 applications for unemployment benefits. Economists surveyed by The Wall Street Journal expected 220,000 new claims last week.

Thursday’s claims figure underscores a theme playing out for years: Unemployment-benefit applications have remained low, a sign that relatively few Americans are being laid off and seeking assistance in a buoyant U.S. job market.

In June, about 14 initial jobless claims were filed for every 10,000 people in the labor force, Labor Department data show. This compares with pre-recession lows of 19 claims filed per 10,000 in April 2000 and 23 claims filed per 10,000 in the spring of 1969.

The historically low claims figure could in part represent difficulties with the seasonal adjustment of the data around the holidays.

Claims for the July 7 week, which included the Independence Day holiday, were revised to 215,000.

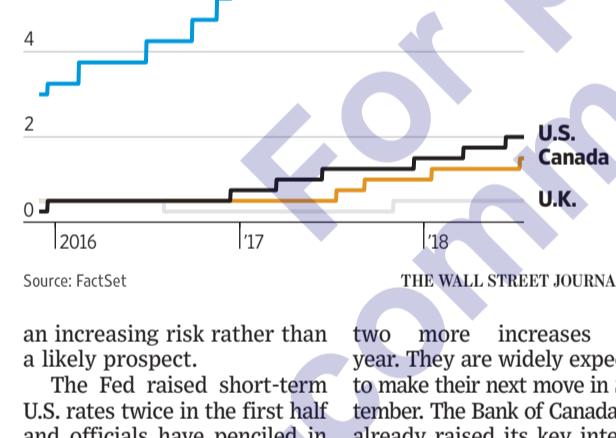
More Central Banks Are Poised to Raise Rates

BY PAUL HANNON

Moving Up

The Fed started to raise rates in December 2015, and a handful of central banks have followed in its footsteps.

Central bank interest-rate targets



an increasing risk rather than a likely prospect.

The Fed raised short-term U.S. rates twice in the first half and officials have penciled in

two more increases this year. They are widely expected to make their next move in September. The Bank of Canada has already raised its key interest

rate in July, and it could well be joined this quarter by the Bank of England, the Reserve Bank of India, and the central banks of Indonesia, Norway and Turkey.

Many of the rate increases this year have partly been a response to the Fed’s moves, which raise the return on U.S. assets and can lead to big outflows of capital from emerging markets if they don’t respond in kind. That would in turn weaken local currencies, and push inflation higher.

Those concerns were a factor in the rate moves by the central banks of India, Indonesia, Mexico, the Philippines and Turkey in the second quarter. Further moves of that kind are likely in coming quarters.

“The impact of rising interest rates in advanced economies, in particular the United States, on emerging Asia requires careful attention,” the Organization for Economic Cooperation and Development warned.

Mr. Powell, who hasn’t met with or spoken to Mr. Trump since his confirmation, said last week he wasn’t worried about political pressure from the White House.

“We do our work in a strictly nonpolitical way, based on detailed analysis, which we put on the record transparently,” Mr. Powell said in an interview with American Public Media’s “Marketplace” radio program.

While former President Ronald Reagan was reluctant to publicly question Mr. Volcker, his White House frequently criticized Fed policy and nominated several governors who outvoted Mr. Volcker, a rare rebuke.

In 1993, a top adviser to then-President Bill Clinton began enforcing a rule within the White House that the Fed’s policy decisions shouldn’t be publicly questioned. That rule largely held un-

der the administrations of George W. Bush and Barack Obama. It also was followed until this year in Mr. Trump’s White House.

Former White House economic adviser Gary Cohn emphasized to colleagues the importance to markets of not publicly second-guessing monetary policy decisions. He left the White House in April.

After a portion of Mr. Trump’s interview aired on Thursday, a White House spokeswoman issued a statement that read in part, “Of course the president respects the independence of the Fed.”

Mr. Trump said during the interview that he knew some people didn’t think it was appropriate for the president to comment on interest rates or the dollar, but he said of those concerns, “I couldn’t care less what they say.”

Trump Hits At Fed in Rare Move

Continued from Page One

political pressure. They said it gives investors greater confidence that officials will make unpopular decisions in the long-run best interest of the economy—such as raising rates to curb inflation—as former Fed Chairman Paul Volcker did in the early 1980s.

Political pressure on former Fed chairmen William McChesney Martin by the Johnson administration and on Arthur Burns by the Nixon administration to follow easy-money policies is widely blamed for the inflation surges of the 1970s.

The Fed is charged by Congress to maximize employment and maintain stable prices, and its leadership today seeks inflation of 2% because it sees that level as reflecting a healthy economy.

With the economy expanding solidly and the unemployment rate falling to its lowest levels in decades, the central bank has been gradually raising rates from historically very low levels to keep growth on an even keel.

Both of the Fed’s rate increases this year have been approved unanimously. Mr. Trump has filled two of seven seats on the Fed’s board of governors, which has four vacancies. The Senate hasn’t yet confirmed Mr. Trump’s three additional nominees, all of whom have said they won’t allow political consider-

ations to influence their decision-making.

The upshot is that Mr. Trump has few means to directly influence the Fed. If all the president’s remaining nominees were confirmed, he would have only one vacancy left to fill on the board.

Fed governors serve fixed terms and cannot be removed from office by the president because of a policy dispute.

Former Fed Vice Chairman Donald Kohn, now at the Brookings Institution, said he didn’t expect Mr. Trump’s comments Thursday to influence Mr. Powell, who goes by Jay. “I’m completely confident that the Fed, under Jay’s leadership, will continue to do whatever is necessary to achieve its dual mandate,” he said.

A Fed spokeswoman declined to comment Thursday.

The president, who has previ-

ously expressed support for a weaker dollar, said he was frustrated that rising interest rates had caused the U.S. dollar to strengthen against other currencies.

Europe’s “making money easy, and their currency is falling,” Mr. Trump told CNBC. “China, their currency is dropping like a rock. Our currency is going up. I have to tell you, it puts us at a disadvantage.”

A stronger greenback makes U.S. exports relatively more expensive on world markets.

The dollar weakened slightly against other major currencies when CNBC aired Mr. Trump’s remarks, with the WSJ Dollar Index moving lower shortly after 1 p.m. EDT. It later recovered some of those losses.

In China early Friday, Beijing weakened the yuan by the most in two years, guiding the currency 0.9% lower against the

dollar.

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CORRECTIONS & AMPLIFICATIONS

In some editions Thursday, Carnoustie, Scotland, was incorrectly listed as Carnoustie, England, in the dateline of a Sports article about this year’s British Open.

Netflix Inc. has 130 million members. A Life & Arts article on Tuesday about the documentary “The Staircase” incorrectly said it has 125 million members.

A graphic with a Page One article Monday about innovation and productivity growth

showed 2016 gross domestic product per hour worked, in U.S. dollars. The chart incorrectly was labeled in percentages.

The Labor Department said 13.8% of unemployed workers were voluntarily unemployed in May, slightly less than one in seven. A Page One article July 5 about job hopping incorrectly said that more than one in seven jobless Americans were voluntarily unemployed in May.

China is the U.S.’s largest

trading partner. A July 2 U.S. News article about economic output incorrectly said it is the biggest foreign buyer of U.S. goods.

U.S. companies are expected to repatriate overseas funds following last year’s tax overhaul, which required companies to pay a one-time tax on accumulated foreign profits and generally made subsequent repatriations free of U.S. taxes. A July 2 Business & Finance article about the dollar referred imprecisely to a one-time cut.

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

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U.S. NEWS

State Defends Job-Rich Nuclear Project

U.S. wants to abandon construction of facility for plutonium disposal; South Carolina objects

By SCOTT CALVERT

The U.S. Energy Department says it is spending \$1.2 million a day on a partially built South Carolina nuclear facility that it wants to abandon due to soaring costs.

Congress has continued funding construction of the plant, which would be used to dispose of surplus weapons-grade plutonium, despite a series of reviews casting doubt on the financial logic involved.

Last month, a federal judge ordered the work to keep going, while South Carolina pursues a legal bid to force the Energy Department to stay the course.

The plant's future is now the subject of budget negotiations on Capitol Hill. Lawmakers are haggling over whether to continue funding the project in fiscal 2019, which starts Oct. 1, or wind it down. The federal government has spent \$5.4 billion on the plant since construction began in 2007, and the facility accounts for nearly 2,000 jobs at the Energy Department's Savannah River Site near Aiken, S.C.



HIGH FLYER/REUTERS

South Carolina wants Washington to continue building the Mixed-Oxide Fuel Fabrication Facility.

The recent jousting marks the latest twist for the troubled Mixed-Oxide Fuel Fabrication Facility. In 2007, U.S. officials said the so-called MOX plant would cost \$4.8 billion and be completed by 2016. DOE officials today estimate it would cost \$17.2 billion and take until 2048, assuming \$350 million a year in federal funding.

"It's a classic example of a big project run amok and continuing for parochial reasons, which is jobs in South Carolina," said Tom Clements, director of the nonprofit watchdog group SRS Watch.

In 2014, the Energy Department concluded plutonium could be disposed far more cheaply using a different method, known as "dilute and dispose." The shift is opposed by South Carolina officials and members of the state's congressional delegation, including Republican Sen. Lindsey Graham.

The department says it wants to repurpose the MOX facility so it can produce plutonium cores, or "pits," for new nuclear weapons as part of a push to modernize the nation's nuclear stockpile.

The judge's order requiring work to continue prevents DOE from beginning to carry out that plan, it said, raising the possibility the U.S. could

decide to produce the pits at a different facility elsewhere. "The department has the ability to significantly reduce the cost of our plutonium disposition mission and provide resources for national security needs," a DOE official said.

Lisa Gordon-Hagerty, administrator of the National Nuclear Security Administration, a semiautonomous agency in the Energy Department in charge of maintaining the U.S. nuclear weapons stockpile, said in a memo last month that the agency was re-thinking the "viability to execute enduring missions" at the Savannah River Site, an important employer in western South Carolina. The site employs about 11,400 federal and contractor workers, including

Moving Target
Estimates for the so-called MOX plant's construction costs and completion date have changed over the years.

Year of estimate:	2007	2012	2016
Expected completion date:	2016	2019	2048

SOURCES: GOVERNMENT ACCOUNTABILITY OFFICE; ENERGY DEPARTMENT

1,800 associated with the MOX plant, officials say.

The uncertainty worries Aiken's mayor, Rick Osbon, who would like to see the plant completed. "I think we're a

community that has always tried to do right by DOE," he said. "Maybe it's naive, but we certainly hope we can expect the same from them."

The MOX is linked to a

2000 nonproliferation pact between the U.S. and Russia. It called for each side to dispose of at least 34 metric tons (37.5 U.S. tons) of weapons-grade plutonium no longer needed for defense purposes. Russia two years ago unilaterally suspended the agreement.

From 2014 to 2016, Congress gave the Energy Department the same message: Keep building the MOX plant. Last year, Congress authorized the energy secretary to stop construction if evidence showed another method would cost less than half as much.

In May, Energy Secretary Rick Perry invoked the provision and prepared to halt construction in June. South Carolina sued, and U.S. District Judge J. Michelle Childs granted a preliminary injunction June 7 in the state's favor, pending further litigation.

South Carolina Attorney General Alan Wilson, a Republican, said the state wants DOE "to abide by the rules they agreed to abide by, and we want them to not make South Carolina a dumping ground for nuclear waste."

Mr. Graham has said he hopes the injunction would allow the state's congressional delegation to "stop this madness and ensure South Carolina is not left holding the bag."

Tornadoes Batter Cities In Central Iowa

A flurry of tornadoes that formed unexpectedly swept through central Iowa Thursday, injuring at least 17 people, flattening buildings in three cities and forcing the evacuation of a hospital.

The tornadoes hit Marshalltown, Pella and Bondurant as surprised residents ran for cover. The storms injured 10 people in Marshalltown and seven at a factory near Pella, but no deaths were reported.

Marshalltown, a city of 27,000 people about 50 miles northeast of Des Moines, appeared to have been hit the hardest. Brick walls collapsed in the streets, roofs were blown off buildings and the cupola of the historic courthouse tumbled 175 feet to the ground.

The only hospital in Marshalltown was damaged, spokeswoman Amy Varcoe said. All 40 of the patients at UnityPoint Health were being transferred to the health system's larger hospital in Waterloo as well as one in Grundy Center, she said.

Marshalltown resident Stephanie Moz said she, her husband and 2-month-old baby were in the clothing store she owns when tornado sirens went off. "We went through a tornado and survived," she said. "I'm happy."

—Associated Press



Main Street in Marshalltown, Iowa, was littered by debris from damaged buildings Thursday. Tornadoes injured 10 people in the city and another seven in Pella, Iowa.

CHARLIE NEIBERGALL/ASSOCIATED PRESS

Reaction to Flint Water Crisis Faulted

By JOE BARRETT AND KRIS MAHER

Weak oversight at the local, state and federal levels contributed to and slowed the response to the Flint, Mich., water crisis, according to a report Thursday from the Environmental Protection Agency's inspector general.

Flint residents were exposed to high levels of lead after the city, under control of a series of emergency managers, switched its water source in 2014 without properly treating it, allowing lead to leach from aging service lines. Tests showed many children in the city had elevated levels of lead as a result of the contamination.

The report found that the Michigan Department of Environmental Quality failed to implement two rules under the federal lead and copper rule, including maintaining an inventory of lead service lines for monitoring in the city and requiring the use of anti-corrosive additives in drinking water after the water switch.

Scott Kincaid, 65 years old, who served on Flint's city council for 30 years before stepping down in November, said he wished the EPA had stepped in to address the city's water quality sooner. "Unfortunately for us in Flint, we were the ones that had to suffer," he said.

In a preliminary report, the inspector general said the EPA had enough information and authority to impose a water emergency to protect residents in Flint seven months earlier than it did.

The final report said the federal response was delayed because the EPA didn't establish clear roles and responsibilities, risk assessment procedures, effective communication and proactive oversight tools.

"While oversight authority is vital, its absence can contribute to a catastrophic situation," said EPA Inspector General Arthur A. Elkins.

The inspector general recommended a number of changes to policies and procedures to improve oversight and said that eight of its nine recommendations were being implemented.

An EPA spokeswoman said the agency agrees with the report's recommendations. The agency has "already taken steps to implement several of those recommendations and will continue to expeditiously adopt the rest," spokeswoman

Enesta Jones said in a statement.

"I absolutely agree that there needs to be an overhaul of the system," said Melissa Mays, a Flint resident, who has been outspoken on the city's water crisis and said she still has elevated lead levels in her tap water. "More action needs to be taken before the next city becomes Flint."

The city of Flint and the Michigan Department of Environmental Quality didn't immediately respond to requests to comment.



JAKE MAY/FLINT JOURNAL/LIVECON/ASSOCIATED PRESS
A worker loaded cases of bottled water into vehicles in Flint, Mich., in April. The state ended a free-water program after tests showed that water quality was below federal action levels for lead.

About 1,600 Children Approved to Reunite

By ALICIA A. CALDWELL

The Trump administration told a federal court Thursday that roughly 1,600 immigrant children separated from their parents at the Mexican border have been approved to be reunited with their parents, while about 900 still haven't been.

So far, 364 children have been returned to their families, the government said in a nine-page filing to the court in San Diego.

Government lawyers said of the 1,606 children who are eligible to rejoin their parents, 848 specifically have been cleared by the government for reunification. Meanwhile, 908 children separated from their parents at the border are either not eligible, or not yet known to be eligible, for reunification.

In the filing Thursday, the government said parents of 136 children waived their right to be reunited, while 91 children's parents had a "prohibited criminal record" or were otherwise "deemedineligible" by Immigration and Customs Enforcement officials. Two other children's parents are in criminal jails, the filing said.

U.S. District Judge Dana Sabraw gave the administration until July 26 to reunite the

more than 2,600 immigrant children taken from their parents as part of a zero-tolerance policy initiated earlier this year that led to most parents being charged with a crime for crossing the border illegally.

President Donald Trump signed an executive order last month to end the practice of separating families, and immigration officials have stopped referring most parents caught crossing the Mexican border illegally to federal prosecutors.

Judge Sabraw ordered the reunification last month as part of an American Civil Liberties Union lawsuit over the separation practice.

The government missed an initial deadline to return 103 of the youngest children to their parents. Forty-six of those children weren't reunited with parents, the government said, for a variety of reasons including the criminal histories of some adults.

Lee Gelernt, the ACLU lawyer handling the case, said the number of children the government says can't be reunited with parents is "very high but of course we cannot evaluate the number because the government is not transparent."

Another hearing is scheduled in the case Friday.

U.S. NEWS

Foreign Investors Face Tougher Vetting

Lawmakers reach deal to bolster CFIUS and export controls in a win for China hawks

BY KATE O'KEEFFE AND SIOBHAN HUGHES

Congress is poised to strengthen the procedures for vetting foreign investments in the U.S. and overseas transactions involving cutting-edge American technology.

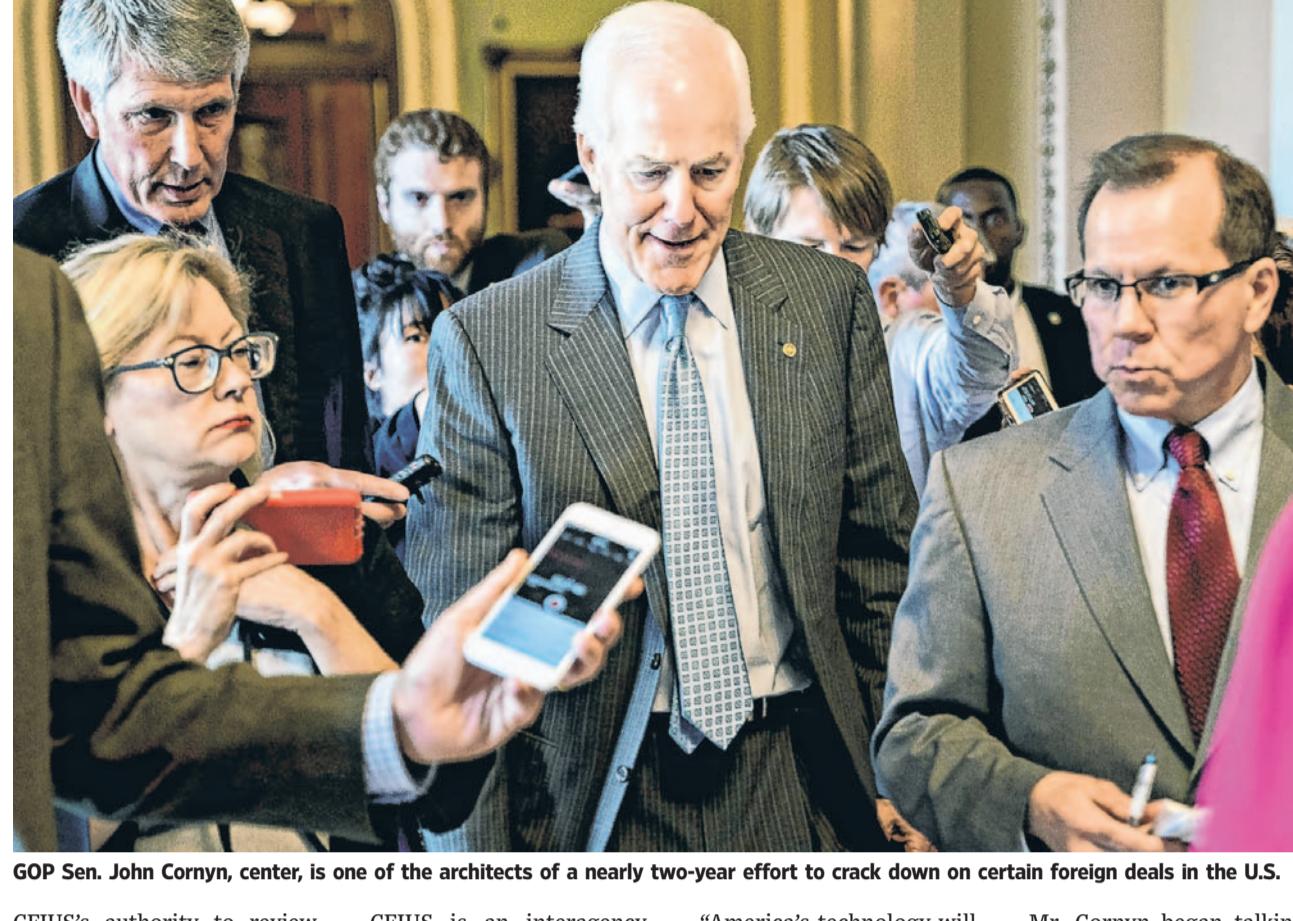
Negotiators from the Senate and the House reached a deal on the final text of the provision to bolster both the Committee on Foreign Investment in the U.S. and the U.S. export-control system, in an effort to block Chinese and other foreign transactions that could harm national security.

The measure represents the first major change in a decade to the rules governing foreign investment reviews, and its impending passage follows a bruising battle among lawmakers and some of the country's biggest companies.

"It's a done deal," said Senate Majority Whip John Cornyn (R., Texas), one of the architects of the initiative, in a Thursday interview.

The provision, which has been attached to a must-pass military spending bill, could become law as soon as this month. First introduced as proposed legislation by Mr. Cornyn and Rep. Robert Pittenger (R., N.C.) in November 2017, the measure will affect both foreign firms seeking deals in the U.S. and American companies doing business abroad.

The measure will strengthen



ANDREW HARRER/BLOOMBERG NEWS

GOP Sen. John Cornyn, center, is one of the architects of a nearly two-year effort to crack down on certain foreign deals in the U.S.

CFIUS's authority to review foreign entities' minority-position investments through venture-capital funds and other means, its ability to vet real-estate transactions near sensitive U.S. facilities, and its right to review any deal structured to evade the committee's jurisdiction, such as transactions that use shell companies to obfuscate ownership. It will also bolster the export-controls process to review overseas transactions such as joint-venture agreements involving sensitive U.S. technology.

CFIUS is an interagency committee that reviews proposed foreign takeovers of U.S. businesses. The committee, led by the Treasury, can advise the president to block such deals on national-security grounds. Export controls regulate which U.S. technologies can be sent abroad.

President Donald Trump in June said he would rely on Congress's CFIUS provision to address national-security concerns with Chinese investment instead of imposing his own set of restrictions.

"America's technology will now have stronger protections commensurate with the challenges from China and other nations seeking to exploit our current laws," said Mr. Pittenger on Thursday.

The impending legislative victory for China hawks in Congress hardly seemed a foregone conclusion until very recently. It followed a nearly two-year battle to gather support from an array of government agencies, businesses and lawmakers that often held strong—and opposing—views.

Mr. Cornyn began talking with Treasury officials about cracking down on certain foreign deals in October 2016, according to a person familiar with the matter. At that time, Chinese investment was pouring into the country, tripling to a record \$46 billion by the end of the year, according to analysts at New York research firm Rhodium Group.

Mr. Cornyn has said he was particularly concerned that China was exploiting loopholes in the CFIUS process to acquire U.S. technology with

military applications. A February 2017 report by DIUx, a Defense Department unit, laid out just how Chinese investors were doing so and provided a road map for some of the bill's text.

Although Mr. Cornyn began gaining traction through personal outreach to cabinet officials at the Treasury, Defense and Justice Departments—which are all heavy hitters on CFIUS—one early concern was the level of support across the aisle. While many Democrats were eager to crack down on China, some proposed expanding CFIUS's remit beyond matters of national security to include issues such as economic competitiveness, which would have been a deal breaker for many Republicans. Ultimately the legislation attracted wide bipartisan support, including from co-sponsors Sens. Dianne Feinstein (D., Calif.) and Amy Klobuchar (D., Minn.).

On the other end of the spectrum, Mr. Cornyn and his allies faced stiff opposition from major businesses such as International Business Machines Corp. and General Electric Co., which publicly criticized an earlier iteration of the bill as overly broad. The companies took particular issue with an initial plan to widen CFIUS's remit beyond inbound investment to include deals struck abroad as well.

To overcome the impasse, lawmakers in both chambers agreed in May to amend the measure's text to leave reviews of U.S. companies' transactions abroad to a strengthened export-controls process, as opposed to giving CFIUS jurisdiction to review them.

Appeals Court Nominee Bows Out

BY NATALIE ANDREWS AND BRENT KENDALL

WASHINGTON—A prominent federal appeals court nominee withdrew from consideration on Thursday after a Republican senator voiced concern over what he said were racially insensitive writings by the nominee several years ago, and other GOP lawmakers joined him in opposition.

Senate Majority Leader Mitch McConnell (R., Ky.) dropped a scheduled floor vote for the nomination of Ryan Wesley Bounds to the Ninth U.S. Circuit Court of Appeals after the senators said they couldn't support him.

The withdrawal marks the first time the Trump administration has failed with a nominee for one of the 12 regional U.S. appeals courts, which are influential because they are the final word on most litigation in the federal system. The White House confirmed Mr. Bounds pulled his name from consideration after GOP senators' support faded.

The Ninth Circuit covers nine Western states, including California, and is one of the country's most left-leaning appeals courts.

Lawmakers objected to past writings from Mr. Bounds when he was a student at



Lawmakers objected to past writings from Ryan Wesley Bounds.

Stanford University. For example, in a 1995 piece for the student-run Stanford Review Mr. Bounds coined the term "race-think," which he defined as a misplaced emphasis on multiculturalism. He lamented "race-focused" groups on campus and wrote that "the existence of ethnic organizations is no inevitable prerequisite to maintaining a diverse university community—white students, after all, seem to be doing all right without an Aryan Student Union."

Multiple attempts to reach Mr. Bounds for comment weren't successful.

Judicial nominees need a simple majority vote to win confirmation, but Republicans' narrow 51-49 majority in the

Senate leaves no margin for internal disagreement.

"After talking with the nominee last night and meeting with him today, I had unanswered questions that led to me being unable to support him," South Carolina Sen. Tim Scott said in a statement.

Mr. Scott, the only black Republican senator, "raised some issues" on Thursday, ahead of the vote, said Sen. Marco Rubio as he left the GOP closed-door lunch.

The Florida Republican shared his colleague's concerns, and was troubled that Mr. Bounds hadn't disclosed his college writings to a state nominating committee, according to a Republican aide familiar with the matter.

After it became clear that

Mr. Scott would vote no and Mr. Rubio was leaning in that direction, the "no" votes started to rack up, the Republican aide said, prompting Mr. McConnell to withdraw the nomination.

Democrats sought to use the development to bolster their case against Supreme Court nominee Judge Brett Kavanaugh. Democrats are refusing to meet with the nominee until they see more of the judge's past writings.

"If Republicans agreed that Bounds is not qualified because of what he wrote in college, how could they possibly argue that material from Brett Kavanaugh's time in the White House and as a political operative aren't relevant?" said Sen. Dianne Feinstein (D., Calif.), the top Democrat on the Senate Judiciary Committee.

The White House has prioritized nominees for the U.S. appeals courts above nominees for trial courts and other specialized courts. Until Thursday, the administration had successfully placed 23 judges on appeals courts 18 months into the Trump presidency. That is more than double the number of appeals court judges President Barack Obama saw confirmed at the same point in his presidency.

David Resch, executive assistant director of the FBI's criminal, cyber, response and services branch, is departing the bureau, as well. Mr. Resch, who was named to his senior post by FBI Director Christopher Wray in April, supervised Mr. Smith and Mr. Marshall.

Additionally, Carl Ghattas, executive assistant director of the FBI's national-security branch, has decided to leave for the private sector. The White House declined to comment.

—Dustin Volz and Shelby Holliday

WASHINGTON WIRE

CONSUMER PROTECTION

CFPB Nominee Seeks To Strike Balance

The Trump administration's pick to run the Consumer Financial Protection Bureau said she would pursue the "proper balancing of all interests," including those of consumers and financial companies, signaling she would continue a shift in the bureau's operations from the Obama era.

Kathy Kraninger, a senior official at the White House's Office of Management and Budget, faced grilling by lawmakers on the Senate Banking Committee on Thursday, her first opportunity to publicly present her views on consumer-finance oversight.

Since Trump-appointed officials took control of the CFPB in November, the agency has sought a friendlier approach to the companies it regulates, a change from the Obama administration.

President Donald Trump in June nominated Ms. Kraninger to succeed CFPB acting Director Mick Mulvaney, who has been retaking the agency while also serving as White House budget director.

Ms. Kraninger said she would carry on the pro-business policy shift started by Mr. Mulvaney. Her strategy would emphasize cooperation with other regulators and state officials, she said, while going after those who engage in illegal activities.

—Yuka Hayashi

Comcast Abandons Fox Pursuit

Continued from Page One
has been trying since 2016 to buy the rest of Sky.

Disney has indicated in regulatory filings that it is in charge of whether Fox continues pursuing Sky. Disney still hasn't decided if it will top Comcast's bid, people with knowledge of Disney's thinking said, but some analysts and people close to Comcast have argued that it might be smarter to sell Fox's Sky stake to Comcast, rather than spend tens of billions of dollars to buy a big pay-TV distributor that may not be a key part of Disney's future.

In either case, a move isn't expected soon from Disney. A vote by shareholders to approve its acquisition of Fox is scheduled for July 27, and Disney wants to confirm it will be getting those assets, including the Sky stake, before making its next move, a person famil-

iar with the matter said. Mr. Roberts has said Comcast prefers to buy 100% of Sky but would settle for a majority stake and sharing ownership with Disney.

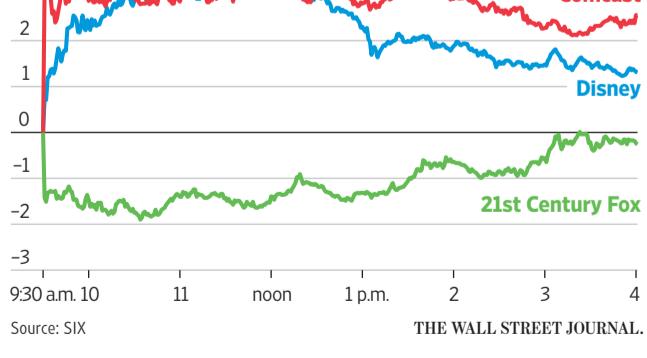
Sky shares fell 1.5% to £15.09 each in London trading. Investors had sent the share price higher, expecting a bidding war. Comcast's pursuit of Fox was a struggle from the start. Fox initially struck a \$52.4 billion, all-stock deal with Disney in December, snubbing Comcast's substantially higher stock offer, citing regulatory concerns, according to a Fox regulatory filing. The move stung Comcast executives, including Mr. Roberts, who felt their efforts weren't being taken seriously, people close to the company said.

Mr. Roberts also was up against personal dynamics. While Messrs. Murdoch and Iger have long been friends, Mr. Murdoch and his sons viewed Mr. Roberts with wariness after years of tough dealings with Comcast over TV-channel carriage fees and Hulu, which they jointly own, people familiar with the Murdochs' thinking have said. The Mur-

Outbid, but Bid Higher

Shares of Comcast rose on Thursday after the cable giant dropped its bid for 21st Century Fox's entertainment assets.

Share performance on Thursday



doch family preferred to own Disney stock over Comcast's, the people said, because they would have more power in a combined Disney-Fox, as Mr. Roberts controls one-third of Comcast's voting power. In addition, Mr. Iger has had a rivalry with Mr. Roberts, dating back to Comcast's hostile bid for Disney in 2004. Comcast executives plotted

than the value of Disney's original offer. After Disney came back with its latest bid the following week, Comcast reviewed its options and considered raising money from private-equity investors or strategic suitors to finance a higher bid, people close to the company said.

The challenges to Comcast grew larger. Because of an arcane provision in U.K. takeover rules, as either Disney or Comcast raised their bids for the Fox assets in the U.S., the implied value of Sky would go up—meaning Comcast would be bidding against itself with a higher Fox offer. It was a notion that caught all parties off guard, people familiar with the matter said.

Comcast's pursuit then hit a setback after the Justice Department said last week that it would appeal the AT&T decision, which Comcast had used to rebut concerns about regulatory risk.

Comcast executives began to determine that they would have to raise their bid for Fox substantially to top a competitor that didn't appear to be going away and capture a company whose owner didn't

appear to want Comcast to win, a person familiar with the company's thinking said.

"It was awfully challenging, given the advantage Disney had both from a timing perspective and a regulatory perspective," said Dennis Hersch, who used to head Davis Polk & Wardwell's mergers-and-acquisitions practice and was a former adviser to Mr. Roberts on deals.

"Sky offers an amazing platform for Comcast, and I think they understand that business much better than Disney does from their experience in the cable industry."

Mr. Hersch dismissed the idea that Comcast would turn to other deals after losing on Fox, saying that Sky would already be a "big bite" for Comcast if it were to win that contest.

Investors on Thursday cheered Mr. Roberts's decision to pull out of the Fox race, sending Comcast shares up 2.6% as the broader market declined. The stock had been under pressure amid concerns about the deal's potential costs.

Disney shares rose 1.3%, while Fox slid 3 cents to \$46.65.

—Ben Fritz and Keach Hagey contributed to this article.

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TIMING MANKIND'S GREATEST HOUR

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WORLD NEWS

Trade's Widening Battleground

The Trump administration's use of tariffs on imported goods started slowly but has broadened to include hundreds of billions of dollars in goods from China and other big economies. The timeline illustrates the rapid increase in the number of products subject to new duties.

IMPORTS

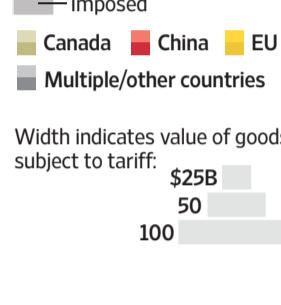
Tariffs on goods coming to the U.S.

April 2017

U.S. launches probe of aluminum and steel imports and sets tariffs of approximately 20% on Canadian lumber.

February 2018

TARIFFS BY COUNTRY/REGION



March

March 8
Steel and aluminum tariffs finalized. Canada, Mexico and the EU are initially excluded.

March 22
U.S. launches plan to impose tariffs on up to \$60 billion in imports from China, citing intellectual-property theft.

April 3
Trump threatens to impose tariffs on another \$100 billion of Chinese goods.

Approx. \$207 billion

April

June 1
Canada, Mexico and the EU now subject to steel and aluminum tariffs.

May

June

Approx. \$872 billion

— William Mauldin, Yaryna Serkez and Elliot Bentley

By JOSH ZUMBRUN
AND CHESTER DAWSON

WASHINGTON — Commerce Secretary Wilbur Ross said it is "too early" to say whether the Trump administration will move ahead with proposed tariffs of as much as 25% on imported vehicles and auto parts.

Mr. Ross said the government was still analyzing whether it would impose tariffs on national security grounds, following a similar move on metals imports this year.

His comments came at the opening of a hearing Thursday in which all but one of 43 participants who testified spoke out against automotive tariffs.

The Commerce Department hearings are part of an investigation launched in May into whether the Trump administration can use a 1962 national security law to impose duties on foreign-sourced cars and car parts.

The Trump administration's hard line has won praise in some quarters, including the country's largest automotive

labor union, the United Auto Workers, which has expressed qualified support and criticized industry moves to shift production outside the U.S.

Representatives for U.S. trading partners, auto makers, components suppliers and dealers testified Thursday against the tariffs, arguing they would hurt the economy

Auto industry officials are alarmed at the prospect of adding another tariff.

and put jobs at risk by raising consumer prices and sparking a trade war.

The European Union said earlier in the day that it would retaliate if the U.S. imposes tariffs on imports from Europe, cautioning Washington against unilateral measures that threaten global free-trade.

Opponents of proposed tariffs also include the American

Automotive Policy Council, a lobby representing General Motors Co., Ford Motor Co. and Fiat Chrysler Automobiles N.V.

"There is no evidence that automotive imports pose a threat to national security," said Matt Blunt, president of the group. Mr. Blunt, former governor of Missouri, said there is domestic capacity to meet any national security requirements.

Auto industry officials have grown increasingly alarmed at the prospect of adding yet another tariff to those already imposed by the White House this year on aluminum, steel and some Chinese-made goods.

The widespread opposition to tariffs in Thursday's testimony contrasted with previous tariff hearings on Chinese imports that attracted businesses and lobbying groups both in support of and in opposition to White House policy.

The day's only testimony favoring a tougher approach to auto trade policy came from Jennifer Kelly, director of the UAW's research department,

who called the government's investigation long overdue after "decades of disinvestment."

Ms. Kelly said the UAW supports "targeted" measures but stopped short of endorsing across-the-board tariffs. Trade tactics, she added, should take into account the globalized nature of the industry.

"Any rash actions could have unforeseen consequences, including mass layoffs of American workers, but that doesn't mean we should do nothing," she said.

Bob Carroll, a 37-year-old machinist in New Jersey, submitted a public comment supporting tariffs, although he said Thursday he couldn't take time off to attend the hearing in person. He expressed frustration with the import of auto parts.

Workers at some nonunion auto factories expressed more opposition to the tariffs. Toyota Motor Corp. said dozens of workers at its U.S. plants staged a protest involving a caravan of vehicles driving around the capital.

EU Threatens to Retaliate for Levies

By EMRE PEKER

BRUSSELS — The European Union said it would retaliate if President Donald Trump imposes tariffs on car exports to the U.S., cautioning Washington against unilateral measures that threaten global free trade.

Thursday's threat comes less than a week before a planned White House visit by the EU's top executive, European Commission President Jean-Claude Juncker.

Both sides have touted the visit as a chance to discuss the escalating trade battle and other issues.

Prospects for fruitful negotiations could now be clouded following Mr. Trump's angry reaction to a separate EU ruling on Wednesday, fining Google parent Alphabet Inc. \$5 billion for abusing the market dominance of its Android mobile operating system.

"I told you so!" Mr. Trump tweeted. "The European Union just slapped a Five Billion Dollar fine on one of our great companies, Google. They truly have taken advantage of the U.S., but not for long!"

Mr. Trump has said tariffs on car imports would respond to EU trade practices.

On Wednesday he threatened "tremendous retribution"

against the EU, specifically with auto duties. In June, he said EU Competition Commissioner Margrethe Vestager, who levied the fine on Google Wednesday, "really hates the U.S.," according to people who heard the comment.

Ms. Vestager, whom Mr. Trump called the EU's "tax lady," rejected Mr. Trump's accusation.

"I very much like the U.S.," she said on Wednesday.

The EU exports roughly \$60 billion annually in autos and car parts to the U.S. Imposing tariffs on that would be a "disastrous" and illegal move to gain leverage in trade negotiations, said EU Trade Commissioner Cecilia Malmstrom, who will accompany Mr. Juncker to the White House on Wednesday.

Administration officials have proposed a bilateral trade deal cutting tariffs on only cars but the EU can't agree to that under World Trade Organization rules, Ms. Malmstrom said.

Mr. Trump has repeatedly complained about the 28-member bloc's 10% car tariffs, which is quadruple the U.S. rate but lower than the 25% U.S. tariff on light trucks.

Ms. Malmstrom said the EU is ready to discuss a broader trade agreement but was also

girding to go tit-for-tat with the president.

"If the U.S. would impose these car tariffs, that would be very unfortunate," Ms. Malmstrom told a conference. "We are preparing, together with our member states, a list of

rebalancing measures."

It remains unclear what products the EU would target, in part because officials in Brussels don't know yet precisely what measures the U.S. would take.

European leaders had hoped Mr. Juncker might succeed with Mr. Trump where other European leaders, including French President Emmanuel Macron and German Chancellor Angela Merkel, had failed.

Mr. Trump's "America First" policies are diametrically opposed to the internationalist stance of Mr. Juncker, a former prime minister of Luxembourg whom the president has called a "brutal killer" in trade.

The EU will convey its concerns to Mr. Trump over potential car duties, stressing European manufacturers' investments in the U.S., the importance of international supply chains and risks to millions of jobs for both parties in an escalating trade war.

"A car can be bought in Seattle, assembled in Detroit, having been designed by a German, built with a Mexican chassis and Canadian engine parts—this is how trade is win-win," Ms. Malmstrom said.

Similar arguments—including at the Group of Seven

The EU exports roughly \$60 billion a year in autos and car parts to the U.S.

summit in Canada last month—haven't swayed Mr. Trump.

The weakening trans-Atlantic alliance has fueled EU efforts to strike free-trade agreements with other partners and engage China in an effort to revamp global trade rules.

Meanwhile, the bloc has responded to Mr. Trump's steel and aluminum tariffs with levies on €2.8 billion (\$3.26 billion) of American exports, a WTO challenge and trade-protection measures to safeguard European manufacturers.

Still, EU officials have repeatedly said none of its relationships measure up to its partnership with the U.S.

The two built the WTO in the 1990s and until Mr. Trump took office jointly championed global free trade.

"We're not prepared to walk away from the order we have built together," said Ms. Malmstrom. "We know from the past that these meetings can be a bit unpredictable, but we come there with the best intentions as friends and allies."

—Laurence Norman contributed to this article.

◆ Trade fears pressure U.S. grain prices..... B11

◆ Heard: Tariffs give retailers a holiday dilemma..... B11

May 23

Administration threatens tariffs on vehicles and car parts, vastly expanding the scope of a potential trade conflict by adding up to \$359 billion in goods.

June 18

Trump asks U.S. officials to identify \$200 billion in Chinese goods for tariffs.

July 10

U.S. announces proposed tariff list of \$200 billion in Chinese products, including luggage and other consumer items.

July 18

Trump officials launch probe of uranium imports.

July 6

China strikes back with tariffs on \$34 billion in goods including American-made SUVs.

WORLD NEWS

Envoy to Beijing Feels the Heat In Trade Fight

By EVA DOU

BEIJING—When Terry Branstad left behind 22 years as Iowa governor to become ambassador to China in 2017, he brought to the job relationships with both presidents, Donald Trump and Xi Jinping.

Now the diplomat raised on an Iowa farm is in the middle of their trade fight, with his home state in China's crosshairs.

Mr. Branstad argued within the Trump administration against tariffs and restrictions on Chinese investment, concerned that Beijing's response would hurt American farmers and businesses, according to people familiar with the matter.

In an interview at the U.S. Embassy in Beijing after Mr. Trump went ahead with tariffs on billions of dollars of Chinese goods, Mr. Branstad said he had voiced his opinions to the president and fully supports policies once they are set.

"I'm very loyal," said the 71-year-old ambassador. "And I'm a team player."

Mr. Branstad supported Mr. Trump's presidential bid. His son Eric Branstad ran the

Trump campaign in Iowa and has courted public-relations business in China. The ambassador has access to the president that is unusual for U.S. envoys, meeting Mr. Trump in Washington and talking with him by phone, according to U.S. officials.

At appearances in Beijing he also attributes his appointment by Mr. Trump to a chance meeting with the future Chinese president. As Iowa governor in 1985, Mr. Branstad hosted Mr. Xi, then a rural county head, on his first trip to the U.S.

Mr. Branstad has been welcomed in China as an "old friend," a high compliment in Chinese diplo-speak. Mr. Xi hosted Mr. Branstad's family for a Lunar New Year's dinner on Jan. 30. As trade tensions intensified, he met regularly with Mr. Xi's deputies, including Vice Premier Liu He, the president's top economic adviser.

Mr. Branstad is circumspect about his high-level access. "I think it's premature to predict what kind of results we're going to get from it," he said.



Xi Jinping, third from left, in Iowa in 1985, when he first met U.S. Ambassador to China Terry Branstad, who was then state governor.

The ambassador has expressed frustrations in private over his inability to make more progress in trade talks despite the relationship with Mr. Xi, according to people familiar with him.

Mixed messages from the Trump administration have been confusing to Chinese officials and weakened Mr. Branstad's position as a negotiator, said Max Baucus, a former Democratic senator and Mr. Branstad's predecessor as ambassador to China.

"It's very tough for Terry, because Trump's always

changing his mind," Mr. Baukus said.

Mr. Branstad said the president adjusts policy based on new information. "There are always going to be changes and adjustments."

Mr. Branstad played a role late last month in convincing Mr. Trump to back away from a plan to create stringent restrictions on Chinese investments in the U.S., according to people familiar with the discussions. That plan would have damaged investor sentiment, the ambassador argued.

"I really don't want to take

credit or blame for anything," Mr. Branstad said when asked about it. "The decision is the president's decision."

Before moving to Beijing, Mr. Branstad spent most of his life in Iowa. On tough days, he said, he quotes what his father would say after a day in the fields: "We didn't get much done today, but we'll give it heck tomorrow."

With soybeans, beef and other U.S. farm goods hit in the trade fight, there has been a backlash in Iowa, a state Mr. Trump won in 2016. An editorial critical of Mr. Trump in the

Quad-City Times ran under the headline "Iowans Got Conned. So Did Terry Branstad."

Gov. Kim Reynolds, who was Mr. Branstad's lieutenant governor, declared that U.S. trade negotiations "can't be done on the backs of farmers."

Asked about the flak, Mr. Branstad said farmers understand. "They take the long view of things," he said. "And yeah, the price of corn and soybeans has taken a hit in the short term. But they're really interested in the long term."

—Lingling Wei contributed to this article.

Iowa Farmers Mend Fences in China

By DOMINIQUE FONG

CHANGCHUN, China—As U.S. farmers found themselves this month at ground zero in the trade fight between Washington and Beijing, a group of Iowans barnstormed through China farm country, hoping to salvage relations with buyers who are already turning their backs on America's harvest.

Tariffs imposed by Beijing on soybeans and corn have made those U.S. commodities more costly here. Chinese importers have been buying more outside the U.S. and looking into growing more in China.

During the Iowa delegation's 11-day trip, Chinese government and agriculture groups peppered them with questions and pressed them to demand relief from the White House, delegates said.

The Americans sought to shift the conversations to the long-term benefits of U.S. crop sales to China, said Joe Heinrich, a soybean and corn farmer who is vice president of the Iowa Farm Bureau, an independent industry group.

"We've got to get the fervor down," Mr. Heinrich said. "We're looking beyond the next three months or 13

months, whatever this trade dispute goes on, because we need to be a trading partner with them for the next five, 10 years-plus."

After the U.S. on July 6 imposed 25% tariffs on \$34 billion in Chinese products, Beijing fired back with 25% tariffs on an equal value of U.S. products—striking hard at soybeans and corn, which are processed here into livestock feed and cooking oil. The value of goods being targeted by each side has since grown.

A delegation to China looks to make sure their buyers outlast the hard times.

The delegates said Iowa farmers already have contracts for most of what has been planted, but they are worried about April, when they start to plant the next crop.

China is the largest buyer of American soybeans, and the U.S. Department of Agriculture last week forecast that tariffs would cut U.S. soybean exports

In recent months, local governments offered subsidies to get farmers to increase soybean production to blunt the impact of tariffs, according to notices on government websites and state media reports.

The Iowans addressed the issue with care, Mr. Miller said. "We would never be so presumptuous as to tell them not to plant more soybeans," he said. "But we did express to them our desire for them to remain good buyers of U.S. soybeans."

—Xiao Xiao contributed to this article.

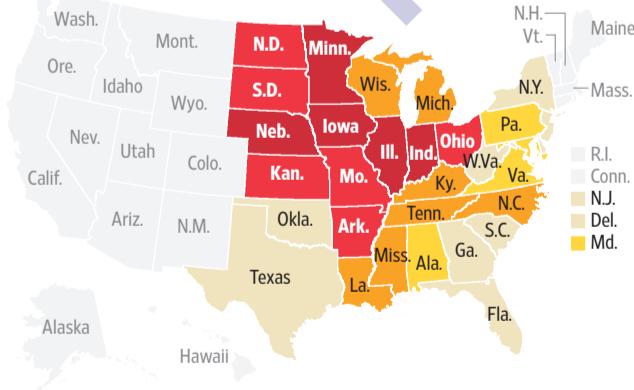


Iowa was the No. 2 soybean-exporting state to China in 2016, after Illinois. Above, a farmer at work in Mitchellville, Iowa last year.

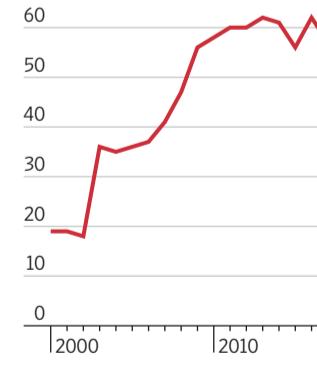
Bitter Harvest

Import tariffs in China, the top buyer of U.S. soybeans, will take a toll on farm states.

Soybean exports to China, millions of dollars, 2016



China's share of U.S. soybean exports



Sources: U.S. Department of Agriculture, Economic Research Service (state exports); Census Bureau (U.S. exports)

Kara Dapena/THE WALL STREET JOURNAL

U.K. Raises New Huawei Concerns

By CHIP CUMMINS

LONDON—The U.K. government raised new concerns about the use of telecommunications gear from Chinese manufacturer **Huawei Technologies** Co., stepping back from assertions the company's products didn't present a national security threat.

A review of Huawei's engineering by a government oversight panel found "shortcomings" in engineering processes that "exposed new risks" to the U.K. telecommunications network, according to a government cybersecurity statement.

Huawei acknowledged the panel identified "some areas for improvement in our engineering processes" and said it was

committed to addressing them.

For years, the U.K. has embraced Huawei and raised few obstacles to sales of its gear and handsets.

That is in contrast to the U.S., where a 2012 congressional report labeled the company a national security threat, saying its equipment could allow China to spy or disable telecommunications networks.

In recent months, the Trump administration has moved aggressively to double down on restrictions against Huawei and Chinese peer **ZTE** Corp. The two companies have said they don't spy on behalf of Beijing and don't present a national security threat.

A ban by the U.S. on ship-

ments of American-made components to ZTE—imposed by the Commerce Department after it accused the company of not living up to terms of a settlement related to sanctions busting—walloped ZTE.

Huawei's bottom line has been largely immune to the U.S. crackdown—since it sells so little of its telecommunications equipment and mobile devices in the country.

The new scrutiny in the U.K. threatens that. Huawei is the world's third-largest smartphone maker, behind Samsung Electronics Co. and Apple Inc., and is the largest provider of telecommunications equipment. The U.K. has been a growing market.

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WORLD NEWS

Washington Urges Turkey to Free Pastor

Diplomatic push comes as judge dashes hopes for release of cleric held on terror charges

The Trump administration has launched an intensive diplomatic effort to try to secure freedom for an American pastor who has been held in Turkey for nearly two years on what the U.S. says are dubious terrorism charges.

*By Dion Nissenbaum
in Washington and
David Gauthier-Villars
in Istanbul*

With full support from President Donald Trump, U.S. officials have been trying to persuade Turkey to quickly release Andrew Brunson, the North Carolina pastor caught up in a nationwide crackdown on dissent following a botched 2016 military coup attempt.

Some U.S. officials had expressed hope that Mr. Brunson would be freed on Wednesday when he appeared in a Turkish court for his latest hearing. But that prospect gave way to disappointment when the Turkish judge sent Mr. Brunson back to prison until October.

U.S. officials continue to press Turkey for a deal, with some expressing hope that an agreement still can be worked out soon.

Mr. Trump raised Mr. Brunson's case on Monday in a call with Turkish President Recep Tayyip Erdogan, U.S. officials said. Secretary of State Mike Pompeo called his Turkish counterpart on Wednesday to discuss Mr. Brunson's release, the officials said.



Philip Kosnett, the U.S. Embassy charge d'affaires, spoke to reporters on Wednesday after attending Andrew Brunson's trial in Aliaga.

EMRE TAZEGUL/ASSOCIATED PRESS

After hopes for Mr. Brunson's release were dashed on Wednesday, the American president publicly pressed Mr. Erdogan on the issue in a late-night tweet.

"A total disgrace that Turkey will not release a respected U.S. Pastor, Andrew Brunson, from prison. He has been held hostage far too long," Mr. Trump said. "@RT_Erdogan should do something to free this wonderful Christian husband & father. He has done nothing wrong, and his family needs him!"

Relations between Turkey and the U.S. have been at his-

toric lows for months. But Mr. Trump had appeared on increasingly good terms with Mr. Erdogan, a move critics say is in line with his courting of strongman leaders in Russia and North Korea.

Following the failed 2016 coup, Mr. Erdogan has cracked down on dissent and a referendum has given him increased presidential powers.

This week, Turkish authorities lifted the emergency rule introduced in the wake of the coup attempt but said most security provisions would be worked into a new law under review by Parliament.

Hopes for an imminent release for Mr. Brunson had grown among members of his defense team after Messrs. Trump and Erdogan appeared

very much a focus of the team that I lead here at the State Department and we're optimistic in the days and weeks ahead, we'll get a good outcome for Pastor Brunson, his family and frankly for many of those that are held in places around the world," he said in excerpts released by the network before the full interview is set to air on Friday.

An official at Turkey's Foreign Ministry said justice had to run its course, suggesting no diplomatic deal was imminent.

"There is a legal process," the official said. "Turkey upholds rule of law."

EU to Sue Hungary Over Asylum Laws

BY DREW HINSHAW

The European Union's executive branch will take Hungary to court over the government's treatment of asylum seekers, escalating a battle over how to balance the continent's legal guarantees for refugees with popular demand for tighter borders.

After nearly three years of threatening legal action against Hungary for its strict antimigrant laws, the European Commission on Thursday said it would ask the EU's highest courts to consider the government in violation of several EU treaties requiring protection for foreigners seeking asylum on the continent. Those courts have the power to fine Hungary for noncompliance.

The decision, conveyed in a formal letter, likely leaves the European Court of Justice to rule on a fundamental debate cleaving Europe, with broad implications for how the bloc settles differing notions of democracy and human rights.

Hungarian voters have broadly endorsed the national-



Hungarian Prime Minister Viktor Orban visited the Yad Vashem Holocaust Memorial museum in Jerusalem on Thursday.

and encouraging Hungary's neighbors to do the same.

Under EU rules, the Hungarian government has two months to respond to the commission's concerns before it begins assessing whether Mr. Orban has breached EU rules. "We are, of course, ready for the debates that this procedure is going to bring," said Hungarian Foreign Minister Peter Szijjarto.

Among European leaders, Mr. Orban was early to surf a wave of anti-immigration sentiment that has brought nationalist parties to power in neighboring Austria and Slovenia.

Indeed, in the short term, the court case could empower Mr. Orban, some analysts said, by keeping public attention focused on his signature issue of policing the country's border.

This year, Mr. Orban hopes to pass a constitutional amendment that would block the EU from enforcing refugee settlement rules here.

The violations the EU's commission cited Thursday focus on the militarized border Mr. Orban has installed along Hungary's southern front.

U.S. Won't Let Russia Question Americans

BY PETER NICHOLAS
AND VIVIAN SALAMA

WASHINGTON—President Donald Trump rejected a proposal from Russian President Vladimir Putin to allow Russian investigators to question a number of Americans, one day after White House officials touched off a backlash on Capitol Hill by saying they were reviewing the idea.

White House press secretary Sarah Sanders said in a statement that Mr. Putin's proposal, broached at the summit meeting in Helsinki on Monday, "was made in sincerity by President Putin, but President Trump disagrees with it."

Mr. Putin said he would be willing to give the U.S. access to Russians, such as the 12 intelligence officials recently indicted in the U.S. election-meddling case, if the U.S. were willing to give Russia access to its targets.

A day earlier, Ms. Sanders confirmed that Messrs. Trump and Putin privately discussed

Russian authorities' wish to question certain U.S. citizens, including Michael McFaul, a former ambassador to Russia under President Barack Obama and now a lecturer at Stanford University.

As ambassador, Mr. McFaul was an architect of Mr. Obama's attempted reset with Moscow, but was sometimes critical of the Kremlin, a posture which brought intrusive Russian media scrutiny and official accusations that his mission was to undermine the country's leadership.

Secretary of State Mike Pompeo, in an interview Thursday with CBN News, was asked about the prospect of turning over U.S. citizens for Russian interrogation. "Yeah. That's not going to happen," Mr. Pompeo said.

Mr. Trump's willingness to entertain the proposal from Mr. Putin sparked outrage on Capitol Hill.

—Byron Tau contributed to this article.

New Putin Meeting Is Planned

Continued from Page One

Just before the Senate's vote, White House press secretary Sarah Sanders issued a statement saying Mr. Trump had declined Mr. Putin's request.

It was the third consecutive day of damage control for the White House following Mr. Trump's one-on-one meeting and joint news conference with Mr. Putin in Helsinki Monday.

On Tuesday, about 24 hours after his news conference, Mr. Trump said he misspoke when he said he didn't know of any reason why Russia would intrude on U.S. elections. On Wednesday, he appeared to say he didn't believe Russians were trying to meddle in this year's midterm elections, which would contradict the findings from intelligence agencies. Ms. Sanders said later that his remarks were misunderstood.

The fallout from the news conference has so consumed the White House that the typical briefings that would follow such a meeting haven't happened, according to officials familiar with the scheduling.

Officials said the delayed briefings illustrate what can happen when the president leaves private meetings without any notes, giving Moscow the ability to set the agenda for what

news comes out when.

"I don't know what happened at that meeting," U.S. Director of National Intelligence Dan Coats said at the Aspen Security Forum in Colorado. Mr. Coats also said he would have advised Mr. Trump not to meet Mr. Putin alone, had he been asked.

Army Gen. Joseph Votel, commander of U.S. Central Command, which is responsible for the Middle East, said Thursday that he had "no new guidance as a result of Helsinki."

Sen. Lindsey Graham, a South Carolina Republican and a senior member of the Senate Armed Services Committee, said Thursday that he had "no idea" if any agreements were reached between the two leaders. "I want to know," Mr. Graham said.

Democrats, voicing the same frustration, called on Mr. Trump's translator to testify before Congress, a request the Republican leadership rejected.

"It's unconscionable if agreements were reached that we don't know what they are, that the president doesn't tell us what they are," said Rep. Jerrold Nadler (D., N.Y.). "To hear from the Russians now that there were agreements reached and [the White House] tell us what those agreements were—it's beyond imagination."

Following the meetings in Helsinki, Russia analysts at various Washington-based think tanks received informal phone calls from National Security Council officials seeking to gauge general reaction to



Vladimir Putin said the Helsinki talks led to 'useful promises.'

Sergei Karpukhin/Reuters

Mr. Trump's performance, not to debrief them.

One person who received such a call said the officials acknowledged that any developments the discussions may have yielded were overshadowed by the public-relations challenge that followed the joint news conference.

Some administration officials said the lack of an immediate briefing on Russia was, in part, a result of Mr. Trump's top-down approach to dealing with Moscow. The relationship between the two governments at the staff level has failed to progress in recent years, these officials said, and the president has told advisers he wants to fix that by restoring diplomacy at the presidential level.

Secretary of State Mike Pompeo is scheduled to meet with senators next week, but some lawmakers are pressing

for information now. He said at the White House on Wednesday that the presidents' meeting set a framework for the two countries to find "overlapping space" on issues such as counterterrorism and treaties that the U.S. says Russia has violated.

"We can now begin to have important dialogues to put that relationship in a place where we reduce the risk to the United States from threats from Russia," Mr. Pompeo said.

"Given the controversy it's not surprising the White House is delaying the usual practice of briefing key administration officials and members of Congress on the Putin meeting," said Elliott Abrams, who served as deputy national security adviser under former Republican President George W. Bush. "But the grace period of a few days is over, and they need to get that information out."

Meanwhile, details of the meeting began emerging Thursday from Russia. During the summit, Mr. Putin proposed holding a referendum to help resolve the conflict in eastern Ukraine, and agreed not to disclose the plan so the U.S. president could consider it, according to a person close to the Russian foreign ministry. Bloomberg first reported on the possible referendum.

Asked about the referendum, a White House national security spokesman said that the U.S. position on Ukraine remains unchanged.

—Peter Nicholas, Vivian Salama, and Thomas Grove contributed to this article.

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WORLD NEWS



Arab lawmakers in Israel's parliament tore up copies of the bill in protest. More than one-fifth of the country's people aren't Jewish.

OLIVIER FITOUSSI/ASSOCIATED PRESS

Law Sets Israel as 'Jewish State'

Backers say it codifies reason for country's founding; critics say it will harm minorities

By Dov LIEBER

TEL AVIV—Israel's parliament passed a law defining the country as a Jewish state, a step supporters say enshrines a basic national principle but that opponents said discriminates against Arab citizens.

The legislation, approved early Thursday after hours of debate, declares Israel "the national home of the Jewish people" and says only Jews have "the right to exercise national self-determination." It also downgrades Arabic from an official language to a "special one."

"Israel is the nation state of the Jewish people, that respects the individual rights of

all its citizens," Israeli Prime Minister Benjamin Netanyahu said after the vote. "This is our state, the Jewish state."

Supporters of the measure, including members of Mr. Netanyahu's conservative governing coalition, argued that it was necessary to codify the reason for the founding of the country 70 years ago as a homeland for Jews.

Critics, including opposition lawmakers, Arab politicians and rights groups, said it would strain relations between the Jewish majority and minority populations. More than one-fifth of Israel's nine million people aren't Jewish.

Parliament passed the law by a vote of 62-55 after some of its most controversial elements—including one that called on the Supreme Court to look to Jewish tradition in cases without legal precedent—were modified or removed.

Such legislation has been

considered off and on for decades.

Despite the furor over the bill, Yohanan Plesner, president of the Israel Democracy Institute, a think tank in Tel Aviv, said the law's broad language meant it was unlikely to lead to any immediate practical changes. "So far it has mainly a symbolic effect," said Mr. Plesner. Still, it could "drive a wedge between the state of Israel and its non-Jewish citizens."

Members of the Joint List, a political union of Arab parties, tore up copies of the bill and tossed the scraps on the floor of the house.

The group called on the government to focus on strengthening Israel's democracy rather than focus on its Jewish character.

Since Israel's founding, members of the Arab minority have complained of being treated as second-class citizens. Israeli officials say all

citizens are treated equally under Israeli law.

The new law's detractors said Mr. Netanyahu's government was motivated to push the legislation by politics. Mr. Netanyahu's secular-nationalist Likud party receives support from Ultraorthodox and religious Zionist parties. Mr. Netanyahu has sought to consolidate his support as he battles corruption allegations.

The American Jewish Committee, a group that represents the Jewish diaspora, said it was "deeply disappointed" by the new law. The group said the demotion of Arabic as a language and the clause regarding Jewish settlement "put at risk the commitment of Israel's founders to build a country that is both Jewish and democratic."

Israel doesn't have a constitution. Its Declaration of Independence written in 1948 defined Israel as both Jewish and democratic.

Iran, Russia Sanctions Strain U.S. Relations With India

BY BILL SPINDLE
AND RAJESH ROY

NEW DELHI—U.S. relations with India will face a test in coming months as tightening sanctions on Iran and Russia collide with longstanding efforts to broaden the India-U.S. partnership.

Ties between the U.S. and India have been expanding for over a decade, as India has shed a nonaligned foreign policy in favor of closer trade and security relations with the world's sole superpower after the collapse of the Soviet Union. India is the world's fastest-growing large economy and expected to be the world's most populous country within six years.

The U.S. and India were expected to mark significant milestones this year, including signing agreements to bolster military cooperation and kicking off talks between high-level defense and foreign-affairs officials. Indian officials are holding out hope President Donald Trump will agree to be the guest of honor at India's Republic Day celebration early next year, taking Prime Minister Narendra Modi up on an invitation to visit the country made when the two leaders met last year.

Then last month the U.S. postponed, for the second time, the high-level defense and foreign-affairs dialogue as Secretary of State Mike Pompeo flew off to North Korea instead.

While the meeting has been rescheduled for early September, the delay set off handwringing in New Delhi policy circles about new tensions over sanctions and trade, which could cloud relations.

India's growing economic heft, strategic location in Asia and shared democratic values have put it at the center of U.S. efforts to maintain a dominant role in Asia in the face of Chinese economic and military assertiveness.

The U.S. military recently renamed the Asia-Pacific regional operational area the



Donald Trump met Indian leader Narendra Modi in November.

JIM WATSON/AGENCE FRANCE PRESSE/GTET IMAGES

"Indo-Pacific" command in a nod to India. The two countries have expanded joint military exercises and India has purchased more and bigger U.S.-made military hardware. They are discussing a further expansion of military ties, including ways to integrate some weapons systems together.

The trouble is that even as U.S. and Indian officials move to get their high-level talks

nity through the United Nations.

The U.S. and India have sidestepped similar past run-ins, such as during the Obama administration's campaign to sanction Iran. The U.S. granted India, as well as several other countries, waivers from the sanctions for scaling back dealings with Iran without coming anywhere near eliminating them.

Indian officials hope that sort of compromise emerges again, but Trump administration officials last month announced that no waivers would be granted.

A significant part of India's security depends on maintaining and upgrading Russian-made equipment, and it is poised to purchase a Russian-made \$5.8 billion air-defense missile system. Meanwhile, Iran is India's third-largest supplier of oil.

"Sanctions are coming, and we're going forward on that. With India and the U.S. building strong relationships, we hope they would lessen their dependence on Iran and move in other directions," said U.S. Ambassador to the U.N. Nikki Haley after a meeting with Mr. Modi recently in Delhi.

"There's a political will from both sides to figure out how to make this work," she said.

back on track, a major irritant is emerging: tightening sanctions the U.S. has placed on Russia and Iran, two countries with which India has extensive dealings it has no intention of ceasing.

Indian officials refuse to recognize as legitimate the U.S. sanction threats—made under legislation known as the Countering America's Adversaries Through Sanctions Act—to punish those who do business with the two countries. They say India recognizes only sanctions imposed by the international commu-

IN DEPTH

Snyder Fans Seek Justice

Continued from Page One

was "powerful, relatable, visually stunning, smart, witty and fun," as one wrote, and demonstrated a level of care "unparalleled" in modern cinema, as another said in an online video. They see it as a worthy successor to Mr. Snyder's 2013 Superman film "Man of Steel," another violent superhero movie that polarized fans and critics. They believed "Justice League," in which Batman and Wonder Woman assemble a team of superheroes, would complete his visionary trilogy.

Instead, these believers in truth, justice and the Snyder way got what they derisively refer to as "Jossstice League."

After Mr. Snyder stepped aside in early 2017 following a family tragedy, Joss Whedon, the director of Marvel's "Avengers," took over. Mr. Whedon had already been brought on to rewrite parts of the movie, and oversaw several weeks of re-

shoots and a new edit the studio had requested. The final film was notably shorter and less violent than Mr. Snyder's previous solo work and featured snappy dialogue familiar to fans of the "Buffy, the Vampire Slayer" TV series, which Mr. Whedon created.

"Justice League," with a Rotten Tomatoes score of 40%, grossed \$658 million worldwide, a weak total for a movie that cost about \$300 million to make. It's also less than the grosses for "Batman v Superman" (\$874 million), "Man of Steel" (\$668 million) and last year's widely lauded Warner/DC hit "Wonder Woman," directed by Patty Jenkins (\$822 million).

Mr. Whedon declined to comment through a spokesman.

One Snyder disciple recently tweeted an altered version of a painting of Jesus giving his Sermon on the Mount, replacing the son of God with the director holding a "Justice League" Snyder cut DVD.

Mr. Snyder himself has teased fans in recent months by posting behind-the-scenes photos from "Justice League" online, driving feverish attempts to interpret what signal he might be sending.

A spokeswoman said Mr. Snyder wouldn't discuss a director's cut. Mr. Snyder never watched the version of "Justice League" released in theaters, she said.

Diogo Mourão, a retail sales worker in Rio de Janeiro, is one of the fans who have rallied behind the motto "Release the Snyder Cut." Since late last year, they have organized campaigns on social media, produced online videos and bombarded Warner Bros. executives with emails asking the studio to complete and distribute on Blu-ray a version of "Justice League" that matches Mr. Snyder's vision, before Mr. Whedon got involved.

Mr. Mourão, who bought tickets for five different "Justice League" screenings before the film was even released, described watching them as "the five stages of grief."

A petition on change.org calling on the studio to make or complete a Snyder cut has more than 178,000 signatures.

"We want future films of the franchise to keep the same artistic integrity of previous works," said Fiona Zheng, a medical clinic manager in Harbin, China, who runs the website ForSnyderCut.com, in an



WARNER BROS. PICTURES

Gal Gadot and director Zack Snyder on the 'Justice League' set.

email. "Not like the theatrical 'Justice League,' which was downgraded to a mediocre action comedy representing the antithesis of everything we cherished."

Devotees have pored over every bit of information released about "Justice League" to find hints of the movie Mr. Snyder envisioned before the reshoots. Using early trailers, photos from production and unused visual-effects shots leaked online, they have picked out changes including a

discarded origin for the character Cyborg and a scene in which Mr. Whedon apparently cut Gotham City Police Commissioner Gordon saying "again" at the end of one line.

Some fans believe a Snyder cut exists somewhere in the Warner Bros. vaults. That includes Chris Wong-Swenson of Honolulu, who has produced dozens of videos on the topic for his YouTube channel with titles like "Silence and Disinformation—Justice League Snyder Cut." In some, he self-

mockingly wears a tinfoil hat.

"I know it's not totally done, but I believe 100% there is a [Snyder] cut of the film," Mr. Wong-Swenson said in an interview.

People who worked on "Justice League" say that while Mr. Snyder did assemble a rough cut after he finished principal photography in late 2016, the director never said he intended it to be released. They add that Mr. Snyder oversaw the new scenes Mr. Whedon wrote the following winter and had planned to shoot them himself before the death of his daughter prompted him to leave.

"Who are these people who won't stop talking about the magical Snyder cut that doesn't exist?" lamented one person close to the film.

Mr. Wong-Swenson may end up with grim news for his YouTube subscribers. Warner Bros. has a huge presentation planned for Comic-Con Saturday to promote upcoming superhero movies including "Aquaman" and "Shazam!" The studio isn't planning to mention a Snyder cut or to release any alternate versions of "Justice League," a senior executive confirmed.

blue-collar base in a surly mood or apathetic about voting.

Congressional districts hit by big increases in imports have moved away from the political center, in either direction, according to David Autor, a Massachusetts Institute of Technology economist who studied how import competition affected political affiliation. What linked groups on the left and right was skepticism of free trade.

Trade deal

These changes are evident in Ohio's Eighth Congressional district, long a Republican bastion in the Cincinnati suburbs.

In 1992, the district was represented by Republican John Boehner, the former House speaker. He voted for the North American Free Trade Agreement, and helped pave the way for the Trans-Pacific Partnership, a trade deal among the U.S. and 11 Pacific-Rim nations that Mr. Trump pulled out of on his first workday in office.

From 1990, when Mr. Boehner was elected, to 2015, the percentage of the workforce employed in manufacturing in his district declined from 30% to 21%. It moved up in the ranking of manufacturing intensive districts, from No. 27 to No. 12, because the country's concentration of manufacturing workers declined even more. General Motors Co. closed a nearby factory in 2008 that employed 2,400 people. NCR Corp. moved its headquarters out of the area in 2009.

Seven area golf courses, long establishment Republican strongholds, have closed since 2012. Without the GM plant, "there is no middle-level management that can afford the dues structure anymore," said Steve Jurick, executive director of the Miami Valley Golf Association.

Mr. Boehner retired in 2015, as the growing power of populist conservatives in the House made his caucus more difficult to manage. His successor is Republican Warren Davidson, a member of the Freedom Caucus that bedeviled Mr. Boehner.

Though he has criticized

The shift in factory towns will help shape this year's midterm elections.

Factory Towns Go To GOP

Continued from Page One

gal immigrants to "any kind of vagrant or animal," gets a 5% rating by the AFL-CIO and derides the World Trade Organization as a "globalist organization" with too much power.

"We're in servitude" to Chinese bond buyers and other creditors, he told a constituent during a teleconference with voters in May.

The Republican Party didn't have a grand strategy to capture manufacturing. It happened over time as the economy and party changed.

Many counties that leaned toward Democrats lost so many factory jobs during the past 25 years that they ceased being manufacturing centers.

As the U.S. factory workforce diminished in size—from 15.4% of the U.S. workforce in 1992 to 8.5% today—it moved out of big cities that were union strongholds and into blue-collar suburbs.

The Northeast and New England, strongholds for Democrats, largely disappeared from the map of manufacturing-intensive counties, according to an analysis for the Journal by the Brookings Institution's metropolitan policy program. There are no manufacturing-intensive counties any longer in Massachusetts or Connecticut.

Pittsburgh, another Democratic bastion, shed its Steel City heritage and became a university and health-care center. Manufacturing jobs declined by 37,000 in the metropolitan area since 1992, while the number of service-industries employees increased by 168,000.

New heartland

The new manufacturing heartland runs through areas outside suburbs along interstate highways south from Michigan, Minnesota and Wisconsin through Ohio and into the Carolinas and the deep South.

There, whites without a college education, who identified with the Republican Party's focus on social issues and abortion restrictions, took up many of the factory jobs. The Trump administration's tough stance on trade deepened the bonds with workers who believed they were hurt by free-trade deals.

"Manufacturing moved to where the Republican Party has been building strength," says Jonathan Rodden, a Stanford University political scientist, who studies the geography of political change.

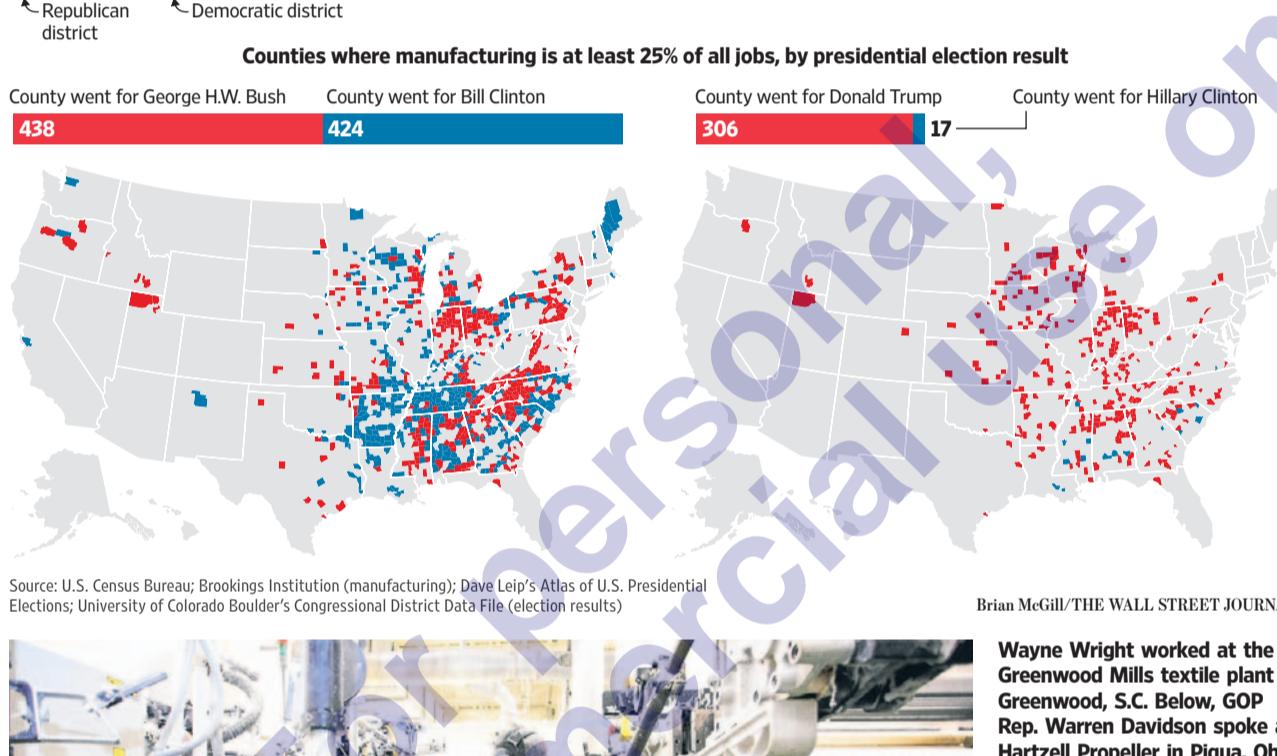
Other manufacturing areas have flipped to vote for Republicans. In 1992, there were 860 counties where at least 25% of the working population was employed in manufacturing. Democrat Bill Clinton won 49% of those counties. By 2016, manufacturers employed at least a quarter of the workforce in only 320 counties. Ninety-five percent of them went for Donald Trump.

In Wisconsin, five manufacturing-intensive counties in the northwest of the state have flipped from Democrats to Republicans since 1992. Three of those counties went for Mr.

The Manufacturing Vote

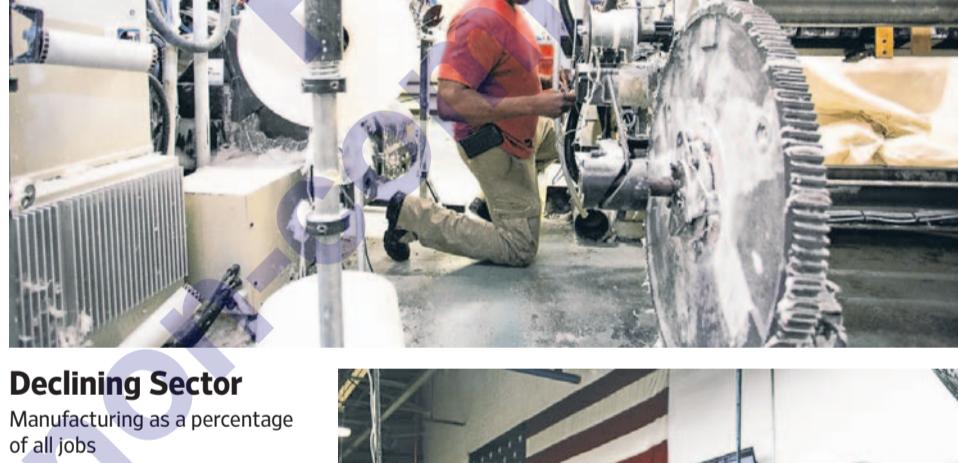
In the 1992 presidential election, manufacturing-intensive counties split pretty evenly between the Democratic and Republican contenders.

By 2016, nearly all those counties voted Republican. The results of Congressional races have also shifted.



Source: U.S. Census Bureau; Brookings Institution (manufacturing); Dave Leip's Atlas of U.S. Presidential Elections; University of Colorado Boulder's Congressional District Data File (election results)

Brian McGill/THE WALL STREET JOURNAL



Wayne Wright worked at the Greenwood Mills textile plant in Greenwood, S.C. Below, GOP Rep. Warren Davidson spoke at Hartzell Propeller in Piqua, Ohio.

Declining Sector

Manufacturing as a percentage of all jobs



Source: Labor Department via the Federal Reserve of St. Louis

THE WALL STREET JOURNAL

Trump in 2016 by margins of more than 25 percentage points.

Labor unions, which have long allied with Democrats, now represent just 9% of manufacturing workers, down from 20% in 1992, according to Barry Hirsch, an economist at Georgia State University.

"My image of Republicans is of a blue-collar type," says Larry Smith, a 68-year-old weave room supervisor at Greenwood Mills Inc. in South Carolina's third Congressional District. He voted for Democrats before, including Barack Obama in 2008, but sided with Mr. Trump in 2016. "Democrats come from more financially successful groups."

His boss, Jay Self, says a lot of local voters were turned off to the Democratic Party when Bill Clinton eased the entry of China into the WTO in the late 1990s, which he blames for wrecking the textile business. His family

owned business employed around 3,000 people in the U.S. in 2000, he says. Now that workforce is just 320.

As with many one-time Democratic manufacturing strongholds, social issues played a role in the shift to red from blue. Rep. Derrick supported the 1993 Brady Bill that mandated background checks on firearms purchases. Angry gun owners packed a town hall meeting in Pickens, S.C. He did not run for re-election in 1994.

Rep. Derrick, who died in 2014, was succeeded by a series of Republicans, all of whom took conservative positions on social issues and opposed the free trade deals unpopular in the district. "Down here, the Democrats shifted their attention to career people like in the medical industry, accountant or lawyers," Clemson University political scientist David Woodard said. But current factory workers, he said,

came from "linthead" families, using the local term for textile workers. "They all love Trump."

The changing allegiances in factory towns have scrambled politics for both Democrats and Republicans.

Voters for Democrats now tend to be better educated, more urban and less likely to identify themselves as blue-collar than Republicans and Independents, according to pollsters.

As the economic core of metropolitan areas has changed from manufacturing to services, finance and technology, the party has made little room for the conservative cultural views of many blue-collar workers and has embraced gay rights and increased immigration. The 2016 Democratic platform, for instance, had 19 mentions of rights for LGBT people. The 1992 platform had a single mention of the word "gay."

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ANDREW SPEAR FOR THE WALL STREET JOURNAL

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GREATER NEW YORK

Steam-Pipe Explosion Spews Asbestos

Residents evacuated amid concerns that contaminated debris could get into buildings

BY ZOLAN KANNO-YOUNGS
AND KATIE HONAN

A nearly century-old steam pipe exploded in Manhattan on Thursday morning, tearing open a city street and sending mud and asbestos spewing into the air as commuters headed to work, officials said.

The blast erupted in the Flatiron District at 6:39 a.m., emitting thick plumes of roaring steam that rose at least 22 stories high. Grayish debris blanketed nearby streets.

"All of a sudden I heard 'Pow!'" Shella Eckhouse said. "There was debris coming down and steam flying. I was covered in mud."

Ms. Eckhouse, a Manhattan resident who works at a jewelry business, was riding a Citi Bike to an exercise class in Chelsea when the pipe exploded a few feet away. She said she "pedaled so fast" to get away as quickly as possible.

Within minutes she had parked her Citi Bike, made her way to the gym, towed herself down and started class.

More than 100 firefighters and medical personnel, as well as 25 firetrucks, responded to the scene. Five people suffered minor injuries, the Fire Department New York said.

Firefighters and police cordoned off a four-block area around the site at Fifth Avenue and 21st Street. Officials said 49 commercial and residential buildings in the area, including 28 in the main blast area, were evacuated, and residents wouldn't be able to return for at least a few days.

Mayor Bill de Blasio said debris from the explosion tested positive for asbestos but air in the area was clean.

"There is real concern about whether any debris entered into buildings or into air-conditioning systems," he said after arriving at the scene. "So there is going to be thorough assessment to make sure that all the buildings are clean and safe."

Those who were in the vicinity of the Manhattan blast were advised to bag their clothing and shower. Con Edi-



A Manhattan blast sent plumes of steam rising into the air. Five people suffered minor injuries and more than 100 firefighters and medical personnel responded.



Flatiron Rupture Echoes 2007 Blast

The steam-pipe explosion that rocked the Flatiron District on Thursday was a roaring reminder of a fatal blast that occurred 11 years ago in Midtown.

The last major steam-pipe rupture occurred on July 18, 2007, on a street near Grand Central Terminal. The explosion injured dozens of people, includ-

ing a tow-truck driver who was severely burned by the scalding spray. One woman died after suffering a heart attack.

The explosion 11 years ago was the result of "an excessive internal pressure from a water hammer," according to a December 2007 report prepared for Consolidated Edison and written by the ABSG Consulting Inc. office in Stratham, N.H.

A water hammer, investigators wrote, is a rapid pressure shock inside a pipe caused by

violent interaction of steam and cooler water. Heavy rains the morning of the incident and a clog in the steam trap created the extreme pressure inside the 20-inch pipe, which had been installed in 1924.

Robert Vecchio, chief executive of LPI Inc., a consulting firm, is working with Consolidated Edison on Thursday's blast, but declined to comment on the cause. "The investigation is just starting," he said.

—Melanie Grayce West

son has set up decontamination stations where people can drop off exposed clothing.

The explosion left a large crater on Fifth Avenue and 21st Street, and a smaller hole on Fifth Avenue and 20th Street. Mr. de Blasio said Fifth Avenue between 19th and 22nd streets likely would be closed until the weekend.

The mayor said investiga-

tors were still trying to determine what caused the explosion. The steam pipe that exploded was 20 inches in diameter and installed in 1932, according to Con Edison.

A utility official said steam pipes have no expiration dates and age doesn't necessarily play a factor when they fail.

Ernest Hinnant, who works in the area at a co-working

company, got off the subway at Union Square just before 6:45 a.m. He noticed the steam but thought it was coming from a restaurant. When he turned toward Fifth Avenue, he saw a cloud plume and heard the roar of steam.

"There's a solid sort of substance coming out of the cloud that's sort of coating the ground. At first I honestly

thought that the solid substance was ash and it was a fire, but it's just gray and not ash," Mr. Hinnant said.

He said two cars were "totally covered in whatever is falling out of the thing."

The blast disrupted the morning commutes of riders on the R and W subway lines. Those trains bypassed 23rd Street in both directions be-

cause of the incident, according to the Metropolitan Transportation Authority.

A shaken Ms. Eckhouse attended her exercise class after the explosion, but she was somewhat philosophical about what occurred.

"It's New York City," she said. "Anything can happen anytime."

—Charles Passy contributed to this article.

Garner Cop Will Face NYPD Trial

BY ZOLAN KANNO-YOUNGS

The New York Police Department officer who placed Eric Garner in a chokehold before his death four years ago will face a department disciplinary trial for alleged excessive force, officials said Thursday.

The department will begin the disciplinary process against the officer, Daniel Pantaleo, and his sergeant, Kizzy Adonis, "in coming days," a police spokesman said.

For years, the NYPD has said it was waiting for the Justice Department to finish its civil-rights probe before starting an internal trial against Officer Pantaleo, even though there is no law saying the city had to do so. Officer Pantaleo has been on modified duty since Mr. Garner's death on July 17, 2014.

On Monday, the eve of the fourth anniversary of Mr. Garner's death, the NYPD issued an ultimatum to the Justice Department, vowing to move forward if federal investigators didn't announce criminal charges by the end of August.

Two days later, the Justice Department informed Lawrence Byrne, the NYPD deputy commissioner of legal matters, that the police department could start its process. The trial against the officer and a separate trial against his sergeant, aren't criminal proceedings. Possible punishments include a loss of vacation days and termination from the force.

Mr. Garner, who was 43 years old, died after plainclothes officers, including Officer Pantaleo, moved to arrest him on a Staten Island street for allegedly selling loose cigarettes. When Mr. Garner refused to be handcuffed, Officer Pantaleo placed Mr. Gar-



Gwen Carr wore a shirt with the image of her son Eric Garner on the fourth anniversary of his death.

ner in a chokehold, a move banned by the NYPD in 1993.

The chokehold was captured on cellphone video, and Mr. Garner's death prompted mass protests in New York City and around the U.S. over police use of force on unarmed black men. New York City's medical examiner said the chokehold contributed to the death of Mr. Garner and ruled it a homicide.

The process of holding a disciplinary trial for Officer Pantaleo will begin with the NYPD serving him excessive-force charges recommended by the city's Civilian Complaint Review Board, which investigates complaints against officers. The CCRB will serve as the prosecution in the trial. Both the CCRB and Stuart

London, the attorney for Officer Pantaleo, will then have time for discovery. A trial date at the NYPD's headquarters hasn't been determined.

Mr. London on Thursday told The Wall Street Journal: "We're looking forward to being vindicated in trial."

An NYPD-employed administrative trial judge would decide Officer Pantaleo's case and could recommend disciplinary action. Police Commissioner James O'Neill would have a final decision on any punishment.

Sgt. Adonis will face charges of failure to supervise, Mr. Byrne said previously. The Sergeants Benevolent Association didn't respond to requests for comment.

The Justice Department in-

vestigation into Mr. Garner's death opened in December 2014 after a state grand jury declined to indict the officer.

The Justice Department declined to comment on Thursday.

The federal case remains in legal limbo. Federal civil-rights prosecutors earlier this year recommended bringing charges against the officer, but it was unclear at the time if top Justice Department officials would be willing to move ahead with a case, people familiar with the matter said at the time. Prosecutors made the recommendation to Deputy Attorney General Rod Rosenstein, who must weigh in on whether to allow them to move forward with the case.

—Lara Korte contributed to this article.

High Bar for Charges In State Tax Probe Of Trump Foundation

BY CORINNE RAMÉY

New York state is investigating whether the Donald J. Trump Foundation violated tax laws, according to a senior Cuomo administration official, and legal experts say the bar for any resulting criminal charges is high.

The state Department of Taxation and Finance is leading the investigation, which is examining whether the foundation or its officers, including President Donald Trump, broke state tax laws by transferring assets or making misrepresentations to the state that might affect tax liability, the official said.

The state tax department could issue a criminal referral to either the New York state attorney general's office or the Manhattan district attorney's office, the official said. The office that got the referral would decide whether to prosecute.

A spokesman for the tax department declined to comment. A spokeswoman for the Trump Organization, Mr. Trump's flagship holding company, didn't respond to a request for comment; neither did a lawyer representing the Trump Foundation.

The investigation, and the possibility of a criminal referral, could complicate a pending civil case brought by the office of New York state Attorney General Barbara Underwood. In June, her office sued the Trump Foundation, alleging the president used the

charity to help his election campaign, pay legal settlements and promote his businesses.

In that case, the Trump Foundation called the suit "politics at its very worst." Mr. Trump called the suit "ridiculous."

"I won't settle this case!" he said on Twitter.

The official from the administration of Gov. Andrew Cuomo, a Democrat, said that after the attorney general's office sued, the governor's office checked with the tax department about the issue. It was unclear whether the tax department began investigating before or after the attorney general's office filed its suit.

Legal experts say charging

The investigation could result in a criminal referral to a prosecutor's office.

tax crimes, such as fraud, carries a high bar because prosecutors must prove that a defendant intended to deceive or commit wrongdoing. "It's not enough that you failed to pay your taxes," said Harry Sandick, a former Manhattan federal prosecutor. "It isn't even enough that you filled out the forms incorrectly. You have to do this with an intent to engage in criminal activity."

GREATER NEW YORK

New Pass Program Is Coming Up Short

By CHARLES PASSY

A new library program aimed at giving New Yorkers greater access to cultural attractions may be proving too popular for its own good.

Culture Pass, a joint initiative by the Brooklyn Public Library, New York Public Library and Queens Library that launched Monday, offers library cardholders free admission to 33 museums and other institutions throughout the five boroughs.

Cardholders must sign up online for passes to each participating organization through the program's website (culturepass.nyc). And those passes are in limited supply. As of Thursday afternoon, there was no availability for at least 10 institutions, including the Metropolitan Museum of Art, the Museum of Modern Art, and the Intrepid Sea, Air & Space Museum.

Library officials said the program is designed so that new passes are added at the beginning of each month, albeit with a booking date that is three months ahead. So, on Aug. 1, a new block of passes for the month of November will go online.

CORRECTIONS & AMPLIFICATIONS

The most recent draft of the Metropolitan Transportation Authority capital budget allocates \$1.4 billion for 535 new subway cars. An article Thursday about a report from the nonpartisan Citizens Budget Commission incorrectly said it allocated \$1.7 billion for 450 new cars.

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

Funds Set the Stage for Broadway

By CHARLES PASSY

As a financial adviser with a love for theater, Al Zdenek decided some years ago to invest in shows, but he soon learned the tough reality of the business: Just a handful of productions ever turn a profit. "I never had a hit," he said.

Now, Mr. Zdenek, a Manhattan resident, is taking a different tack. Instead of putting money into individual shows, he has invested \$50,000-plus in Center Stage Capital Inc., an entertainment company that launched this year and plans to produce four shows during the coming few seasons, including ones that are headed for Broadway.

Among the productions: "Green Acres The Musical," a contemporary take on the 1960s TV series, and "In the Room," a musical about the life of the photojournalist David Hume Kennerly.

Center Stage's approach speaks to the same idea that financial advisers emphasize to their clients about the stock market: The need to have your money spread among several investments in an effort to mitigate any losses, Mr. Zdenek said. "It all comes down to having a diverse portfolio," he added.

But Center Stage, which is being led by veteran Broadway professionals Pam Lauder-Slager and Colleen Lober and has a minimum investment of \$25,000 with a goal of raising up to \$49 million, is hardly the only entity of its kind. A handful of investment vehicles, created by others within the theater and financial worlds, essentially do the same thing in terms of putting money into multiple shows, Broadway and off-Broadway, at once.

Each investment is structured somewhat differently. The Broadway Strategic Return Fund, launched in 2016, is an open-ended fund that spreads its money—so far, just more than \$10 million—among an array of titles. Currently, it



The Tony Award-winning 'Once on This Island' is among the 30 shows that the Broadway Strategic Return Fund is investing in.

has investments in 30 shows, including such Tony Award-winners as "Dear Evan Hansen" and the revival of "Once on This Island." The fund has a minimum investment of \$250,000.

By contrast, the Alexis Fund, led by Anita Waxman, a Broadway producer with 30 years of experience, is a smaller fund that concentrates on a handful of shows at a time. So far, Ms. Waxman has created two iterations of the fund, one that was capped at \$500,000 and another that was capped at \$1.5 million.

She is now seeking investors for a third iteration that would be capped at \$3 million and has a minimum investment of \$50,000.

The cost of producing Broadway shows, especially musicals, has increased considerably during the past decade, say theatrical profes-

sionals. A modest-sized musical can run \$10 million; a more elaborately scaled one can top \$20 million.

There seems little question as to what is driving the rise in these Broadway investment vehicles. Namely, the boom in the industry itself. In the 2017-18 season, Broadway had a record year, with ticket sales of \$1.7 billion and attendance of 13.8 million.

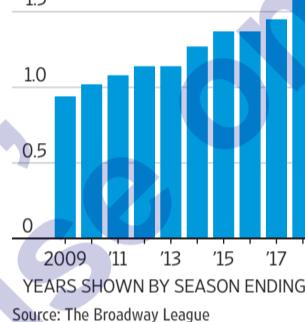
A pooled investment offers a chance to partake of the boom while minimizing the risk, theatrical and financial professionals generally agree. And that risk is high. Experts say at least two-thirds of Broadway shows end up in the red.

That doesn't mean the model is perfect. Just as a few bad stocks can bring down even a fairly diversified mutual fund, the same is true in a pooled theatrical investment. A case in point: Ms. Wax-

Revenue Rising

The box-office tally for Broadway shows has grown over the past decade.

\$2.0 billion



Source: The Broadway League

THE WALL STREET JOURNAL.

man said the first iteration of her Alexis Fund was hurt by an investment in the failed musical "Tuck Everlasting,"

which ran on Broadway in 2016 for a mere 39 performances. Largely as a result of that one investment, Ms. Waxman said it is unlikely that the fund will break even, though she added that the second iteration of the fund has proved profitable.

Still, for many theatrical investors, money isn't the only consideration. Just as important is the opportunity to be a part of the scene. Investors in individual shows can attend events ranging from early stage readings to opening nights.

But that may not be true for investors in a fund because there isn't as direct a connection, said Ryan Stana, chief executive officer of RWS Entertainment Group, a New York-based company that specializes in theater and live events. "When you're part of a fund, you're losing the glamour," Mr. Stana said.

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LIFE & ARTS

TELEVISION REVIEW

By John Anderson

A Town of Many Miseries

AT LEAST TWO constituencies will be pleased by the arrival of "Castle Rock," Hulu's latest entry into the overcrowded field of horror-accented series. One is the fan base of Stephen King, whose locales of choice—Maine, specifically the town of Castle Rock and, here, a prison called Shawshank—provide the backdrop for the 10-part premiere season of what's intended as an open-ended anthology series.

The other happy group will be the fans of André Holland, whose performances in "Moonlight" and "The Knick" have established him as one of the more convincing and watchable actors on screen. Here he plays Henry Deaver—remember that name—an appellate lawyer who takes on hopeless Death Row cases. Having lost yet another client, he gets an anonymous phone call from his old hometown: A hollow-eyed young man (Bill Skarsgård), who according to prison paperwork doesn't exist, has been found deep in the bowels of the architecturally dreadful Shawshank. And while he's initially thought to be mute, he has muttered a name. You guessed it.

Does that make Henry his lawyer? Henry thinks it might and is intrigued enough to return to a place with all the allure of gas-free dentistry. "Bad things happen because bad people know they're safe here," says a denizen of the woeful Castle Rock, where Henry's adoptive mother, Ruth (Sissy Spacek), is succumbing to dementia; where the just-retired prison warden (Terry O'Quinn) has just driven off a cliff with a noose around his neck; and where, back in 1991, Henry disappeared for 11 days and turned up not saying—or perhaps not knowing—where he'd been. His father died in the process. Henry's always been blamed.

Mr. King (serving only as an executive producer here) often creates horror rooted in the everyday—ghoulish phenomena arising from mundane circumstances. "Castle Rock" dutifully reflects this. And while previous adaptations of his writing have included some dauntingly impressive work ("The Shining"), "Castle Rock" rises to the occasion; some of its creepier moments have one wishing it were on a big screen, the better for skin to crawl.

Mr. Holland gives an appropriately layered portrayal of an off-balance character. Likewise Melanie Lynskey, whose Molly Strand, a childhood friend of Henry's, is both an empathetic clairvoyant and an opioid addict.

The social commentary is never overdone, but it's there—from the oxycontin plague to the privatization of prisons. Shawshank, it should be noted, has gone corporate, which leads to the arrival of a new warden (the delightfully poisonous Ann Cusack), who looks around her new digs and mutters, "If this were my office I'd kill myself, too." She's so deliciously awful she'll fit right in.

Castle Rock
Begins Wednesday, Hulu



Bill Skarsgård in Hulu's 'Castle Rock'



UNIVERSAL STUDIOS (2)

FILM REVIEW

| By Joe Morgenstern

'Mamma Mia' Redux: Top Pop

ABBA hits, extravagant settings and high-energy performances tell a family story with feeling

AH, SWEET(ISSH) surrender...there's simply no defense against "Mamma Mia! Here We Go Again," with its bright colors, brighter smiles, exuberant music, merry villagers and moist radiance. Yes, the glee is industrial-strength, and the ABBA-fueled production numbers are so far over the top that the film is at once topless and chaste. Yet there's a wellspring of genuine feeling in this time-hopping sequel, framed as an origin story.

In the first film, which opened 10 years ago, Meryl Streep was the unquenchable Donna Sheridan, a former rocker and the owner of a hotel on an idyllic Greek island. Amanda Seyfried was her daughter, Sophie, about to be married and determined to find the identity of her father.

Now the adult Donna is out of the picture—though not entirely, as the trailers reveal—and Ms. Seyfried's Sophie, about to have a baby (and to reopen the hotel), wants to understand the beloved mother who brought her into the world.

Powered by that potent pretext, the story shuttles between Sophie's present and a long-ago in which Donna, a free and buoyant spirit, is played by Lily James. Dominic Cooper is, once again, Sophie's heartthrob, Sky. Christine Baranski and Julie Walters are back as Donna's old friends and former Dynamos band mates, Tanya and Rosie. So are Pierce Brosnan, Colin Firth and Stellan Skarsgård as her old boyfriends, Sam, Harry and Bill, any one of whom might have fathered Sophie, and all of whom help Sophie evoke her mother's past. (As for solving the paternity mystery once and for all, I'll say only that in the course of the new film no DNA tests are administered.)

The "Here We Go Again" part of the title, which deftly invokes the ABBA song, might also have served as a confessional comment on Hollywood's all-pervasive sequelitis, but there's no sense of weariness here. The energy level is set from the start when Donna,



Jessica Keenan Wynn, Lily James and Alexa Davies, above, and Julie Walters and Amanda Seyfried, left

chosen to give the valedictory address at her graduation from Oxford, bursts into bewitching dance and song in a rendition of "When I Kissed the Teacher," accompanied by Tanya and Rosie, who are played as young women by Jessica Keenan Wynn and Alexa Davies. (Jeremy Irvine, Hugh Skinner and Josh Dylan are dreamboat-charming as Donna's boyfriends, the very same Sam, Harry and Bill.)

Ms. James, like Ms. Seyfried, sings in a modest and mostly endearing voice that's closer to the style of "The Umbrellas of Cherbourg" than to the tradition of Broadway belters. She makes Donna a joy, if occasionally an overjoy; sometimes you wonder whether the movie's young heroine will ever stop smiling. She does, though—beauty is no defense against pain—and you are hereby challenged to remain unmoved when the film juxtaposes the birth of Sophie's child with Sophie being born to a flower child living alone on rocky soil in a faraway place.

In one of a string of romantic scenes, the moon floats so large above the Aegean that it seems to have continents instead of craters.

"Mamma Mia! Here We Go Again" goes in for all sorts of magnification—outsize performances, sentiments, costumes and settings. (When Bill and Harry show up at the island for the hotel's grand reopening, they arrive with a flotilla of boats that suggests some alternate world Dunkirk.) What's notable about the broadness, though, is that it stays clear of grandiosity. That's a tribute to the skill and confidence of the writer-director, Ol Parker. The original production was extremely likable, but far from expert. Nor was it considered fashionable—I took a lot of teasing for

my positive review—while this new one may be welcomed for being so upbeat about life at a time when we need all the legal high spirits we can get.

I've waited until now to talk about an apparition that the film saves for almost-last: the arrival, on the storybook island, of Cher in the role of Ruby Sheridan, a hitherto unseen and conspicuously uninvited denizen of Las Vegas who is Donna's mother and Sophie's grandmother. If you stop to think about it, Cher is only three years older than Meryl Streep, so Ruby would have been unusually precocious in the child-bearing department. But no one will stop to think about it when Cher, clad goddess-like in white with platinum hair, descends from her helicopter to join a climactic party in progress. She speaks slowly, as if from another planet, and when she sings and dances to "Fernando" with Andy Garcia's Fernando, who manages the hotel, fireworks fill the sky as they have not since Katharine Hepburn kissed Rossano Brazzi on a Venice balcony in "Summertime." Restraint is for the faint of heart.

THEATER REVIEW

| By Terry Teachout

'MARY PAGE MARLOWE': EVERYWOMAN IN OHIO

New York

TRACY LETTS is one of this country's foremost writers, a playwright who is unafraid to explore the private lives of Americans of all kinds, from the sleazy trailer trash of "Killer Joe" to the freshly divorced misanthrope at the heart of "Linda Vista." He is also a character actor of near-unique range who fills his plays with complex, richly nuanced roles. Yet nothing he had previously done prepared audiences for "Mary Page Marlowe," first performed by the Steppenwolf Theatre Company in 2016, in which he used six different women (and a doll) to portray a seemingly ordinary Ohio accountant whose life is a scrapbook of what it

means to be a woman in America. I called it "the most purely beautiful play that Mr. Letts has given us" in my review of the Chicago premiere, and now that it has reached New York in a new staging of identical merit, it looks—if possible—even more impressive.

Mr. Letts's 90-minute play, which is set between 1946 and 2015, is structured in a way that requires detailed explanation on paper. The six actors who play the title role (Blair Brown, Emma Geer, Mia Sinclair Jenness, Tatiana Maslany, Kellie Overbey and Susan Pourfar) appear in 10 of the 11 vignette-like scenes in which Mary Page is seen as a baby and

at 12, 19, 27, 36, 40, 44, 50, 59, 63 and 69. Some scenes take place at key moments in her life—we see her in the hospital not long after she learns that she is going to die—while others appear at first glance to have been picked at random. Moreover, the scenes are not arranged chronologically but in an order of the author's own devising. The first one, for example, in which the 40-year-old Mary Page (Ms. Pourfar) explains to her children (Kayli Carter and Ryan Foust) that she and her first husband are going to get a divorce, is immediately followed by a scene in which she is portrayed as a 19-

Please turn to page A13



JOAN MARCUS

LIFE & ARTS



Ilona Stolie, with her daughter, in Moscow, 2012, left, and 'Limo Bob' in Chicago, 2008, above, are part of 'Generation Wealth.'

© LAUREN GREENFIELD/AMAZON STUDIOS (2)

FILM REVIEW | By Joe Morgenstern

Lifestyles of the Rich and Heinous

Lauren Greenfield's sprawling documentary is a whirlwind of greed, excess and dysfunction

LAUREN GREENFIELD is emerging as the Diane Arbus of excess. Her bizarre new documentary feature, "Generation Wealth," opens six years—to the day—after her previous full-length doc, "The Queen of Versailles." Writing about the earlier film, I called it "deliciously appalling" for its tightly focused portrait of two hyper-acquisitive souls, husband and wife, who set out to build the biggest house in America, then stuffed it with unimaginable amounts of stuff. The focus was the

thing. Ms. Greenfield's film didn't need to explain, or declaim; her subjects told us all we needed to know about the pleasures and perils of greed. This new film, though, is mainly appalling, and not instructively so. It's all over the place, to the point of inducing numbness or suffocation. In the end it comes out in favor of love, which is good, but getting there may leave you glassy-eyed, unless you're deeply into bling porn.

Many people are, as spec-

tators or collectors, so the movie—part of a multimedia effort that includes a traveling photo exhibition, currently in Oslo, and a book published last year—may well find an audience. There's no arguing against part of its thesis, that the rich are getting spectacularly richer and wealth disparity is changing the world. But this is not an academic inquiry—it's the filthy-rich version of a carnival freak show. (My favorite character in the real-life cast is the disgraced

hedge-fund tycoon Florian Homm, who, safe from extradition in Germany and philosophizing for the camera with oleaginous self-pleasure, could teach Gordon Gekko a thing or two about being authentically repellent.)

A list of the film's grotesqueries would have to include a grievously disturbed porn actress who, almost refreshingly, isn't Stormy Daniels; a child beauty queen from the TV reality show "Toddlers & Tiaras"; Robert "Limo Bob" Strauser and his

33 pounds of gold and diamond bling; and a female hedge-fund prodigy who could lay persuasive claim to the title of world's most neurotic woman.

Is there a pattern here? Yes and no. Ms. Greenfield offers all of the above, and plenty more, as evidence of the failure of the American dream and the nation's incipient downfall. "It's kinda like the end of Rome," the journalist Chris Hedges declares on cue. Far be it from me to say it isn't, but I must also say that "Generation

"Wealth" loses track of itself as it wanders farther and farther afield—to Iceland and the crash of 2008; to eating disorders and the commodification of sex; and, finally, to the filmmaker's own obsessions—not only with wealth—for which her film, she believes, will serve as therapy. If it does, more power to the production and to her, but I miss the self-contained craziness of that husband and wife living their dream of wealth and beauty in their definitively loony mansion.

JOAN MARCUS
Gary Wilmes and Tatiana Maslany in the play about an accountant in the Midwest

No Such Thing as Average

Continued from page A12
year-old college freshman (Ms. Geer) who has just received a proposal of marriage—one that she's decided to turn down.

If this elaborate description makes "Mary Page Marlowe" sound like an avant-garde exercise in fractured narrative, be assured that it doesn't play that way: It unfolds simply and intelligibly, proceeding according to a dramatic logic that makes total sense to the eye and ear. What we see before us is a woman who gradually comes to understand, however haltingly and imperfectly, who and what she is. At 36 she views herself as an "unexceptional" person whose life has happened to her rather than being shaped by her own volition: "I went along with it...Like some bird. Like a migrating bird." It is also full of heartbreak: We learn, among other things, that Mary Page is an alcoholic who does time for drunken driv-

ing and who outlives one of her children and her third and best husband (Brian Kerwin). Yet she is still able to say at its end that hers was "a good life," and we believe her, just as we come away from "Mary Page Marlowe" reminded that even the little life of an Ohio accountant is charged with infinite consequence. The trick is to see it—and Mr. Letts does.

In the two years since "Mary Page Marlowe" was first performed, we have been told repeatedly that it matters "who tells your story" (to use the oft-quoted phrase coined by Lin-Manuel Miranda in "Hamilton") and warned no less repeatedly that a man may not have the political right to tell a woman's story. Whatever the merits of that claim, it has no purchase on "Mary Page Marlowe," which I have now seen in the company of two women of different ages, both of whom assured me that Mr. Letts had told Mary Page's story in a way that they found not merely plausible but quite startlingly insightful.

To be sure, the plausibility of this production is also owing in large part to the six actors who play Mr. Letts's small-town everywoman, all of whom look

Mary Page Marlowe
Second Stage Theatre, Tony Kiser Theater, 305 W. 43rd St. (\$69-\$89), 212-246-4422, closes Aug. 12

Mr. Teachout, the Journal's drama critic, is the author, most recently, of "Billy and Me." Write to him at tteachout@wsj.com.

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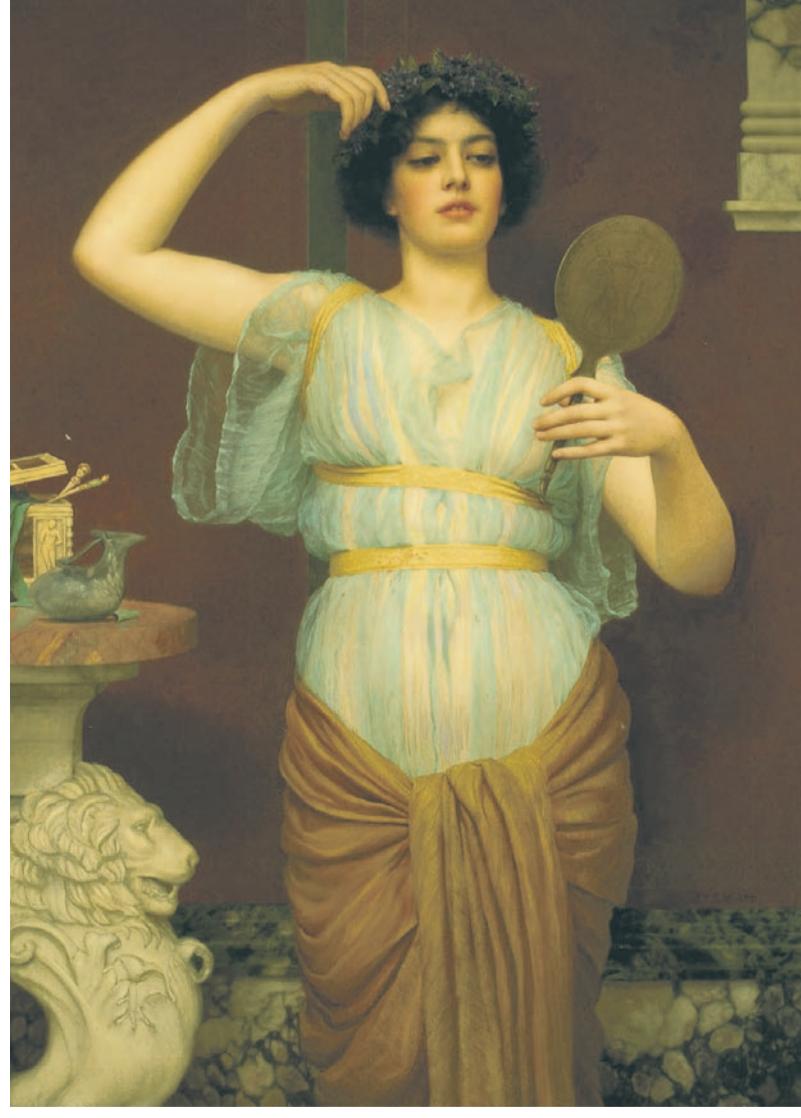
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SPORTS

BRITISH OPEN

EVEN-PAR START FOR WOODS

BY BRIAN COSTA

Carnoustie, Scotland

Tiger Woods showed up for his first British Open in three years on Thursday with a strip of therapeutic tape across the back of his neck. And it was easy then to imagine how the day could turn out like so many others for him in recent years: another injury—this time a sore neck—standing between him and good golf or any golf at all.

But Woods made it to the first tee at Carnoustie, after all, and then he made it back to a place even he didn't expect to be again: in contention at a major championship.

Woods shot an even-par 71 to finish the first round five shots behind leader Kevin Kisner. It was the first time he started a major at par or under since the 2014 British Open.

While 18 players finished the day ahead of Woods, nearly all of them played earlier when the winds were lighter.

Only one of the 44 other players who teed off after 1:30 p.m. local time scored lower than Woods, who went off at 3:21. The only deflating aspect of his round were the three bogeys on the back nine.

Jordan Spieth, the defending champion, was 3 under par through 14 holes but made a double bogey and two bogeys on his last four to finish at 1 over. He blamed poor club selection for his double on No. 15.

"You hit a shot, and it doesn't go as planned, and you're always second-guessing yourself," Spieth said. "You could have hit somewhere else. I could have hit driver' or I could have hit 5-iron."

Woods said his neck, which had been bothering him "for a while," may have affected his swing, but aches and pains are just part of the Woods experience.

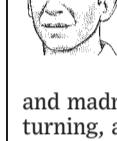
"Everyone acts like this is the first time I've been bandaged up," Woods said. "I've been doing this for years—braces and bandages. It's just that this time, it's actually visible."



Tiger Woods shot a 71 on Thursday.



Egan Arley Bernal Gomez, Geraint Thomas, wearing the yellow jersey, and Chris Froome climb Alpe d'Huez during the 12th stage of the Tour de France.



Alpe d'Huez, France

GREETINGS FROM Alpe d'Huez, where today there is nothing but sun, and wine, and climbing, and turning, and madness, and climbing, and turning, and madness and...

French people—loads of screaming, passionate French. Dutch people—loads of screaming, passionate Dutch. As well as Colombians, Brits, Spaniards, Norwegians, Slovaks, Slovaks, Germans, Swedes, Italians, Irish, Americans... And me.

This is the 105th edition of the Tour de France, where, after a week or so of pedaling around the northern flats and cobblestones, we are here, in the proper mountains, separating the stars from the water-carriers, as they're known in this merciless, skinny-limbed trade.

Like a lot of cycling fans, I've watched the chaos of Alpine stages on television—the boozy crowds chasing passing riders—and thought: Good grief. Look at those lunatics.

Today, I am among the lunatics. With the Journal's SportsBoss (TM), Bruce Orwall, I've trampled down a long, steep downhill mountain bike path and settled into one of Alpe d'Huez's iconic 21 turns. There's famously Dutch corner, and I've heard a lot about the Irish corner this year. This bend is claimed by a band of Slovenians, who drink and wave flags and sing, the riders still miles and miles away.

Cycling has mixed emotions about the noisy throngs on mountaintop finishes. On one hand, it's a spectacular sight: hundreds of thousands of fans, lining a climb to cheer, literally arm's length—or less—from the best riders in the world. There's nothing like it in sports.

CYCLING | By Jason Gay

The Tour's Mountain Madness, and Me

On the other hand, it's totally cuckoo. A single idiot in the throng can impact the race.

I am determined not to be that idiot. After an hour of waiting—a pittance, really, since many fans on the mountain spend nights camping out—the roar of a race helicopter signals the arrival of the race leader. In a rush, here they come: Dutch rider Steven Kruijswijk, in a solo breakaway, furiously chased by French climber Romain Bardet and an elite trio—yellow jersey race leader Geraint Thomas, four-time Tour champ Chris Froome, and former Giro d'Italia champ Tom Dumoulin.

It's a mesmerizing scene. I know not everyone here is crazy about cycling, so let me try to contextualize it. It's like getting to sit on second base and watch baseball's All-Star Game.

The best of the best—close enough to touch. You can look at their jerseys and see rib cages pumping. You can look at their eyes and see exhausted souls.

Elsewhere, however, there is idiocy. I will learn later that some dingbat down the mountain put a menacing hand on Froome—a true no-no—and that a race motorbike operator, riding into a cloud of

smoke flares, stopped short and took down Italian favorite Vincenzo Nibali.

Not good. None of it. A plea to future mountaintop dingbats: stay home. You're ruining a great thing.

This has been a weird Tour thus far. Thomas wound up winning Thursday's stage, his second in a row, staying in yellow as the race leader. A little more than a minute-and-a-half behind is his Team Sky colleague, Froome. Sky isn't the most popular outfit in the sport at the moment—they're rich and dominant, and cycling (and France) adores the plucky—and Thomas is barraged by boos at the post-race ceremony.

"If people don't like Sky and boo, that's fine," a diplomatic Thomas says afterward. "But don't affect the race. Don't touch the riders, don't spit at us. Have a bit of decency."

Meanwhile, it's an emotional afternoon for EF Education First, the American team that has lost its leader and yellow jersey hopeful, Rigoberto Uran, to injuries from a crash. Early on, his teammate Pierre Rolland attempts a valiant solo attack, only to get swept up by the leaders.

One silver lining for EF is the

gutty ride of Texas-born rider Lawson Craddock, who has rallied from a first-day crash and used social media to raise money for a Houston cycling velodrome that was damaged by Hurricane Harvey. Craddock's drive has already netted more than \$100,000.

"It's truly incredible," Craddock told me Wednesday, his broken shoulder bone taped below his jersey. "That's why I'm really enjoying pushing through this tour."

The leaders hoard most of the attention, but there are stories like Craddock's all over the Tour. One of my favorites is the American rider Chad Haga (another Texan), who rides as a support rider for Team Sunweb, and has found a side career as a pro cycling Robert Frost, neatly summarizing every stage with a short and oddly excellent Twitter poem he calls "Over-SimpLeTour."

Here is Haga on Thursday's Alpe d'Huez stage:

"Hail-Mary thrown by a top guy cracks all but the top guys, who finish in déjà vu fashion amid a huge party while some fast guys fail to finish."

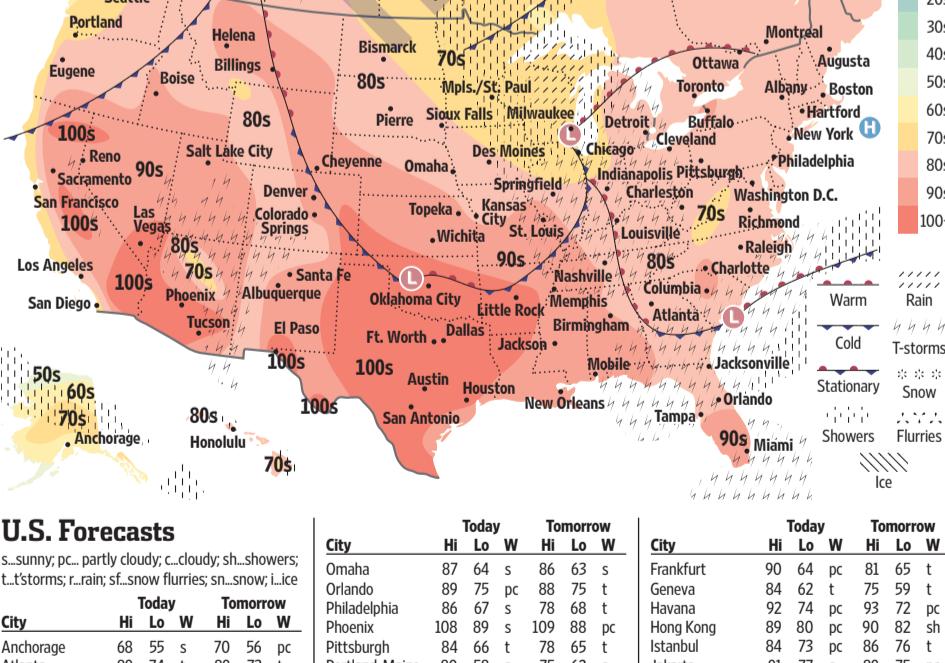
"I'm surprised it's caught on as well as it did," Haga told me. "I guess people are apparently hungry for a new perspective on cycling."

By early evening, the circus on Alpe d'Huez is getting ready to leave town. Riders are spending the night up here, but the crowds on the mountain are thinning. Drinking continues apace.

After four days in France, I feel like a human croissant. Beyond the Alps come the Pyrenees. There are nine stages left before the finish in Paris.

It's beautiful madness. And now, wine.

Weather



U.S. Forecasts

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

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 68 55 s 70 56 pc

Atlanta 89 74 t 89 73 t

Austin 105 75 pc 105 75 pc

Baltimore 86 67 s 78 66 t

Boise 96 64 s 95 62 s

Boston 81 64 s 75 67 s

Burlington 89 65 s 87 64 pc

Charlotte 90 70 s 86 69 t

Chicago 78 68 t 75 67 sh

Cleveland 82 70 t 81 68 t

Dallas 108 82 s 108 83 s

Denver 96 68 s 96 66 pc

Detroit 84 68 t 79 69 r

Honolulu 88 76 pc 86 75 pc

Houston 100 79 s 101 79 s

Indiansapolis 84 67 t 77 66 t

Kansas City 89 66 s 87 65 s

Las Vegas 107 87 s 106 86 pc

Little Rock 102 77 s 96 69 pc

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OPINION

Brennan and the 2016 Spy Scandal



POTOMAC WATCH

By Kimberley A. Strassel

The Trump-Russia sleuths have been back in the news, again giving Americans cause to doubt their claims of nonpartisanship. Last week it was Federal Bureau of Investigation agent Peter Strzok testifying to Congress that he harbored no bias against a president he still describes as "horrible" and "disgusting." This week it was former FBI Director Jim Comey tweet-lecturing Americans on their duty to vote Democratic in November.

But the man who deserves a belated bit of scrutiny is former Central Intelligence Agency Director John Brennan. He's accused President Trump of "venality, moral turpitude and political corruption," and berated GOP investigations of the FBI. This week he claimed on Twitter that Mr. Trump's press conference in Helsinki was "nothing short of treasonous." This is rough stuff, even for an Obama partisan.

That's what Mr. Brennan is—a partisan—and it is why his role in the 2016 scandal is in some ways more concerning than the FBI's. Mr. Comey stands accused of flouting the rules, breaking the chain of command, abusing investigatory powers. Yet it seems far likelier that the FBI's Trump investigation was a function of arrogance and overconfidence than some partisan plot. No such case can be made for Mr.

Brennan. Before his nomination as CIA director, he served as a close Obama adviser. And the record shows he went on to use his position—as head of the most powerful spy agency in the world—to assist Hillary Clinton's campaign (and keep his job).

Mr. Brennan has taken credit for launching the Trump investigation. At a House Intelligence Committee hearing in May 2017, he explained that he became "aware of intelligence and information about contacts between Russian officials and U.S. persons." The CIA can't investigate U.S. citizens, but he made sure that "every information and bit of intelligence" was "shared with the bureau," meaning the FBI. This information, he said, "served as the basis for the FBI investigation." My sources suggest Mr. Brennan was overstating his initial role, but either way, by his own testimony, he as an Obama-Clinton partisan was pushing information to the FBI and pressuring it to act.

More notable, Mr. Brennan then took the lead on shaping the narrative that Russia was interfering in the election specifically to help Mr. Trump—which quickly evolved into the Trump-collusion narrative. Team Clinton was eager to make the claim, especially in light of the Democratic National Committee server hack. Numerous reports show Mr. Brennan aggressively pushing the same line internally. Their problem was that as of July 2016 even then-Director of National Intelligence James Clapper didn't buy it. He publicly refused to say who was re-

sponsible for the hack, or ascribe motivation. Mr. Brennan also couldn't get the FBI to sign on to the view; the bureau continued to believe Russian cyberattacks were aimed at disrupting the U.S. political system generally, not aiding Mr. Trump.

The CIA director couldn't himself go public with his Clinton spin—he lacked the support of the intelligence community and had to be careful

Obama's CIA director acknowledges egging on the FBI's probe of Trump and Russia.

not to be seen interfering in U.S. politics. So what to do? He called Harry Reid. In a late August briefing, he told the Senate minority leader that Russia was trying to help Mr. Trump win the election, and that Trump advisers might be colluding with Russia. (Two years later, no public evidence has emerged to support such a claim.)

But the truth was irrelevant. On cue, within a few days of the briefing, Mr. Reid wrote a letter to Mr. Comey, which of course immediately became public. "The evidence of a direct connection between the Russian government and Donald Trump's presidential campaign continues to mount," wrote Mr. Reid, going on to float Team Clinton's Russians-are-helping-Trump theory. Mr. Reid publicly divulged at least one of the allegations con-

tained in the infamous Steele dossier, insisting that the FBI use "every resource available to investigate this matter."

The Reid letter marked the first official blast of the Brennan-Clinton collusion narrative into the open. Clinton opposition-research firm Fusion GPS followed up by briefing its media allies about the dossier it had dropped off at the FBI. On Sept. 23, Yahoo News's Michael Isikoff ran the headline: "U.S. intel officials probe ties between Trump adviser and Kremlin." Voilà. Not only was the collusion narrative out there, but so was evidence that the FBI was investigating.

In their recent book "Russian Roulette," Mr. Isikoff and David Corn say even Mr. Reid believed Mr. Brennan had an "ulterior motive" with the briefing, and "concluded the CIA chief believed the public needed to know about the Russia operation, including the information about the possible links to the Trump campaign." (Brennan allies have denied his aim was to leak damaging information.)

Clinton supporters have a plausible case that Mr. Comey's late-October announcement that the FBI had reopened its investigation into the candidate affected the election. But Trump supporters have a claim that the public outing of the collusion narrative and FBI investigation took a toll on their candidate. Politics was at the center of that outing, and Mr. Brennan was a ringmaster. Remember that when reading his next "treason" tweet.

Write to kim@wsj.com.

The Pastor Caught in Turkey's Chaos

HOUSES OF WORSHIP

Izmir, Turkey

By Kristina Arriaga

President Trump tweeted Wednesday evening: "A total disgrace that Turkey will not release a respected U.S. Pastor, Andrew Brunson, from prison. He has been held hostage far too long." He called on Turkish President Recep Tayyip Erdogan to free the North Carolina native, who has spent more than 600 days behind bars.

Mr. Brunson, a Presbyterian minister, stands accused of aiding the Kurdistan Workers' Party, a militant terrorist group known by the initials PKK, and supporting Mr. Erdogan's exiled rival, Fethullah Gülen. The prosecution is calling for 35 years in prison. For the 50-year-old American, who has spent 23 years leading a church in Turkey, that's effectively a life sentence.

The ordeal started in October 2016. Mr. Brunson received a notice to appear at the local police station in Izmir. He did and hasn't been home since. After 13 days in detention, authorities placed him in an overcrowded prison cell, where he stayed for several months before he was moved to a more humane cell with only one roommate. He spent more than a year without being charged. Meantime, the government-controlled press ran absurd accounts about his supposed involvement in the 2016 coup attempt against Mr. Erdogan. American officials started

questioning the pastor's arrest, but Turkey denied the detention had anything to do with his Christianity. Yet in the 62-page indictment, which the prosecution leaked to the press before presenting it to Mr. Brunson's lawyer, the government alleges that his pastoring had the effect of "dividing and separating [Turkey], by means of Christianization." The government also alleged that Gülenists and the PKK "misuse persons' religious beliefs and try to create a synergy that poses a threat to their own government."

Since the indictment, the government has held three hearings—each more bizarre than the last. Most of the evidence is based on secret testimony obtained by the government. Wednesday's hearing in Izmir, which I attended, proved as preposterous as the others.

Three judges sat on a raised wood-paneled dais. At a lower level, Mr. Brunson's attorney stood behind a fixed podium. Witnesses were placed across from the attorney. Sitting on a row of fixed chairs sat Mr. Brunson, who has lost 50 pounds while imprisoned. Behind him, among hundreds of empty chairs, five policemen idled. On the opposite side of the court, Mr. Brunson's wife watched quietly. She was surrounded by fellow Christian pastors, friends, foreign and local press, and U.S. diplomatic officers.

The judges allowed a single witness for the defense to speak. This was a "concession,"

as they had previously said only prosecution witnesses could testify. The judges aided the prosecution witnesses' recollections by reminding them of their written testimony. When a judge asked one of the witnesses about the names of people involved in activities against Turkey, the witness replied that while he didn't remember now, he might remember later. The judge accepted this reply.

Andrew Brunson preached peacefully for decades. Then the coup happened.

For two hours the pastor sat straight, serenely listening to people claiming to be members of his church, saying he provided Bibles in Kurdish and kept a map of Kurdistan. None of the judges asked to see evidence, and none was presented.

At noon, a judge asked Mr. Brunson to speak. He replied in Turkish: "My faith teaches me to forgive. I forgive those who testified against me." The judge loudly objected to this mention of faith and admonished Mr. Brunson to speak on the facts only. The pastor added later: "None of the witnesses heard from my mouth a word that was sympathetic with the PKK." At the end, a judge announced the next hearing would take place in October.

Mr. Trump's tweet wasn't the first plea for Mr. Brunson's freedom. The White House, the secretary of state and several senators have worked for his release. Last month Sens. Lindsey Graham and Jeanne Shaheen visited Mr. Erdogan and asked him to free the pastor. The Senate version of the National Defense Authorization Act calls for the U.S. government not to sell F-35 jets to Turkey unless Mr. Brunson is released. The United Nations Working Group on Arbitrary Detention recently agreed to take the case. Yet Turkey, a North Atlantic Treaty Organization ally, won't budge.

Ankara responded to the president's tweet, claiming that the "Brunson case is a legal process" and "Turkey is a state of law." This simply isn't true. Since the coup attempt, Mr. Erdogan has initiated a rapid crackdown on civil liberties, religious freedom among them. Turkey's Constitution provides for freedom of belief and worship, along with the personal right to share religious ideas.

But as Mr. Brunson's case shows, religious freedom has become a nominal right in Turkey. Such a blatant contradiction between Turkey's Constitution and its conduct should give pause to anyone considering traveling to or doing business in Turkey.

Ms. Arriaga is vice chairwoman of the U.S. Commission on International Religious Freedom.

By Robert McNamara and David Bookbinder

Across the country activists are speaking out against the use of eminent domain to construct natural-gas pipelines. Some have climbed trees and refused to come down. The agency in charge of approving these pipelines—the Federal Energy Regulatory Commission, or FERC—is reconsidering how eminent domain, by which the government legally expropriates private property for public purposes, is used.

While we stand with those who stand for individual rights—and enjoy a good tree-climb—protests like these can only go so far. The U.S. is a country of laws, and if a court rules that eminent domain can be used to construct a pipeline, then Americans must respect that ruling. But judges haven't actually issued many

such rulings. Right now FERC presides over a system that strips property owners of their rights without courts getting involved.

When FERC approves the use of eminent domain to build a pipeline, landowners have the right to appeal to a federal court only after they

How FERC denies landowners the right to meaningful appeal.

have asked the agency to reconsider its decision and had their request denied. But FERC has developed the habit of granting these requests so that it can draw out the time it spends "thinking" about them. While FERC dawdles, the pipeline companies use eminent domain to snatch thousands of landowners' properties free

from judicial review.

Furthermore, FERC's approval comes with eminent domain authority, allowing pipeline companies to seize property before seeking other necessary approvals. In one instance, a company seized part of a Pennsylvania family's property to build a FERC-authorized pipeline only to have the project fall apart when officials in New York refused to grant a permit to build another part of the pipeline. The taking, which also involved cutting down more than 500 of the family's trees, was ultimately for nothing.

As rotten as these procedural shenanigans are, FERC is guilty of a more consequential deception. Under current law, the agency can approve a pipeline without telling property owners that decisions will be effectively unreviewable unless they file an immediate appeal. When states have be-

haved this way, federal courts have deemed it unconstitutional. Yet FERC continues to harm eminent-domain victims by failing to inform them how to protect their rights.

No one's property should be taken without a real chance at judicial review. Property owners who go to court don't always win, but some do. Property owners in both Pennsylvania and Texas have persuaded state judges to reject pipeline-related property seizures in recent years. Perhaps property owners who've been subject to eminent domain expropriations by FERC-approved pipelines would find similar success. The agency should afford them the chance to find out.

Mr. McNamara is a senior attorney with the Institute for Justice. Mr. Bookbinder is chief counsel for the Niskanen Center.

BOOKSHELF | By Heller McAlpin

Deer Isle In Twilight

The Last Lobster

By Christopher White

(St. Martin's, 240 pages, \$26.99)

With its alarming title and troubling statistics, "The Last Lobster," Christopher White's deep dive into the \$1.7 billion Maine lobster industry, blares foghorn warnings about a business and a culture under threat. As in Paul Greenberg's 2010 book, "Four Fish: The Future of the Last Wild Food," one culprit is overfishing. But Mr. White's ambitious book—as stuffed with facts as Lobster Thermidor is stuffed with claw meat and cream—also addresses climate change, supply and demand, and international trade. Above all, it offers vivid, well-observed portraits of people directly affected by lobster's recent boom-and-bust cycles.

A journalistic Ahab, Mr. White tenaciously chases his whale of a story over the course of four years. He sets up base camp in Stonington, Maine, a not-yet-gentrified Mid-Coast lobster village on Deer Isle, which sits in the Gulf of Maine between Penobscot and Jericho Bays. Stonington's year-round population of 1,200 includes 350 lobster captains, 450 sternmen, and dozens of dealers, dockworkers and seafood restaurant workers. "In other words," Mr. White writes, "nearly three-quarters of the residents actively work in the industry. The remainder are relatives. The town has a singular purpose; it stands for something—getting lobsters from the ocean floor to the family table, sustainably."

Stonington's population doubles in summer with vacationers, but Mr. White is interested in the locals, and he gets to know many of them as he traces the lobster's path from sea to market.

Snatches of dry Maine humor provide welcome respite from a deluge of eye-opening but sometimes repetitive or conflicting numbers (including the year-round head count, variously reported as 1,100 or 1,200). In pursuit of his story, Mr. White rises before dawn and heads out to Jericho Bay with Capt. Frank Gotwals and his sternman, Alyssa LaPointe, on the Seasong, a 38-foot wooden boat that Capt. Gotwals built with his own hands. Despite working without a chart, the captain easily locates his 750 traps scattered around the islands, which he checks for sweet, summertime shedders—newly molted adult lobsters. Mr. White remarks that Capt. Gotwals, an avid lobsterman, gardener, and celebrated Maine songwriter and guitarist in his 60s, "may be the most content man in America."

Six hundred lobsters are a modest day's catch. Mr. White describes the many steps involved in their harvest, including spotting and hooking the captain's distinctively colored buoys, hauling up traps from the ocean floor, measuring the catch and throwing back undersized and female lobsters. Claws are banded before placing the keepers in saltwater tanks, and traps baited with fresh herring before they're reset. Mr. White captures the hard work, intense concentration and banter.

A \$1.7 billion industry, and an age-old way of American life, is threatened by overfishing, warming waters and international trade wars.

The author also gets to know Julie Eaton, captain of the Cat Sass, and Sid Eaton, captain of the Kimberly Belle, a couple whose marriage runs on laughter and competition. Together, in a boom year, they make \$250,000 during their 16-week season, which runs from July through October. Julie, whose preferred title is lobsterman, is one of the rising number of female captains and crew—though women still account for only 4% of Maine's commercial lobster licenses.

Mr. White is lucky enough to witness a "wicked awesome" boom, when Maine's annual lobster harvest tops 130 million pounds—six times the average haul during the 1980s. With lobstermen making as much as \$200,000, they're riding high—but they know it can't last. Even amid the bounty, there are worrisome price and cost fluctuations due to an oversupply of lobsters and a shortage of herring bait.

Mr. White explains how the biggest threat to this bustling industry is also part of the reason for the boom: climate change. Optimal water temperature for lobsters is between 53 and 64 degrees Fahrenheit. As oceans heat up, lobsters move north in search of cooler waters. This has occurred at a rate of 3 to 4.3 miles per year, which has added up to a northward shift of 215 miles in the last 50 years. A dearth of predators—including overfished cod—has also contributed to the recent lobster boom. "Lobster bottom is like a stadium full of Christians and no lions in sight," one captain comments.

"Migrating lobsters are as clear a symbol of climate change as are the melting glaciers of Montana," Mr. White writes. But at the present rate, he notes, by sometime between 2036 and 2046, "the majority of 'American' lobsters might reside in Canada." (In the epilogue, Mr. White reports that the long-expected slump hit Maine lobstermen hard in 2017, with a 16.4% decline in yield.)

This brings up another issue: trade. Chinese demand accounts for about 10% of all Maine lobster exports. In addition, 60% of Maine lobsters are trucked to Canada for processing.

"The Last Lobster" was printed before the current escalating trade wars, whose economic repercussions could be calamitous.

This is not the first time Mr. White has written about the dire effects of climate change. Previous books include "The Melting World: A Journey Across America's Vanishing Glaciers" and "Skipjack: The Story of America's Last Sailing Oystermen." But in "The Last Lobster," he addresses the impact of the environment on one of America's signature fisheries with a greater sense of urgency. He untangles the complex economics of the lobster industry with admirable clarity, though a more streamlined, less repetitive magazine article might have been even more compelling. Even so, his book makes a passionate, convincing case for the need for careful marine management, and, through his chorus of lobstermen's voices, makes it in human terms.

Mrs. McAlpin reviews books regularly for NPR, the Washington Post and the Los Angeles Times.

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OPINION

REVIEW & OUTLOOK

Donald Trump, Meet Bill Browder

Vladimir Putin knows what he wants from Donald Trump, and one priority is help in silencing businessman and human-rights advocate Bill Browder. Someone should tell Mr. Trump that he and Mr. Browder were both targeted by Fusion GPS, the political gun-for-hire that midwifed the Steele dossier in 2016.

Mr. Browder has been on Moscow's enemies list since he lobbied Congress to pass the Magnitsky Act in 2012. The law is named for Mr. Browder's late lawyer and auditor Sergei Magnitsky, who exposed a \$230 million fraud embarrassing to the Kremlin, was arrested on trumped-up charges, and died from torture and neglect in a Moscow detention center at age 37.

The Magnitsky Act, versions of which have also passed in Britain, Canada and the Baltic states, allows for sanctions and travel restrictions on human-rights violators. The U.S. has sanctioned 51 Russians under the law. The Kremlin has been hounding Mr. Browder for years, lodging "red notice" requests with Interpol for his arrest and filing frivolous lawsuits in U.S. and British courts.

The news this week is that Mr. Putin complained about Mr. Browder in Helsinki at his news conference with Mr. Trump. The Russian accused Mr. Browder of tax fraud and "a contribution to the campaign of Hillary Clinton," the latter of which looks like an unsubtle attempt to seduce Mr. Trump to help him.

The next day Russia's prosecutor general said Moscow wants to question several U.S. officials allegedly involved with Mr. Browder, including former U.S. Ambassador to Russia Michael McFaul. Asked about that Wednesday, White House press secretary Sarah Sanders said "the President's going to meet with his team and we'll let you know when we have an announcement on that." What?

It seems Mr. Putin also sought Mr. Trump's intervention against Mr. Browder during their private meeting in Helsinki. The State Department rightly rejected Mr. Putin's interrogation request as "absurd" on Wednesday, but allow us to connect some dots for Mr. Trump.

Mr. Putin wants relief from Magnitsky Act

Putin wants Trump to help silence the man who was also targeted by Fusion GPS.

sanctions and tried to lure Donald Trump Jr. to support relief in the 2016 campaign. Recall that Kremlin-linked lawyer Natalia Veselnitskaya met Don Jr. and son-in-law Jared Kushner in June 2016 at Trump Tower on the pretext of having dirt on Hillary Clinton. It turned out she had nothing on Mrs. Clinton but wanted to lobby the two to support repeal of the Magnitsky Act.

Mrs. Veselnitskaya also worked alongside Fusion GPS to undermine the Magnitsky Act, which means Fusion was working both for the Russians to smear Mr. Browder and the Clinton campaign to smear Mr. Trump via the Steele dossier.

Mr. Browder has told Congress that Fusion spread false information to news outlets that Magnitsky wasn't murdered. And Fusion co-founder Glenn Simpson told Congress that he had planted information with U.S. media about Mr. Browder's "activities in Russia" and his supposed "history of tax avoidance." We doubt Mr. Putin told Mr. Trump about the Kremlin link to Fusion in their private conversation about Mr. Browder.

All of this is another way of saying to Mr. Trump that Vladimir Putin is trying to con you, sir. And on that point, the U.S. Senate did Mr. Trump a favor Thursday by voting 98-0 for a resolution warning the President not to let the Russian government question diplomats or other officials.

On Thursday afternoon the White House seemed to see where the politics of this was going when it released a statement saying that the request to interview U.S. officials "was made in sincerity by President Putin, but President Trump disagrees with it." The White House then announced that Mr. Trump will invite Mr. Putin to meet in Washington.

Mr. Trump should know that critics of the Kremlin often end up dead, and Mr. Browder is undoubtedly a target. Before he cuddles with the bear again, Mr. Trump ought to say publicly that Mr. Putin will get no help from the U.S. against Mr. Browder. And that if anything happens to Mr. Browder—if he should fall from a bridge, or be shot as he gets out of a car—the world is going to blame Vladimir Putin.

Why Your Pension Is Doomed

Pension costs are soaring across the country, and government unions blame politicians for "under-funding" benefits. Lo, if only taxes were higher, state budgets would be peachy. The real problem, as a new study shows, is that politicians have promised overgenerous benefits.

In a novel analysis, the Illinois-based policy outfit Wirepoints compared the growth of state pension liabilities relative to state GDP and fund assets. Most studies have examined "unfunded" pension liabilities, which is the difference between current assets and the present value of owed benefits. But this obfuscates the excessive pension promises that politicians have made.

According to the study, accrued liabilities—how much states are on the hook for—between 2003 and 2016 grew more than 50% faster than the economies in 28 states and more than twice as fast as GDP in 12 states. Leading the list are the usual suspects of New Jersey (4.3 times faster than GDP), Illinois (3.23) and Connecticut (3.18), as well as New Hampshire (3.46) and Kentucky (3.08).

Between 2003 and 2016, New Jersey's pension liability ballooned 176%. Unions blame lawmakers for not socking away more money years ago, though lower pension payments helped them bargain for higher pay. The reality is that

A new study shows that benefits are rising faster than GDP in most states.

inadequately funding pensions. The solution, according to unions, is always to raise taxes. But no tax hike is ever enough because benefits keep growing faster than revenues.

New Jersey recently raised corporate and income taxes on high earners, but the state would need to spend billions more on pensions each year to adequately finance promised benefits. Illinois's Democratic Legislature last year overrode GOP Gov. Bruce Rauner's veto of a corporate and income tax hike. Yet the Democratic candidate for Governor, J.B. Pritzker, and unions are now campaigning to kill the state's flat tax rate and raise taxes again.

Stanford University lecturer David Crane has calculated that every additional penny that California schools have received from the state's 2012 "millionaire's tax," which raised the top individual rate to 13.3% from 10.3%, has gone toward retirement benefits. The only salve to state pension woes, as the Wirepoints study notes, is to rein in current worker benefits.

A Senate Judicial Miss

Ben Franklin is credited with advising his fellow revolutionaries that if they didn't hang together, they would assuredly hang separately. The Republican Senate learned this lesson the hard way Thursday when last-minute doubts by Sen. Tim Scott (R., S.C.) killed the nomination of Ryan Bounds to the Ninth Circuit Court of Appeals.

The defeat overshadowed what should have been the news this week: a record number of appellate-court confirmations since President Trump took office. The two Democratic Senators from Ryan Bounds' home state of Oregon—Ron Wyden and Jeff Merkley—have objected to his nomination largely due to college writings they incorrectly claim he tried to conceal. But what really killed the nomination was when Mr. Scott, the sole black Republican in the Senate, told colleagues Thursday he didn't have enough information to vote "yes," and Sen. Marco Rubio (R., Fla.) said he'd back Mr. Scott. Majority Leader Mitch McConnell pulled the vote rather than risk a defeat.

Mr. Scott is not on the Judiciary Committee so is unlikely to be as familiar with the charges as those who are. But the information was available—long before the time to vote. What Mr. Scott would have seen had he looked is a college kid writing sarcastically about political correctness, identity politics and multiculturalism on campus. These are flimsy and unfair grounds to defeat a nominee.

Scott and Rubio defeat a good nominee and Democrats crow.

Democrats are crowing about the defeat. Sen. Chuck Schumer (D., N.Y.) even suggested that if Mr. Bounds can be denied confirmation because of college writings, "it's going to be hard to argue that [Supreme Court nominee Brett] Kavanaugh's writings in the White House are not relevant."

The larger story is that judicial confirmations have been a great Republican accomplishment. The day before Mr. Bounds' nomination was withdrawn, the Senate confirmed Mr. Trump's 23rd appellate nominee—breaking the record held by George H.W. Bush for most appellate-court nominees confirmed in a President's first two years. According to the U.S. Courts website, there are seven appellate-court nominees awaiting Senate confirmation, five nominees pending for vacancies that will occur in the future, and 14 current vacancies to fill.

As for Judge Kavanaugh, the Bounds fiasco ought to galvanize Senate Republicans. Shortly before the Bounds vote was cancelled, the Senate reported four more appellate judges out of committee—one for the Third Circuit, two for the Fourth and one for the Eleventh.

Republicans hold the Senate at least until January, and President Trump still has time to nominate someone to take Mr. Bounds' place on the Ninth Circuit. Confirmations are a team sport, and with an effective 50-49 majority, Senate Republicans need to show up prepared and ready to play.

LETTERS TO THE EDITOR

Trump at Helsinki: Reagan or Chamberlain?

Regarding your editorial "Containing Putin—and Trump" (July 18): With President Trump's faux pas with President Vladimir Putin, perhaps it is time to think about what the real crimes are in this situation. There appears to be little doubt that the Russians attacked the U.S. electoral system. It was a blatant attempt to disrupt our democratic political system, and an attack by a hostile power on the U.S. There is also no doubt that it took place during the Obama administration.

From all indications, President Obama, James Comey, James Clapper and John Brennan were all aware of it. They chose to do nothing and allowed it to continue. This seems to have been overlooked in all of the furor.

JIM BAUGH
Cleveland, Tenn.

I am far more concerned about the alleged efforts within our FBI to tamper with the 2016 presidential election than I am with those of Russian intelligence officers attempting to do the same through social media. We expect this kind of behavior from the Russians, but not from the FBI.

WILLIAM MORSE
Grosse Ile, Mich.

It's clear the Journal opinion staff has grave concerns following the Trump-Putin summit in Helsinki. It isn't the first time we've seen such criticism of a U.S. president. Historians won't confuse the oratorical skills of President Trump with those of Ronald Reagan. That said, the press attacked Reagan, too.

In May 1988 George Will warned America that Ronald Reagan was getting duped in a column that ran in many papers, including the Desert Sun which used the headline

"What if Gorbachev's real plan is to lull the West?" Mr. Will accused Reagan of reversing his formerly staunch anticommunist position and selling out to Mikhail Gorbachev.

Ronald Reagan was roundly criticized by Republicans, Democrats and much of the press for his performance in a series of summits with General Secretary Gorbachev.

On Nov. 9, 1989, the Berlin Wall was torn down as the Soviet Union crumbled.

As we are now bombarded with unparalleled and careless Trump critiques from Mr. Will, John Brennan ("treasonous") and other critics, it's healthy to consider past times they offered similar counsel.

PETER KORMAN
Atlanta

I am shocked, shocked! to find spying going on here. But I must ask: If Russia's meddling in our elections was an act of war, was President Obama's meddling in Israel's election (an ally) also an act of war?

STANLEY SPATZ
Hollywood, Fla.

I regard the U.S. as Australia's best friend, almost the only one worth having. President Trump said he doesn't trust the U.S. intelligence agencies. From reading your paper (and the president would know much more), I don't either, and I suspect the feeling is general worldwide and has been growing for quite a while.

PAUL EVERINGHAM
Hamilton, Australia

I never thought I would hear this president, of all people, sound like Neville Chamberlain.

BRUCE BOWERS
Los Altos, Calif.

Many Obstacles for STEM-Trained Women

Regarding Barbara Oakley's "Why Do Women Shun STEM? It's Complicated" (op-ed, July 14): As a private tutor at all levels of school mathematics, I get to talk one-on-one to girls (and boys) who are struggling with math and science. One factor not mentioned in the article is the effect of parents' attitude toward their daughters pursuing STEM subjects. In my own family I have seen two examples of fathers who encouraged their daughters' interest in science and math, including my own.

In the case of mothers, I often hear: "My mother can't help me with my math homework. She says she couldn't do math, and that most girls can't do it. Just don't worry about it."

Many elementary school teachers are still expected to teach all subjects. Many teachers, especially in grades three to five, don't like math and find it hard to express enthusiasm for it. Since the majority of the teachers are women, this can elicit negative reactions from the girls in the class. The teachers have never been taught to make the subject interesting.

We Need Employer-Based Training for Job Positions

Ivanka Trump's plan for a "new" job training initiative ("Training For the Jobs of Tomorrow," op-ed, July 18) sounds very much like all the plans that have been advanced over the last 30 years and failed. The government has never been a good trainer of job seekers and has had even less success retraining people for new industries. This idea suffers from the conceit that government can prepare workers for a future they know nothing about.

A better way forward is to apply tax incentives for companies to train workers for positions they need filled, rather than getting the administration involved in a new scheme to fund a new government program. Why repeat the mistakes of the past, wasting tax dollars and giving false hope to trainees that doesn't result in real jobs? We can learn from other countries which have created apprenticeship programs aimed at high-school-age students, while at the same time dropping the tired liberal meme of college for everyone.

WES POTTER
Natick, Mass.

This plan seems to envision our children as a "workforce," just drones, products to serve industry.

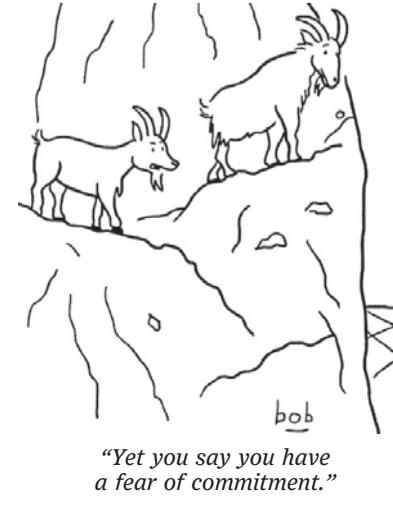
When education brings back the wonders of classical education and the great books, I'll be on board.

KAY BUCCOLA
Kenmore, Wash.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Yet you say you have a fear of commitment."

OPINION

Get Over It—Israel Is the Jewish State

By Eugene Kontorovich

Let the hand-wringing and denunciations begin. On Thursday Israel finally expressed in constitutional law the basic achievement of Zionism: Israel is the nation-state of the Jewish people. In the seven years since the new provision was first proposed, it has attracted a barrage of criticism from the U.S. and Europe. Foreign politicians have demanded Israel not pass the law, and they have not been mollified by the removal of most of its disputed provisions. A Monday headline at Foreign Policy warned that Israel was “debating democracy itself.” Arab Knesset members ripped up copies of the bill after its passage. One called it “the official beginning of fascism and apartheid.”

Jerusalem comes under fire for its new Basic Law, which is similar to many European constitutions.

In reality, Israel’s Basic Law would not be out of place among the liberal democratic constitutions of Europe—which include similar provisions that have not aroused controversy. The law does not infringe on the individual rights of any Israeli citizen, including Arabs; nor does it create individual privileges. The illiberalism here lies with the law’s critics, who would deny the Jewish state the freedom to legislate like a normal country.

The nation-state law declares



A protest against the nation-state law in Tel Aviv, July 14.

country. This essentially restates policy adopted by the international community in 1922 in the League of Nations Mandate for Palestine, which sought to “encourage . . . close settlement by Jews.” Again, the provision is only declaratory of values, and does not prescribe or authorize any particular policies. By contrast, the state constitution of Hawaii authorizes land policies to promote homesteading by ethnic Hawaiians, and provides preferential land polices for them.

Moreover, the measure comes against a backdrop of land policies that discriminate against Jews. The Israeli Supreme Court has ruled controversially that Arabs have a right to create residential communities in Israel that exclude Jews. A separate case denied the corresponding right to Jews. In Jerusalem, the Palestinian Authority prescribes the death penalty for Arabs who sell land to Jews. The new Basic Law does not even negate either of those injustices; it merely creates a normative counterweight.

Nor does Israel have official religions, and nothing in the new Basic Law changes that. In this respect, Israel is more liberal than the seven European countries with constitutionally enshrined state religions.

Perhaps the best evidence that Israel needs a constitutional affirmation of its status as the sovereign Jewish nation-state is the eagerness of so many to denounce as undemocratic measures that are considered mundane anywhere else.

Mr. Kontorovich is a scholar at the Kohelet Policy Forum, a Jerusalem think tank that has supported the Nation State bill.

Why Trump’s Detractors Cry ‘Treason’

By Michael Anton

President Trump is, as ever, fortunate in his enemies. Whatever one thinks of what he said in Helsinki, the overreaction is helping him plow through yet another media meltdown. Cries of “treason,” charges that the president is a Russian “asset,” and insistence that remarks at a press conference constitute impeachable offenses fire up the Democratic base. To everyone else, they seem unhinged.

What’s the fuss about, anyway? Before Helsinki, Mr. Trump had said three times—on camera—that he believed Russia meddled in the 2016 election. Yet a reporter asked him again. Why?

He won’t go along with their efforts to deny the legitimacy of his election. Can you blame him?

Mr. Trump intuits, correctly, that the media push the issue in order to undermine his legitimacy. He obviously has no interest in helping them do that, hence he challenges the question’s premise. His opponents won’t take yes for an answer because asking him over and over fuels the falsehood that he “sides with Russia over his own intelligence agencies.”

He doesn’t. But doesn’t he have good reason to be cautious about the intelligence community? There’s plenty of evidence of illicit American interference in the 2016 election, all of it to defeat Mr. Trump and elect Hillary Clinton. Yet when Mr. Trump points that out, he’s literally called a traitor—by the former head of the Central Intelligence Agency. John Brennan and James Clapper attack the president in vitriolic terms almost daily. James Comey occasionally chimes in with a Bible quote. They have a First Amendment right to do so. But constantly bashing the president casts doubt on their impartiality and professionalism while in office.

Despite all this, Mr. Trump says he believes their case that Russia meddled in 2016. So do I. But I stress the word “believe.” I don’t know and neither does anyone outside the highest levels of government. Those in the media who hyperventilate every time Mr. Trump is insufficiently emphatic in acknowledging Russian meddling don’t seem to realize he is one of the very few people in the country who’ve actually seen the underlying evidence.

Before last week’s indictments, all the intelligence community had made public was a 14-page unclassified summary that states conclusions but reveals nothing about how they were reached. That’s typical for an unclassified product, but it means the rest of us—including the media—have to take the case on faith. Yet, bizarrely, the media insist they know better than Mr. Trump.

There is more public evidence of American meddling—politicized leaks, gaming a criminal investigation, surveillance of campaign associates, and strings of biased messages by officials—than of Russian. There may be piles of secret evidence of the latter. If so, why not make more of it public? Especially since, as we have been told, acknowledging Russian interference is the patriotic imperative of our time.

From what has been made public, Russian meddling consisted of trolling social media and allegedly hacking Democratic National Committee emails. Information operations are also as old as statecraft. There’s not a lot the target country can do to stop them, beyond pointing out and ridiculing ham-fisted propaganda. Throughout the Cold War, most Americans not on the left were unaffected by far more aggressive and better-financed Soviet disinformation. But we’re supposed to believe that \$10 million spent on Facebook ads and troll farms overcame Mrs. Clinton’s \$768 million war chest?

Every effort should be made to protect all of America’s cybernetworks, including the privacy of campaign operatives. But it’s absurd to assume that a single vote in Michigan, Pennsylvania or Wisconsin was turned by reading John Podesta’s embarrassing emails.

Few of the president’s opponents actually say that Russia swung him the election. But that’s clearly what they insinuate and want people to believe. Mr. Trump understands this and is frustrated by it. Can you blame him?

Mr. Anton, a lecturer at Hillsdale College’s Kirby Center, served as deputy assistant to the president for strategic communications, 2017-18.

The Sick Man of Europe Risks a Relapse



POLITICAL ECONOMICS

By Joseph C. Sternberg

Throughout the 1990s and much of the 2000s, Germany was known as the sick man of Europe. Weighed down by the costs of reunification, suffocated by high taxes and labor regulations, and battered by the competitive pressures of globalization—if you could name an economic torture, Germany suffered from it. Maybe that’s why the new crisis feels less urgent than it is.

Germany’s economy today is in a state of health that usually seems unattainable for old Europe. Real growth was 2.5% last year. Exports power a trade surplus of 8% of gross domestic product. Unemployment is at a postreunification low of 3.7%.

But those happy numbers mask what is set to become a debilitating drag on the eurozone’s largest economy. Germany is in the grip of a productivity crisis. Without a solution, stagnation will return as entitlement burdens become crushing.

Germany’s reputation for efficiency is justified but misleading. The most productive industries are exporting manufacturers, and the most productive companies are large ones. But the clear majority of companies are smaller service firms, whose productivity increasingly lags.

Productivity for manufacturers employing more than 250 people grew on average 5% a year between 2009-14, according to the Organization for Economic Cooperation and Development. But the figure was only 2% for smaller firms. In services, productivity fell 0.1% a year in large companies and 0.4% in small ones.

Any discussion of productivity requires some caveats. Labor-law reforms in 2003-05 encouraged employers to hire more workers instead of eking more production out of existing employees. This is especially likely to account for the decline in service productivity, since low-skilled service professions absorbed many of the workers pushed into the labor market by the reforms.

Yet that doesn’t fully explain German productivity problems. The

OECD detects a widening gap between the most productive companies and the rest. The most efficient service firms are now around 20% more productive than in 2006; but the other 95% of service companies are 20% less productive. The most productive companies should pull others up as their new technologies and methods spread through the economy. Not in Germany.

That’s because German companies aren’t investing at home. Corporate savings (outside financial industries) have increased steadily for 20 years, the International Monetary Fund noted this month, but investment is stalling relative to GDP.

Looking at the factors that influence overall labor productivity growth, the IMF finds that capital investment plays a smaller role in Germany than in any other major economy. Most of Germany’s middling productivity gains come from companies figuring out how to do more with existing resources. If German firms could combine that aptitude with the capital-investment growth of Belgium—yes, Belgium—Germany would lead the world in productivity growth.

Germany needs a corporate-in-

vestment boom, and there are plenty of ways to start one. One is to encourage startups, since entrepreneurial firms typically take the lead in developing and diffusing innovations. Yet the pace of business creation is low and slowing, in part because starting a business in Germany requires more red tape than in most developed countries.

Germany’s economy looks good, but consider the low productivity growth.

Companies, especially smaller ones, may also be storing up cash to fund future research and development. The key is to make other sources of financing available so firms feel compelled to stockpile less savings. Financial reforms, such as privatizing state-owned banks, might help stimulate more adventurous business lending, or encourage more venture-capital financing.

Instead, politicians and wonks are fixated on government investment. They imagine that if Berlin and state governments could spend more on

Germany needs a corporate-in-

vestment boom, and there are plenty of ways to start one. One is to encourage startups, since entrepreneurial firms typically take the lead in developing and diffusing innovations. Yet the pace of business creation is low and slowing, in part because starting a business in Germany requires more red tape than in most developed countries.

The levy on ‘Cadillac’ plans will help counter perverse tax incentives.

For years economists have urged lawmakers to put a limit on the tax break. President Reagan proposed capping it in 1983, as did President George W. Bush in 2007. These efforts failed because of the unified opposition of businesses and labor unions.

In 2008 Barack Obama helped his campaign for president by attacking John McCain for proposing to tax job-based health benefits “for the first time in history,” as Mr. Obama put it.

Mr. Obama reversed himself and supported the Cadillac tax, which will subject health benefits to taxation for the first time, although in a way intended to obscure its effects.

To avoid accusations of a flip-flop, Mr. Obama designed the Cadillac tax to look like it applies to employers, not workers. Although employers will be on the hook to pay the tax if premiums exceed the thresholds, that won’t happen often. Most employers will avoid the tax by adjusting what they offer workers. They can lower premiums by raising deductibles, contracting with tighter networks of physicians and hospitals, and restricting benefits. In a competitive labor market, employers would make up for the lower cost of health

roads, bridges, railways and fiber internet connections, Germany could restore its productivity dominance.

But there’s no reason to think the German government can invest more wisely than private companies can. Worse, Berlin can’t afford this investment because it’s spending too much on social benefits.

That’s the conclusion of a report this week from the Ifo Institute, which finds that Germany’s social outlays—now roughly half the budget and higher than Scandinavia—are crowding out the ability to undertake public-works projects. Berlin could run a fiscal deficit, but the result would be an economy with more debt, unsustainable entitlements, white-elephant public-works projects, and slower long-term growth.

Berlin is headed in that direction anyway, since too many politicians now seem to want a public-works-and-entitlement blowout if only they can protest enough first to avoid looking reckless. Significant tax cutting, the one fiscal policy that would directly encourage the private investment Germany needs, remains the policy its ideologically confused and politically brittle government seems least likely to deliver.

benefits by paying higher wages to their workers.

Capping the tax break for job-based insurance, with the Cadillac tax or something better, is essential for a market-based approach to cost control. The federal government heavily subsidizes every extra dollar spent on job-based insurance, which undermines the incentive for employers and workers to seek out lower-cost options.

Initially, only about 4% of all employer plans would have premiums above the Cadillac tax thresholds. The thresholds are indexed annually to grow with inflation, which is expected to be less than the rate of rising medical costs. Consequently, over time, more employers would have to cut their costs to avoid the tax.

Some Republicans have wanted to kill the Cadillac tax since it was enacted in 2010. It was originally scheduled to take effect in 2018, but opponents have twice successfully attached provisions to larger budget deals which delay its start date.

Some Republicans believe they can kill the Cadillac tax and replace it later with a better alternative. That’s wishful thinking. If Congress keeps delaying the tax and eventually kills it, there will be no appetite to impose a different version of the same policy.

Many provisions in ObamaCare should be repealed, but the Cadillac tax isn’t one of them. Republicans should look past its origin as part of ObamaCare and leave it alone. They don’t have the will to replace it with something better, and killing it would help those who say the only answer to rising costs is more government regulation.

Mr. Capretta is a resident fellow at the American Enterprise Institute.

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WORLD NEWS

France Cup Win Triggers Identity Anxiety

Talk-show host's jest about country owing its victory to Africans raises official ire

BY STACY MEICHTRY
AND JOSH JACOBS

The notion that France owes its World Cup soccer triumph to Africa—given the African heritage of many of its players—has seeped into the rhetoric of public figures as varied as the president of Venezuela and the host of “The Daily Show.”

France is not amused.

That's because the barbs cuts to the heart of one of the most delicate questions in modern France: what it means to be French.

A long colonial history in Africa, followed by waves of immigration from predominantly Muslim countries, has helped make France one of Europe's most diverse countries, as well as a tinderbox of religious and ethnic tension. Successive governments have tried to bridge these divisions by insisting on the principle that anyone who adopts France as their country should also embrace a color-blind identity rooted in the French republican ideals of liberty, equality and fraternity. Indeed, for that reason the country doesn't maintain official statistics on race or religion.

France's soccer team—with



France's winning World Cup team attending a reception at the Élysée Palace on Monday at President Emmanuel Macron's invitation.

dence as a beacon of European multiculturalism has been dimmed by the yawning social and economic gap between wealthier white French people and the predominantly Muslim minorities that live in banlieues, on the outskirts of cities.

That divide hardened in the 2000s as France banned the display of religious symbols, such as the Islamic headscarf, in public schools. In 2005, riots in banlieues across France prompted the country to declare a state of emergency. A decade later, France endured a string of terror attacks—from Charlie Hebdo to the Nov. 13, 2015, massacre of 130 people—carried out in large part by the French-born sons of immigrants to France.

Les Bleus' success on the field offered France a different narrative of French immigration. Here was a group of young men of diverse backgrounds who, thanks to extraordinary talent and hard work, had earned the right to represent France on the global stage.

One of the goals scored in Sunday's final came from the foot of Antoine Griezmann, born in central France to parents of European origins. Two others came from Paul Pogba, a midfielder from a Paris banlieue and the son of immigrants from the West African country of Guinea; and Kylian Mbappé, an electrifying teenage playmaker born in Paris to a Cameroonian father and Algerian mother.

players hailing from the center of France and the former colony of Cameroon alike—is the embodiment of that idealism. “I get it. They have to say it's the French team, but look at those guys. You don't get that tan by hanging out in the South of France, my friends,” joked Trevor Noah, host of “The Daily Show,” on Monday evening. Mr. Noah, who is from South Africa, crowed: “Africa won the World Cup!”

The comments came on the same day President Nicolás Maduro of Venezuela zeroed in on Les Bleus, saying “the French team seems like the African team. In reality Africa won, the African immigrants who arrived in France.”

By Wednesday, France's ambassador to the U.S., Gerard Araud, had had enough.

“By calling them an African team, it seems you are denying their Frenchness. This,

even in jest, legitimizes the ideology which claims whiteness as the only definition of being French,” Mr. Araud wrote in a letter that Mr. Noah read aloud on his show later that evening.

“When I'm saying ‘African’ I'm not saying it to exclude them from their Frenchness, I'm saying it to include them in my African-ness,” Mr. Noah retorted.

Even former President Ba-

rack Obama waded into the debate, delivering an address in South Africa on Nelson Mandela's birthday that praised Les Bleus. “Not all of those folks look like Gauls to me,” he said. “But they're French! They're French!”

France last won the World Cup in 1998, when a largely non-white team became a symbol of a new France that was “black, white and Arab.”

Since then, France's confi-

WORLD WATCH

SYRIA

Rebels Let Thousands Leave Assad Territory

The residents of two Syrian pro-government villages in the country's northwest—over 7,000 people—who were besieged by the rebels for three years were evacuated to government-held territory, state-run media said.

The emptying of the Foua

and Kfarya villages was one of the largest population transfers in Syria's conflict. It followed a deal negotiated between government forces and the rebels.

The government is expected to release a number of militants from its jails in exchange.

The evacuation of the villages was used as a negotiating chip in earlier population transfers along conflict lines. The United Nations wasn't part of

the negotiations and has criticized such transfers as forced displacement.

Negotiators were reported to be nearing a deal to have rebels hand over the remaining pockets of opposition-controlled territory in Syria's southwestern Quneitra province to the government after a monthlong military campaign by government forces, backed by Russia.

—Associated Press

AUSTRALIA

Turnbull Asks Pope To Fire Archbishop

Prime Minister Malcolm Turnbull appealed to Pope Francis to fire a Catholic archbishop found guilty of concealing child sexual abuse, in an unusual intervention in church oversight of his case.

Adelaide Archbishop Philip Wilson, one the most senior

Catholic Church officials in the world to be convicted of the crime, has resisted pressure from an array of Australian lawmakers and community groups to resign since a judge sentenced him this month to home detention over the conviction.

“The time has come for the pope himself to sack him,” Mr. Turnbull said Thursday ahead of a meeting with senior clergy about Archbishop Wilson's case

and the church's wider response to a long-running inquiry into institutional child abuse.

The 67-year-old archbishop denied through his trial having known about the abuse of altar boys in the 1970s by another priest, James Patrick Fletcher, who died in prison in 2006.

The prime minister's intervention was one of the strongest by a political leader in recent years.

—Rob Taylor

OFFERS AS WELL-CRAFTED AS THE CARS THEMSELVES



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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, July 20, 2018 | B1

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Wells Refunds Millions to Clients

Bank for years charged fees for extra services customers didn't fully understand

BY EMILY GLAZER

Wells Fargo & Co. is in the process of refunding tens of millions of dollars for products ranging from pet insurance to legal services added to hundreds of thousands of customers' accounts without their full understanding, people familiar with the matter said.

Known as add-on products, Wells Fargo for years charged

monthly fees to customers for dozens of products they didn't understand or know how to use, the people said.

The Consumer Financial Protection Bureau is probing the matter, the people said. The agency is focused on whether customers were deceived, their awareness of the products and their ability to cancel the products, one of the people said.

In mid-2017, Wells Fargo stopped selling consumer add-on products and is notifying customers, a person familiar with the matter said. Some products are being terminated immediately, while others

aren't being renewed after they expire, the person said.

Wells Fargo is "reviewing add-on products sold to consumers by the bank or its service providers and if issues are found during this review, we will make things right with customers in the form of refunds or remediation," said Wells Fargo spokeswoman Catherine Pulley. The bank is "working with our regulators on the ongoing review," she added. Wells Fargo last year disclosed it was reviewing the add-on products, but the number of customers affected wasn't clear at the time.

Problems surrounding the

add-on products are the latest challenge for Wells Fargo, which has battled scandal after scandal in the nearly two years since it came to light that employees opened as many as 3.5 million accounts without customer knowledge or authorization.

Wells Fargo on Friday said it took a \$619 million charge in the second quarter to refund customers it previously overcharged in its foreign-exchange, wealth-management and auto- and mortgage-lending units. In April, the bank agreed to a \$1 billion settlement with the CFPB and Office of the Comptroller of the Currency over its failure to man-

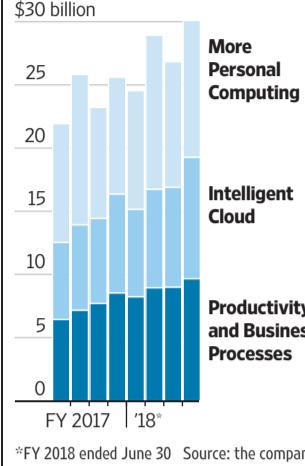
age risk, following an unprecedented move by the Federal Reserve in February to cap the size of the bank's balance sheet due to risk-management failures.

Wells Fargo has known there could be problems with add-on products for some time. The bank received a consent order from the OCC focusing on add-on products in June 2015, according to people familiar with the matter. Other large U.S. banks, including Citigroup Inc. and Bank of America Corp., paid more than \$700 million each in regulatory settlements related to

Please turn to page B2

Broad Growth

Microsoft's revenue by segment



*FY 2018 ended June 30. Source: the company

THE WALL STREET JOURNAL.

Microsoft Revenue Pushed Up By Cloud

BY JAY GREENE

Microsoft Corp. topped \$100 billion in annual revenue for the first time as the software giant remakes itself from a legacy software provider into a power player in cloud computing.

Much of that growth has come from persuading customers who run Microsoft's software in their own data centers to mix in cloud services, a business known as hybrid-cloud computing. Microsoft remains a distant No. 2 in the cloud business behind **Amazon.com** Inc. but has established itself as a viable option for companies beginning the transition.

Microsoft's success in building out its cloud business has driven up shares of the company more than 40% in the past year. The company's market capitalization tops \$800 billion, putting it in a league with internet giants **Apple** Inc., Amazon and **Alphabet** Inc.

Microsoft shares moved little after the company reported robust fiscal fourth-quarter results but jumped more than 3% during after-hours trading when finance chief Amy Hood gave Wall Street analysts a strong outlook for the current quarter.

The 43-year-old company struggled for years as it wrestled with a slow-growing personal-computer business, which hampered its Windows operating-system franchise. Microsoft was late to tectonic industry shifts, including mobile devices and web search.

But the company has reversed its fortunes, largely under the direction of Chief Executive Satya Nadella, by focusing on the booming cloud-computing market. Early Please turn to page B2

Investors Treat Asian Junk Bonds Like Trash



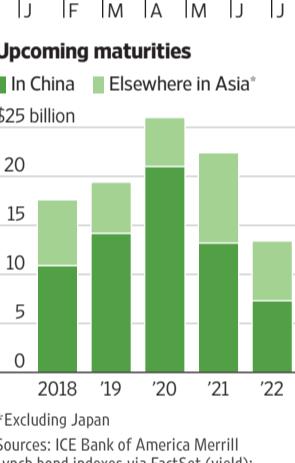
When measured by the absolute rise in yields, China's junk-debt sell-off is its worst since 2011.

Falling prices for high-yield debt in Asia have sent yields sharply higher, and riskier Asian borrowers have billions in debt coming due in the next few years.

Yields on high-yield dollar bonds



Upcoming maturities



*Excluding Japan

Sources: ICE Bank of America Merrill Lynch bond indexes via FactSet (yield); Thomson Reuters (maturities)

THE WALL STREET JOURNAL.

BY MANJU DALAL AND MIKE BIRD

Asia's junk-bond market, anxious over China's debt problem, is showing cracks after years of rampant growth.

Falling prices for below-investment-grade Asian bonds have sent yields sharply higher, leaving creditors nursing big paper losses and clouding the prospects for re-financing maturing debt.

In Hong Kong, for example, **Agile Group Holdings** Ltd., which last August was able to borrow for five years at 5.125%, this month had to offer an 8.5% coupon on three-year bonds. The Chinese developer recently upset investors by failing to buy back some other debt as expected.

Measured by absolute increase in yields, the sell-off is the worst since 2011, when doubts about the euro's future

shook markets.

When 2018 began, interest rates on dollar-denominated Asian junk bonds broadly matched the global market, according to ICE Bank of America Merrill Lynch indexes. Now the yield on the Asian index—representing \$138.1 billion in government and corporate debt—runs nearly 2 percentage points above the world average, having recently topped 9%.

The divergence reflects

Asia's vulnerability both to global forces, like rising U.S. interest rates, a stronger dollar and trade conflict and to homegrown challenges. As a mountain of debt nears maturity, the Chinese government isn't preventing defaults as it once did. China accounts for nearly three-quarters of Asia's maturing dollar-denominated junk bonds, according to Thomson Reuters, and almost

as great a proportion of new issuance.

Ken Hu, chief investment officer for Asia Pacific fixed income at Invesco in Hong Kong, said big news has an outsized impact on Asian borrowers. "They're the most exposed to headline risks, more than anywhere else," he said. "That's true of rising volatility, defaults, trade."

Investors haven't aban-

Please turn to page B10

HEARD ON THE STREET | By Charley Grant

The Risks Just Rose For Drug Middlemen

A new mystery unfolding in Washington doesn't sound good for drug supply-chain investors.

The Department of Health and Human Services sent the White House Office of Management and Budget a new proposed regulation Wednesday evening that could reshape how prescription drugs are priced and sold.

The rule's language isn't available to the public until OMB completes its review, but there are hints of what could be in store. The publicly available title of the rule is "Removal of Safe Harbor Protection for Rebates to Plans or PBMs Involving Prescription Pharmaceuticals and Creation of New Safe Harbor Protection."

That title suggests trouble for pharmacy-benefit managers such as **CVS Health** and **Express Scripts Holding**, according to pharmaceutical-industry lobbyist Barrett Thornhill of McManus Group. The current safe harbor that exempts discounts from antikickback statutes "is the soft underbelly of the PBM alligator."

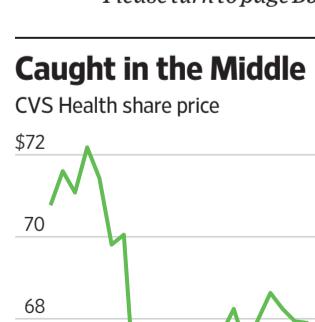
This proposal seemingly guts it. If not replaced with some other scheme, their current business model evaporates and they become what they were—low-margin claims processors," he said. Both Express Scripts and CVS sold off in Thursday trading, while **UnitedHealth Group**, which operates a large PBM, was down 1%.

Whether rebates to health-plan sponsors save money on prescription drugs is hotly contested. The Pharmaceutical

Please turn to page B9

Caught in the Middle

CVS Health share price



Source: FactSet

THE WALL STREET JOURNAL.

Fakes Hit Brands on Amazon

BY LAURA STEVENS

Amazon.com Inc. has made it easy for small brands to sell their products to large numbers of customers, but that has also enabled some counterfeiters to cut into their business.

Sassa Akervall relies on Amazon for much of the sales of the SISU-brand mouthguards that her family invented. The Michigan-based entrepreneur said fake versions of the product on the site have undercut her price and hurt her business. She has reported the problem repeatedly to Amazon, but the fakes keep resurfacing.

"It's frustrating," Ms. Akervall said, adding that the fake products and their reviews have hurt the brand's reputation.

Amazon said it prohibits the sale of counterfeit products. "We invest heavily to protect the integrity of our stores," a spokeswoman said in a statement, and "will continue to aggressively pursue those who harm our customer and seller experience."

Counterfeiters, though, have been able to exploit Amazon's drive to increase the site's selection and offer lower prices. The company has made the process to list products on its website simple—sellers can register with little more than a business name, email and address, phone number, credit card, ID and bank account—but that also has allowed impostors to create ersatz versions of hot-selling items, according to small brands and seller consultants.

When retailers log into Amazon's website for sellers, most product pages have a button next to the item that makes it easy for someone to list the same product. That strategy works well for consumers and Amazon on widely distributed items like shampoo and sneakers because it increases competition and that usually leads to lower prices for consumers.

Most small brands, however, are closely held and harder to get access to outside of autho-

rized distribution. So, in some cases, counterfeiters are listing their versions of hot-selling items on the same page and at lower prices. Amazon's pricing algorithms see the lower price and then assigns the default "add to cart" option to the counterfeiter, elbowing brands out of selling their own goods.

"The reality is this is a cat-and-mouse game," said James Thomson, a brand consultant with Buy Box Experts. "You have to find a way to remove more and more of the cheaters. As soon as [Amazon] closes one loophole, somebody Please turn to page B2

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BUSINESS & FINANCE



VCG/GETTY IMAGES

Singulato Motors was founded by a group led by a former internet-security executive who had never run a car company before.

China Bets Big on Electric Cars

By TREFOR MOSS

TONGLING, China—Officials in this old mining town knew almost nothing about electric vehicles when they gave a startup \$535 million in land and capital to build an electric-car plant here two years ago.

The startup, **Singulato Motors**, was founded by a group of tech professionals led by a former internet-security executive who had never run a car company before.

Such partnerships are springing up all over China, spurred by Beijing's call for the country to become a world power in electric-vehicle technology and by local governments eager to jump on the bandwagon. President Xi Jinping's Made in China 2025 plan, launched three years ago to promote "domestic dominance and global competitiveness" in 10 sectors, includes electric vehicles.

There are now 487 electric-vehicle makers in China, according to the latest official tally, and most are brand new. In June, the National Development and Reform Commission and China Construction Bank announced a new \$47 billion fund for EVs and other high-

tech industries. Regional governments are making similar funding commitments. Direct government subsidies on electric-vehicle sales have totaled \$15 billion over the past five years.

Singulato Chief Executive Shen Haiyin estimates that just 10% of today's EV startups will survive the next five years. Some auto analysts put the figure nearer to 1%.

"A lot of capital is being invested in this industry," said Paul Gong, an analyst at UBS. "A lot of it will be wasted."

Lured by the prospect of handouts, many companies have concluded that "simply giving it a shot and receiving government support can be a reasonable business model, even if they never put an electric car on the road," said Scott Kennedy, of the Center for Strategic and International Studies. "The moment of truth will come when China's national and local authorities have to decide whether to let the losers fail or keep them afloat."

The Ministry of Industry and Information Technology, which oversees the auto sector, declined to comment.

Even the electric-car startups that succeed in mass-pro-

ducing electric cars will have to compete against established foreign and domestic auto makers rolling out their own fleets.

Some 777,000 electric vehicles were sold in China last year, nearly half of the global total. But with so many EV companies joining the race, excess supply looks inevitable.

Singulato CEO Shen Haiyin estimates 10% of electric-car startups will survive the next five years.

Having raised around \$1.2 billion from private investors, Singulato has relatively deep pockets and therefore has a fighting chance of being one of the few startups to survive, Mr. Shen said.

Mr. Shen, previously a vice president at an internet-security company, said he chose Tongling, a city of 750,000 people in Anhui province, over at least 20 other cities and provinces.

"We didn't seek local governments in particular," Mr. Shen said. "Local governments

came to us."

Tongling, which means "Copper Hill," sits about 230 miles west of Shanghai. Like hundreds of cities, it is striving to upgrade its economy and move away from traditional heavy industry.

"Car manufacturing reflects a city's strength," said Liu Yi, director of Tongling's investment bureau. "I don't think we need to worry about overcapacity."

Before meeting Singulato executives for the first time, Ms. Liu pored over books on EVs to educate herself about the technology. When she met the Singulato team, everything clicked: their concept of an EV that would be easy to personalize, like a smartphone, sounded like a winner, Ms. Liu said. They quickly signed their deal.

Both sides acknowledged the risks of competing in such a crowded field, but they also emphasized the potential gains.

Singulato's first car, the iS6 sport-utility vehicle, priced at around \$43,000, hits showrooms later this year. By 2020, it hopes to sell around 60,000 of them.

—Chunying Zhang contributed to this article.

Cloud Bolsters Microsoft

Continued from the prior page
lier this week, Walmart Inc. announced a five-year deal to use Microsoft's cloud services.

In the fourth quarter, revenue from server products and

reflects Microsoft's performance in the hybrid cloud, rose 26%. The company doesn't disclose revenue for the segment.

Stifel Nicolaus & Co. analyst Brad Reback estimates revenue in the category hit \$7.9 billion—"massive" growth, he said. Microsoft is "playing from their strength," he said, by using traditional server software to lure longtime customers to the cloud.

Those sales helped Microsoft generate \$30.09 billion in

revenue, a 17% gain from a year earlier, when measured using a new accounting standard the company adopted at the beginning of its fiscal year.

Mr. Nadella, in the company's call with analysts, cited Microsoft's "hybrid value proposition" as a reason for its quarterly growth.

Overall, Microsoft had \$8.87 billion in net income, or \$1.14 a share. When using the new accounting standard, Microsoft's net income a year ago hit \$8.07 billion.

The performance of Microsoft's Azure cloud-computing services, as well as its Office 365 online-productivity service for businesses, has pushed Microsoft shares to record highs over the past two weeks. Shares finished Thursday down less than 1% at \$104.40, just off their peak of \$106.40 set Tuesday.

After hours, shares touched record highs above \$108 following Ms. Hood's guidance for segments that include Azure and Windows.

Wells Refunds Millions

Continued from the prior page
add-on products in 2015 and 2014, respectively.

Wells Fargo disclosed in an August 2017 securities filing that it was reviewing add-on products, such as identity-theft and debt-protection products, and said it had "begun remediation efforts where we have identified impacted customers."

The add-on product issues are in some ways similar to problems Wells Fargo has had with aftermarket products sold to auto-loan customers through third-party firms.

The bank disclosed in May remediations and cash adjustments for improper charges to auto-loan customers have risen to around \$188 million. All told, the refunds related to

add-on products could exceed that amount, according to people familiar with the matter.

In 2017 the bank hired Ernst & Young to review around 15 to 20 products out of the roughly 85 add-on products Wells Fargo offered, some of the people said. The firm examined the level of customer complaints related to products, claim levels, the ease with which coverage could be started and stopped and their transparency, one of the people said. Some add-ons—certain types of homeowners insurance or auto insurance—were deemed appropriate, the people said. Others, like pet insurance or products related to home warranties, fell into a gray area, the people added.

Customers were usually aware a product or service was added, and some products, such as insurance, involved an application process. But billing wasn't always transparent:

Some customers, for example,

weren't aware they would be charged at the end of a free-trial period, the people said.

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BUSINESS NEWS

Google's EU Fine To Face Challenge

By DANIEL MICHAELS

BRUSSELS—Finishing Google \$5 billion is one thing, making it stick is another.

Google parent **Alphabet Inc.**, within hours of the European Union decision Wednesday, said that it would appeal the anti-trust fine for abusing the dominance of Google's Android operating system.

Alphabet faces an uphill battle with its appeal—but maybe not an insurmountable one, say lawyers and legal scholars, citing a court ruling involving Intel Corp. last year.

The European Commission, the EU's executive arm that brought the case, usually wins such appeals. European law gives it a strong hand, courts tend to defer to it and its cases are painstakingly built over months or years.

Following an embarrassing string of losses on appeals of merger cases in the previous decade, the commission in 2004 improved its economic

Alphabet faces uphill fight with its appeal, but maybe not an insurmountable one.

analysis of deals and increased the rigor of its arguments, say former competition officials and lawyers. Since then, almost no commission competition ruling has been rejected.

"The commission's track record is formidable," said Assimakis Komninos, a competition lawyer at White & Case in Brussels.

EU law places a particular onus on companies that dominate a sector and tries to promote competition even if only potential harm can be shown, said Ioannis Lianos, a professor of global competition law at University College London. The approach contrasts with U.S. law and its enforcers, which focuses on demonstrated harm rather than market structure.

However, that could change following a decision in September by the European Court of Justice, the EU's highest court, to send back to a lower court a 2009 ruling by the commission against Intel over loyalty rebates given to the chip maker's customers. Intel was fined about \$1.2 billion.

In that case, the top court didn't accept that an exclusivity deal as such was illegal and told the lower court to look more closely at the economic impact of Intel's business practice.

Publicis Results Depress Ad Stocks

Crucial revenue gauge drops, and the firm's shares decline 8.8%; WPP, Omnicom sink

By NICK KOSTOV

PARIS—Shares in some of the world's biggest ad companies tumbled Thursday after **Publicis Groupe SA** reported revenue below expectations, heightening investor concerns over the advertising giant's ability to weather technological disruption.

As with its rivals, the world's third-largest advertising group is under pressure from increased competition from consulting firms, market-

ers cutting back on the fees they pay ad agencies, and changes in consumer behavior.

Publicis has responded to industry challenges by trying to transform from a corporate Goliath—beset by rivalries among its creative and digital agencies—into a more nimble operation that can cater to clients who are demanding services to contend with disruptions to their business models.

The shift has yet to persuade investors, however, and the firm's share price is now down about 16% over the past year.

"The market wants tangible proof of our transformation," Chief Executive Arthur Sadoun said.

Publicis, which owns agencies including Leo Burnett and

Saatchi & Saatchi, said revenue in the quarter ended June 30 fell 2.1% to €2.2 billion (\$2.56 billion) on an organic basis, a crucial industry measure that strips out currency effects, acquisitions and disposals. Analysts had been expecting a 1.1% rise in quarterly organic revenue.

Net income in the first half declined 19% to €313 million compared with the year-earlier period.

Publicis' results rattled investors, with the shares closing off 8.8%. Its woes ricocheted, hitting shares of the ad industry's biggest company, **WPP PLC**, which fell 2.9% in London trading.

The market has already punished ad holding firms this

week: Rival **Omnicom Group Inc.**'s shares tumbled 9.5% on Tuesday after the advertising giant missed its second-quarter sales estimate because of lackluster performance in North America. Omnicom fell 1.4% on Thursday.

"That whole space is fighting to stay relevant," said Conor O'Shea, analyst at Kepler Cheuvreux. "Business is very tough and they have to navigate their way through that as best as they can."

Organic revenue at Publicis fell 2.3% in North America in the second quarter, hurt by an underperformance of its business serving health-care clients. In particular, Publicis Health Solutions, a business that involves sales people visiting

doctors to sell products, was responsible for a €30 million revenue drop in the half, Mr. Sadoun said.

Publicis is conducting a strategic review of that business, which contributed about €300 million in revenue last year. "We hit a bump with that business," Mr. Sadoun said.

Publicis also suffered in Europe, where it was hit by uncertainty around the implementation of a new data-privacy law.

The company suspended business with publishers that couldn't prove that they were compliant with the new law in the days after it came into force, shaving about €10 million off revenue, Mr. Sadoun said.



Price War Eats Into Results For Unilever in the First Half

A fierce price war between consumer-goods giants hit **Unilever PLC** hard in the first half.

The Anglo-Dutch maker of Dove soap and Magnum ice creams reported anemic sales growth and lower profit for the six months to June 30 as it discounted some products and struggled to raise prices on others in North America and Europe.

Unilever, like other consumer-goods companies, has long relied on selling new or improved versions of products at higher prices to boost growth. But that is being challenged by weak inflation, **Amazon.com Inc.**'s rising prowess in selling household staples, and declining brand loyalty as consumers use the internet to shop around. (At right, an ice-cream factory in Russia.) Growing popularity of discount retailers, from dollar stores to Germany's Aldi, is also pushing down prices.

Unilever's Chief Financial Officer Graeme Pitkethly said the trend was particularly notable in condiments, where a battle for

market share between Unilever and **Kraft Heinz Co.** has led to the lowest average retail price on mayo in North America in seven years. "We're going toe to toe in a battle to provide consumer value," he said. Unilever owns Hellmann's mayonnaise.

Unilever also has a fight on its hands in dry-spray deodorants, where discounting by new rivals has pressured prices. The innovation had lifted the company's sales in recent quarters.

For the first half, Unilever reported underlying sales growth of 2.5%, driven almost entirely by volume, rather than price. Underlying price growth in the period was just 0.2%. Prices dropped in its beauty and personal-care division, but rose slightly in food and refreshments, and home care.

Unilever reported net profit of €3.04 billion (\$3.54 billion) for the six months to June 30, down from €3.11 billion in the year-earlier period. Revenue declined to €26.4 billion from €27.7 billion.

—Saabir Chaudhuri

Paramount TV's Head Fired Over Remarks

By JOE FLINT

The president of **Viacom Inc.**'s Paramount Television unit was fired Thursday for inappropriate remarks.

Amy Powell, who ran the unit for five years, was let go because of comments "inconsistent with our company's values," said Paramount Pictures Chairman and Chief Executive Jim Gianopoulos in a memo to the studio.

The firing came after an investigation by Paramount's human resources and legal team this week over complaints about Ms. Powell's conduct, according to the memo.

"It is imperative that we

uphold our values and ensure that all employees feel safe and included in the workplace," Mr. Gianopoulos said.

While the memo doesn't disclose what Ms. Powell said, a person familiar with the matter said the remarks in question were "racial in nature."

Specifically she made remarks on a conference call about black women being angry and about black children being raised by a single parent.

A person on the call reported to human resources, and it was confirmed by others on the call, but Ms. Powell denied it occurred, the person

familiar with the matter said.

The call was in relation to a TV version of the movie "The First Wives Club" that Paramount Television is making for its sister cable channel, Paramount Network.

Ms. Powell said she couldn't comment and hung up when reached by The Wall Street Journal.

The high-profile firing of Ms. Powell is the latest exit of a senior executive for inappropriate remarks at an American corporation.

Papa John's International Inc. Chairman John Schnatter resigned after using a racial slur, and last month Netflix Inc. fired its head of communica-

cations, Jonathan Friedland, for the same offense.

Paramount's TV division is seen as a crucial engine for reviving the studio, which has

Amy Powell's firing is the latest exit of an American executive over inappropriate remarks.

struggled in recent years. Once one of the top studios, Paramount had all but abandoned the television business when its parent, Viacom, spun

off CBS Corp. more than a decade ago.

In 2013, Paramount re-entered the TV business with Ms. Powell at the helm.

While still a relatively small player compared with **AT&T Inc.**'s Warner Bros., **Walt Disney Co.** and **21st Century Fox**, Paramount Television has had some recent successes, including the Netflix teen drama "13 Reasons Why" and "The Alienist" on TNT.

News of Ms. Powell's firing was first reported by the Hollywood Reporter.

In his memo, Mr. Gianopoulos said the studio will immediately look for Ms. Powell's replacement.

Alcoa's Shares Tumble 13% on Tariffs

By AUSTEN HUFFORD

Shares of **Alcoa Corp.** fell 13% to \$41.56 on Thursday after the aluminum maker said the recently enacted U.S. tariffs are hurting its earnings.

The Pittsburgh company, which made only about 14% of the aluminum it produced globally last year in the U.S., relies on imports from Canada. Those imports have become more expensive because of the new tariffs.

Alcoa said Wednesday that it incurred \$15 million of costs last month stemming from the newly implemented tariffs on imports from its foreign operations, primarily from Canada.

Tariffs on steel and aluminum imported into the U.S. went into effect at the start of June. Going forward, Alcoa expects to pay \$12 million to \$14 million a month while the tariffs are in place.

"Tariffs will not solve the challenges facing the aluminum industry," Chief Executive **Roy Harvey** said on a conference call Wednesday.

Alcoa recently restarted a portion of its idle smelter in southern Indiana, but Mr. Harvey said the company has no immediate plans to bring other curtailed smelters in the U.S. back into service.

Shares of **Century Aluminum Co.**, another U.S. producer, fell 12% to \$13.09.

Alcoa, which cut its profit outlook for the year, citing the



The company made 14% of its global aluminum output in the U.S.

Foiled

Alcoa's shares fell on Thursday after the company cut its outlook for the rest of the year.

\$50 a share



Source: SIX THE WALL STREET JOURNAL.

tariffs, reiterated its opposition to them, saying they aren't the right way to help the U.S. industry. The company has been critical of companies in China over producing aluminum and supports reining them in through negotiated reductions.

Alcoa made about 14% of the aluminum it produced globally last year in the U.S.

Industry watchers say that the U.S. dependence on aluminum from Canada is unlikely to change, as not enough aluminum is made domestically, and U.S. smelters are some of the oldest and most expensive in the world.

Mr. Harvey said that U.S.

producers are benefiting from higher domestic aluminum prices caused by the tariffs. Alcoa saw its average realized price on primary aluminum rise 19% from the year before in the latest quarter.

Domestic steelmakers are also benefiting from higher prices from the tariffs. **Nucor Corp.**, the largest U.S.-based steelmaker, said Thursday that it has benefited from the rising prices. The company's average sale price per ton in its second quarter rose 17% from a year earlier as the company ramped up production.

Alcoa wants to get Canada exempt from the tariff as the company operates three smelt-

ers there.

For its second quarter, revenue at Alcoa rose 25% to \$3.58 billion. The company brought in \$75 million in earnings in the quarter, the same as a year before. On a per-share basis, earnings fell to 39 cents from 40 cents, as the average number of shares rose. Adjusted for certain items, earnings per share came in at \$1.52, above the \$1.32 expected by analysts.

For adjusted earnings before interest, taxes, depreciation, and amortization, known as Ebitda, the company expects \$3 billion to \$3.2 billion this year, down from \$3.5 billion to \$3.7 billion previously.

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TECHNOLOGY

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LabCorp Works to Counter Cyberattack

Medical testing slows after 'ransomware' hack; company says no data was stolen

BY ROB COLEMAN
AND MELANIE EVANS

The medical-testing giant **Laboratory Corp. of America** is dealing with a broad cyberattack, people familiar with the matter said, the latest breach to disrupt companies that hold sensitive information.

The company, known as LabCorp, said Monday it was investigating suspicious activity but hasn't disclosed publicly the nature or extent of the "ransomware" attack. It hit one of the company's genetic-testing units over the weekend, and the impact spread in the ensuing days, the people said.

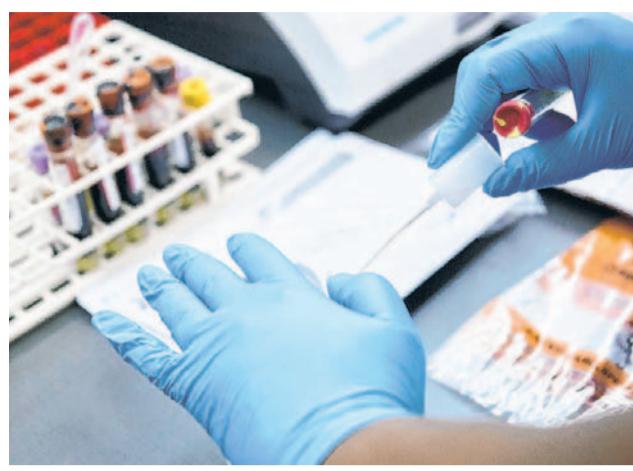
With ransomware, attackers lock up files and other data,

demanding payment to release them. LabCorp was asked for a bounty in bitcoin to unfreeze thousands of affected machines, according to an alert issued Thursday by a non-profit industry group, which was reviewed The Wall Street Journal.

Similar attacks have been blamed for widespread system freezes at public schools, transit systems and companies around the world.

Attacks on the health-care industry, with its lifesaving services and sensitive personal data, can be particularly unnerving. Ransomware disabled some hospitals in the United Kingdom last year, forcing the National Health Service to divert ambulances and cancel appointments.

LabCorp processes millions of blood, urine and other diagnostic tests each week. It is one of the world's largest domestic commercial lab-testing companies and maintains a database containing health information on roughly half the U.S. population.



Tens of thousands of workstations, servers and devices are affected.

There is no indication any data was breached, a spokeswoman said.

LabCorp has provided few details of the attack. It said in a securities filing Monday it had detected "suspicious activity" confined to its diagnostics network, and that its

closely followed drug-development arm Covance hadn't been affected.

The company believes it was hit with a strain of the ransomware known as SamSam, people familiar with the matter said. Earlier this year, the Hartsfield-Jackson Atlanta International Airport—the world's busiest by passenger

traffic—was hit by an attack involving SamSam.

The latest attack has affected tens of thousands of LabCorp workstations, servers and devices, and the disruption spread to Covance, the people said. The ransomware paralyzed only a minority of that technology before it was halted, one of them said.

The LabCorp spokeswoman said the impact on Covance specifically resulted from security enhancements deployed companywide, not ransomware. She said the company is investigating the breach along with outside security experts and law enforcement.

The Burlington, N.C., company earlier said it had taken some portions of its network offline, which would temporarily slow test processing and customer access to test results.

Hackers demanded \$6,000 in bitcoin for each machine or \$52,500 to unlock all encrypted devices, according to

the alert from the National Health Information Sharing and Analysis Center, which coordinates health-industry responses to cyberattacks.

One of the people familiar with the matter said it has no intention of meeting any ransomware demands. LabCorp plans to replace affected devices, the person said.

The spokeswoman declined to comment on any ransom.

In a note to employees Wednesday and reviewed by the Journal, LabCorp identified the suspicious activity as ransomware. The company told employees it wasn't proactively notifying customers, but rather was "working to respond to specific customer inquiries."

"We believe that our efforts to quickly contain the ransomware and restore key system functions will limit potential impacts for customers," LabCorp told employees.

—Peter Loftus contributed to this article

SoftBank's Son Slams Japan's Ride-Hailing App Ban



Japan is one of the few leading economies without ride hailing, although Uber Eats operates there.

BY MAYUMI NEGISHI

TOKYO—Japanese technology investor Masayoshi Son, who controls a big stake in **Uber Technologies Inc.**, called Japan's ban on ride-hailing apps such as Uber "stupid," heightening a clash with government leaders who say the apps are unsafe.

"I can't believe there is still such a stupid country," said Mr. Son, whose **SoftBank Group Corp.** owns 15% of Uber and is a major investor in Chinese ride-hailing company **Didi Chuxing Technology Co.** "This is a dangerous situation where the government is halting progress toward the future."

Japan has banned drivers from ferrying passengers for money unless they have a taxi license or a similar professional qualification.

Responding to Mr. Son's criticism, an official at the transport ministry said ride-hailing arrangements put customers at too much risk. "There are no requirements concerning the quality of the driver or vehicle maintenance," the official said.

Although Japan is one of the few leading economies without ride hailing, the situation has led to little public outcry because taxis offering high-quality service are readily available in city centers and public transportation is convenient.

In contrast to Mr. Son's outburst, the ride-hailing companies in which he has invested expressed willingness to offer services that work within the existing legal constraints.

Hours after Mr. Son's speech, Didi—in which SoftBank and its Vision Fund have

invested more than \$9 billion—said it would provide its customer-matching services free of charge to taxi companies in Osaka and Kyoto this fall, with plans to expand to cities such as Fukuoka and Tokyo.

The Didi app would connect customers in Japan with licensed taxi drivers. Japanese officials have welcomed Didi's foray.

"I am a big fan" of Japanese taxi drivers, said Didi President Jean Liu at a news conference. "We can help taxi companies grow faster."

Uber, in which SoftBank invested \$7.7 billion this year, has approached the Japanese government about providing data-analysis tools to help lower congestion during the Tokyo Olympics in 2020, but nothing has materialized from the talks, an official said.

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BUSINESS NEWS

Merck to Cut Drug Prices Amid Pressure

BY PETER LOFTUS

Merck & Co. said Thursday it will cut U.S. list prices for several of its drugs including the hepatitis C treatment Zepatier, and the company pledged to limit future net price increases.

It was the latest nod by a drugmaker to public pressure over drug costs. **Novartis** AG and **Pfizer** Inc. said in recent days they wouldn't raise U.S. drug prices further this year, in Pfizer's case after President Donald Trump blasted on Twitter the company's plans for a new round of increases.

Still, the scope of Merck's price actions is relatively limited, sparing most of its top-selling products from cuts, such as the Keytruda cancer treat-

The firm won't boost the average net price of its products more than the inflation rate.

ment, which has a list price of about \$13,500 per patient monthly.

Merck, based in Kenilworth, N.J., said it was cutting prices "to help reduce patient out-of-pocket costs." The price cuts will go into effect in the fall, a spokeswoman said.

Merck and other drugmakers typically pay rebates to pharmacy-benefit managers and insurers that amount to discounts from list prices. But uninsured patients and those with high-deductible health plans can still be on the hook for the full list price.

In 2017, the average list price for Merck drugs rose 6.6%

but net prices dropped 1.9%. Before that, Merck's average annual list prices had increased by at least 9% since 2011, and average annual net prices rose between 3.7% and 6.2% during the same period—all higher than the broader inflation rate.

Merck's new price changes include a commitment not to increase the average net price across its product portfolio by more than the inflation rate. The pledge still leaves room for higher increases on individual drugs, Evercore ISI analyst Umer Raffat said in a research note.

The company will cut the list price of Zepatier by 60%. Merck started selling Zepatier in 2016 at a list price of about \$54,600 for a 12-week course of treatment, which at the time was about 30% less than the list prices for rival drugs from **Gilead Sciences** Inc. and **AbbVie** Inc. The new list price will be about \$22,000 for 12 weeks of treatment, a Merck spokesman said.

Zepatier's global sales for 2017 were \$1.66 billion, or about 4% of total company sales.

Merck will cut list prices by 10% for several other drugs: Prinivil, Proscar, Remeron, Sinemet, Sinemet CR and Trusopt.

These drugs no longer rank among Merck's top sellers because patents have expired and generic alternatives are available.

Evercore's Mr. Raffat said the drugs getting 10% price cuts add up to less than 0.1% of Merck's total sales.

Merck said it selected medicines for price cuts based on the gap between their list prices and actual discounted prices paid, contractual obligations and "the opportunity to broaden access to treatment."



The retailer rolled out a new look for its children's clothing on Monday. Some moms took to Facebook to complain about the changes.

Gymboree, Moms Clash on Style

BY SUZANNE KAPNER

Children's clothing retailer Gymboree weathered a bankruptcy filing. Now, it faces what might be an even tougher battle: persuading moms to like its new look.

The chain had a cultish following for its head-to-toe outfits that were embellished with embroidery and designed around whimsical themes. Everything from headbands to tops to shoes matched, which encouraged shoppers to buy the entire line. When items sold out, they would scavenge online resellers to find the missing pieces.

Much of that vanished on Monday when the chain rolled out new clothing to its 380 stores, according to moms who took to Facebook to bemoan the changes.

"They've gone away from having a cohesive collection," said 45-year-old Pamela Welch of Queensbury, N.Y., in an interview. "Now, it's just a bunch of discordant items that don't relate to each other."

Other moms complained in hundreds of posts that the new styles were pricier but lacked the detail that made the older clothes special. And, the posts said, they are geared more toward older children.

"I don't want to dress my 5-year-old like a teenager," said Jenn Jaffray, a 38-year-old mother who was so devoted to the chain that she would drive two hours from her home in Brandon, Manitoba, to the nearest store. Ms. Jaffray said she isn't planning any shopping trips to buy the new line. "The colors are all very basic, and the prices have gone up.

Sixty dollars for a girls' denim dress is ridiculous."

Companies often face backlash when they make changes, and social media has given customers a bigger platform to vent. Gymboree said the number of complaints are a fraction of its total Facebook followers.

Daniel Griesemer, chief executive of **Gymboree Group** Inc., said there were bound to be unhappy customers given the extent of the changes. He said he had gotten good feedback from customers in Gymboree stores and declined to discuss specific Facebook posts. "We believe we're moving the brand in the right direction," he said.

In an interview last week before the new looks were unveiled, Mr. Griesemer said the overhaul was in response to

focus groups he had conducted with parents. He said the customers wanted clothing that could be mixed and matched so their children could create their own outfits.

Mr. Griesemer, a retail executive who had worked at Coldwater Creek Inc. and Gap Inc., took the reins in May 2017, several weeks before the company filed for chapter 11 bankruptcy protection. Before emerging from bankruptcy in September, it eliminated \$900 million in debt from a 2010 leveraged buyout by private-equity firm Bain Capital and closed a quarter of its stores.

Although most of the outpouring on Facebook was negative, there were some fans of the new look. "It's hip, it's cool, it's refreshing," said 41-year-old Dena Mackenzie Powell of Westfield, Ind.

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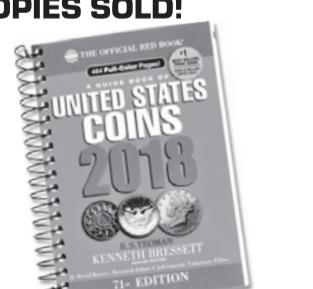
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CLASS ACTION

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION
ALAN WILLIS, Individually and on Behalf of All Others Similarly Situated,)
Plaintiff,) No. 2:12-cv-00604-MHW-KAJ
vs.)
BIG LOTS, INC., et al.,) CLASS ACTION
Defendants.)

SUMMARY NOTICE

TO: ALL PERSONS WHO PURCHASED THE COMMON STOCK OF BIG LOTS, INC. ("BIG LOTS") BETWEEN MARCH 2, 2012 AND AUGUST 23, 2012, INCLUSIVE
YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the Southern District of Ohio, Eastern Division, that a hearing will be held on Tuesday, October 30, 2018, at 2:00 p.m., before the Honorable Michael H. Watson, United States District Judge, at the United States District Court for the Southern District of Ohio, Eastern Division, Joseph P. Kinney U.S. Courthouse, 85 Marconi Boulevard, Columbus, Ohio 43215, for the purpose of determining: (1) whether the proposed Settlement of the Litigation for \$38 million should be approved by the Court as fair, reasonable, and adequate; (2) whether a Final Judgment and Order of Dismissal with Prejudice should be entered by the Court; (3) whether the Plan of Allocation for the Net Settlement Fund is fair, reasonable, and adequate and should be approved; and (4) whether the application of Class Counsel for the payment of attorneys' fees and expenses and Class Representatives' awards pursuant to 15 U.S.C. §78u-4(a)(4) should be approved.

If you purchased the common stock of Big Lots during the time period commencing on March 2, 2012, and ending on August 23, 2012, inclusive ("the class period"), your rights may be affected by the Settlement of this litigation, including the release of claims you may possess relating to your purchase of the common stock of Big Lots during the class period. If you have not received a detailed notice of pendency and proposed settlement of class action ("Notice") and a copy of the Proof of Claim and Release form, you may obtain copies by writing to Big Lots Securities Settlement, c/o Gilardi & Co. LLC, Claims Administrator, P.O. Box 404066, Louisville, KY 40233-4066, or on the Internet at www.BigLotsSecuritiesSettlement.com. If you are a Class Member, in order to share in the Net Settlement Fund, you must submit a Proof of Claim and Release by mail (*postmarked no later than October 8, 2018*) or online (*no later than October 8, 2018*), establishing that you are entitled to recovery.

If you purchased Big Lots common stock during the class period and you desire to be excluded from the class, you must submit a request for exclusion so that it is *postmarked no later than October 9, 2018*, in the manner and form explained in the detailed notice referred to above. All members of the class who do not timely and validly request exclusion from the class in the manner set forth in the notice will be bound by any judgment entered in the litigation pursuant to the stipulation of settlement.

Any objection to the Settlement, the plan of allocation, class counsel's request for attorneys' fees and expenses, and class representatives' request for their time and expenses must be received by each of the following recipients *no later than October 9, 2018*:

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION
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Columbus, Ohio 43215

Class Counsel:
ROBBINS GELLER RUDMAN & DOWD LLP
DAVID W. MITCHEL
655 West Broadway, Suite 1900
San Diego, CA 92101

Counsel for Defendants:
CRAVATH, SWAINE & MOORE LLP
MICHAEL A. PASKIN
825 Eighth Avenue
New York, NY 10019

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE. If you have any questions about the Settlement, you may contact Class Counsel at the address listed above or visit the website listed above.

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3 2054102K7 CSFB 2003-A320 CB2 Prime/Alt-A \$4,000,000.00 \$1,129,005.40

4 126691FBX CWHL 2003-56 B4 Prime/Alt-A \$2,000,000.00 \$296,747.38

5 205410097 HEMT 2003-6 M2 Second Lien \$1,000,000.00 \$7,091.08

6 2054108X6 HEMT 2004-1 B Second Lien \$3,500,000.00 \$206,114.60

7 040104DD0 ARSI 2003-W7 M6 Subprime \$2,500,000.00 \$280,405.53

8 126673BK7 CWL 2004-6 M8 Subprime \$4,000,000.00 \$238,074.79

9 1266712Y1 CWL 2004-BC1 M5 Subprime \$3,000,000.00 \$17,556.31

10 5899295P9 MLMI 2003-OPT1 B2 Subprime \$1,500,000.00 \$49,951.24

11 59020UQZ1 MLMI 2005-WMC1 B1 Subprime \$670,000.00 \$27,640.82

12 61744CFH4 MSAC 2004-HE6 B2 Subprime \$2,854,000.00 \$551,388.24

13 61744CFJ0 MSAC 2004-HE6 B3 Subprime \$2,000,000.00 \$160,245.17

14 70069FAG2 PPSI 2004-WCW1 M5 Subprime \$2,000,000.00 \$907,984.79

15 805564QNA SAST 2004-2 MV4 Subprime \$2,000,000.00 \$1,067.80

16 04541GKJ0 ABSHE 2004-HE4 M7 Zero Factor- RMBS \$1,700,000.00 \$0.01

17 04545GP7 ABSHE 2005-HE1 M9 Zero Factor- RMBS \$2,250,000.00 \$0.01

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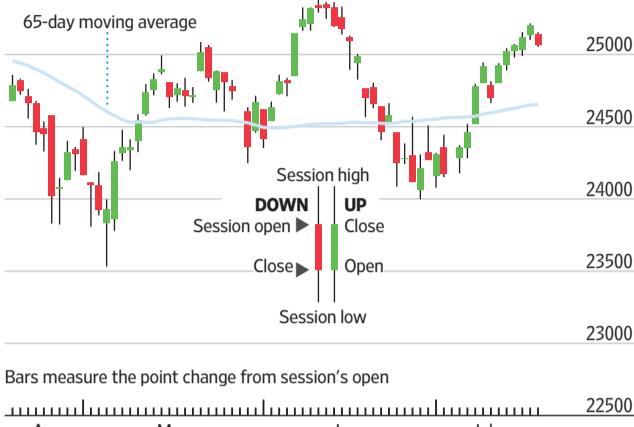
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24000
23500
23000
22500

Apr. May June July
22500 25000

*Weekly P/E data based on as-reported earnings from Binyi Associates Inc.

S&P 500 Index

2804.49 ▼11.13, or 0.40%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.52 24.29
P/E estimate * 17.45 18.38
Dividend yield 1.87 1.99
All-time high 2872.87, 01/26/18



2800
2750
2700
2650
2600
2550
2500

Apr. May June July
2500 2800

Nasdaq Composite Index

7825.30 ▼29.15, or 0.37%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.45 26.14
P/E estimate * 21.36 20.91
Dividend yield 0.94 1.12
All-time high: 7855.12, 07/17/18



7800
7600
7400
7200
7000
6800
6600

Apr. May June July
6600 7800

Major U.S. Stock-Market Indexes

	High	Low	Latest	Close	Net chg	% chg	High	52-Week	Low	% chg	YTD	% chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400							
Industrial Average	25154.17	25052.62	25064.50	-134.79	-0.53	■	26616.71	21513.17	16.0	1.4	11.5		
Transportation Avg	10768.33	10601.98	10747.65	45.42	■ 0.42	■	11373.38	9021.12	13.3	1.3	9.0		
Utility Average	728.08	720.14	723.96	6.36	■ 0.89	■	774.47	647.90	0.6	0.1	8.0		
Total Stock Market	29294.50	29147.64	29222.89	-81.70	-0.28	■	29630.47	25030.26	14.0	5.6	9.6		
Barron's 400	763.41	757.64	761.84	1.83	■ 0.24	■	761.84	629.56	15.6	7.2	10.1		

Nasdaq Stock Market

Nasdaq Composite	7849.85	7811.15	7825.30	-29.15	-0.37	■	7855.12	6213.13	22.5	13.4	14.5		
Nasdaq 100	7388.99	7344.33	7352.36	-37.77	-0.51	■	7403.89	5786.54	24.2	14.9	16.4		

S&P

S&P 500 Index	2812.05	2799.77	2804.49	-11.13	-0.40	■	2872.87	2425.55	13.4	4.9	9.7		
MidCap 400	2012.67	1992.39	2009.05	7.80	■ 0.39	■	2009.15	1691.67	13.0	5.7	10.0		
SmallCap 600	1059.56	1047.90	1058.97	6.84	■ 0.65	■	1058.97	817.25	21.4	13.1	13.5		

Other Indexes

Russell 2000	1702.89	1686.26	1701.31	9.44	■ 0.56	■	1706.99	1356.90	18.0	10.8	10.3		
NYSE Composite	12815.00	12751.80	12786.48	-36.75	-0.29	■	13637.02	11699.83	7.0	-0.2	5.2		
Value Line	585.24	580.64	584.22	1.20	■ 0.21	■	589.69	503.24	9.8	3.9	5.4		
NYSE Arca Biotech	5127.20	5056.24	5113.40	14.11	■ 0.28	■	5115.93	3787.17	27.4	21.1	4.9		
NYSE Arca Pharma	549.10	543.19	544.78	-6.23	-1.13	■	593.12	514.66	0.4	-0.03	-3.2		
KBW Bank	107.89	106.31	106.79	-1.50	-1.38	■	116.52	89.71	12.4	0.1	10.5		
PHLX® Gold/Silver	80.27	78.81	79.00	-1.17	-1.46	■	93.26	76.42	-4.9	-7.4	13.4		
PHLX® Oil Service	152.08	150.27	150.97	0.22	-0.15	■	170.18	117.79	9.4	0.9	-5.7		
PHLX® Semiconductor	1371.64	1357.39	1365.82	-3.65	-0.27	■	1445.90	1060.02	22.3	9.0	27.0		
Cboe Volatility	13.09	11.79	12.87	0.77	■ 6.36	■	37.32	9.14	34.3	16.6	2.5		

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	9,816.6	280.04	0.04	0.01	281.08	279.80	
Sprint Corp.	S	8,059.4	5.49	0.02	0.37	5.52	5.47	
Microsoft	MSFT	7,339.7	109.00	4.60	4.41	109.30	102.31	
AT&T	T	4,801.6	31.32	0.05	0.16	31.45	31.26	
Van Eck Vectors Gold Miner	GDX	3,904.9	21.65	0.07	0.32	21.65	21.55	
Invesco QQQ Trust I	QQQ	3,539.2	179.62	0.59	0.33	179.94	178.74	
Skechers USA Cl A	SKX	3,447.0	24.80	-8.45	-25.41	33.45	24.17	
Cisco Systems	CSCO	3,221.0	42.40	...	unch.	42.60	42.25	

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low

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A DIFFERENT APPROACH
TO EDUCATION P2

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CHINA DAILY 中國日報

**IT'S THEIR OYSTER**SMALL E-COMMERCE FIRMS
TAKE ON THE WORLD P3

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China Pledges to Respect Trade Rules

White paper unveils further moves for opening-up and reducing tariffs.

Zhong Nan and Ren Xiaojin report

China continues to honor the commitments it made to enter the World Trade Organization and could benefit more from further steps to open its economy, analysts said after the central government published a white paper on June 28.

In the white paper, titled China and the World Trade Organization, the government reiterated that it is pursuing a trade strategy that benefits both China and others and will continue to open up in "a more comprehensive, profound and diversified way."

Wang Shouwen, vice-minister of commerce, said China has been a key engine for world economic recovery and growth since 2002, contributing

on average nearly 30% a year of global economic growth.

China's reform and opening-up over the past 40 years have far exceeded the commitments it gave to gain WTO access, he said, and it has become a major trading partner of more than 120 countries and regions.

The documents provide ample examples and data showing what China has done to observe and uphold WTO rules. They demonstrate support for a multilateral trading system that is open, transparent, inclusive and nondiscriminatory.

The white paper shows China has been an active participant, strong supporter of and major contributor to the multilateral trading system.

"China has not only honored its



China is pursuing a trade strategy that benefits itself and other countries, the government says.

BAI XUEQI / XINHUA

WTO entry commitments, but also pushed itself to go much further in the scope and depth of opening-up," said Song Hong, an international trade researcher at the Chinese Academy of Social Sciences.

Further opening-up in more key sectors is bound to benefit the country as well as the global economy, given

the vast size of the Chinese market and the great potential of the country's innovation industry and high-end manufacturing sector, said Yang Weiyoung, an economics professor at the University of International Business and Economics in Beijing.

SEE "DUTIES" ON P2

Pampered Pandas Get Their Own Laboratory

BY HUANG ZHILING

A national-level laboratory has been established to guarantee strong technological backup for the protection of pandas as well as other rare animals at Giant Panda National Park in Southwest China.

The first State-level laboratory dedicated to panda conservation and research was established at the Dujiangyan base of the China Conservation and Research Center for the Giant Panda in Sichuan province.

An inauguration ceremony for the Key Laboratory on Conservation Biology of Rare Animals at the park was held on June 19.

It was the latest big development since planning for the Giant Panda National Park began 17 months ago.

Zhang Hemin, deputy director of the laboratory, said the laboratory is needed because the park encompasses an area with some of the most complex terrain and abundant wildlife in the world.

The park, covering 10,500 square miles, is three times the size of Yellowstone National Park.

It is expected to help wild pandas isolated on six mountains across the three provinces of Sichuan, Shaanxi and Gansu to reconnect, thus strengthening their gene pool.



A national key laboratory is needed to study the species and provide suggestions on how to protect them better..."

ZHANG HEMIN
DEPUTY DIRECTOR OF A NATIONAL-LEVEL LAB ON PANDA CONSERVATION IN SICHUAN

The park is also home to nearly 1,300 species of vertebrates. Among them, 145 species are under State-level protection, such as the snub-nosed monkey in Sichuan and the snow leopard, said Zhang, who is also chief executive of the conservation and research center.

"A national key laboratory is needed to study the species and provide suggestions on how to protect them better on the basis of scientific research."

At the laboratory's launch ceremony, Zhang's center signed a cooperation framework agreement with Lanzhou University in Gansu, Beijing Normal University and Sichuan Agricultural University to jointly study reproductive biology, genetics, disease control and prevention and provide insights on rare animal protection.

The laboratory will also exchange research achievements with animal protection organizations worldwide, he said.

The conservation and research center has 270 captive pandas, accounting for nearly 60% of the captive pandas in the world. It has built ties for scientific collaboration with 15 zoos and 10 universities in 13 countries.



Commsat's chief executive Xie Tao (second left) and colleagues do satellite research. XINHUA



A worker processes almonds on a production line at a plant in California. The state exported \$4.5 billion of almonds in 2016, more than half going to China.

GAO SHAN / XINHUA

Trade War Will Hit U.S. Hardest, Experts Say

BY CHEN WEIHUA AND JING SHUIYU

U.S. experts have voiced deep concerns over the U.S. trade war against China, one that they say violates World Trade Organization rules and will hurt the U.S. economy and cost it jobs.

President Donald Trump fired the first shot on July 6 by imposing tariffs on \$34 billion in imports from China. China retaliated by imposing tariffs on goods worth the same amount.

Gary Hufbauer, a nonresident senior fellow at the Peterson Institute for International Economics in Washington and deputy assistant secretary

for international trade and investment policy at the U.S. Treasury from 1977 to 1979, said "bully is the correct description" of what Trump has been doing to China, Canada, Mexico and other U.S. trade partners.

Before the U.S. levied tariffs on China it had imposed new tariffs on steel and aluminum in the name of national security, triggering retaliation from its trade partners, who also filed complaints with the World Trade Organization. On July 6 China also lodged a complaint with it against the latest U.S. tariffs.

SEE "TRADE" ON P3

Meet Doreen Hynd, 92, Tai Chi Chuan Master

BY JUDY ZHU AND WANG LINYAN

Balance is a word that you hear often from Doreen Hynd, 92, a tai chi chuan master who has taught the martial art for almost 30 years in North America.

"Balance is everything," said Hynd, discussing the benefits of practicing tai chi chuan, an externally soft but internally hard Chinese martial art practiced both for self-defense and health benefits. "We all want to live as human beings with very fine balance in our emotions and how we present ourselves to the world."

On United Nations Chinese Language Day, on April 20, Hynd was bestowed a special honor for her outstanding achievement in promoting tai chi culture.

"Tai chi has withstood the test of time for several centuries in Chinese culture," she said. "It brings about an awareness of breath and calmness and invites the body, mind and inner consciousness to work together for an experience of lightness and strength."

Hynd, born in Australia in 1925, began her tai chi chuan



Doreen Hynd performs tai chi chuan during an interview with the Chinese media in New York. JUDY ZHU / CHINA DAILY

SEE "MASTER" ON P4

training at Sydney University in the 1980s. In 1984 she moved to the United States and sought out Sophia Delza, who had spent many years in China studying under the tai chi chuan grandmaster Ma Yueh Liang. Ma was the senior disciple of Wu Jianquan, the founder of Wu-style tai chi chuan.

After Delza died in 1996 Hynd, by then Delza's teaching assistant, carried on Delza's mission of promoting tai chi culture and taught at places such as the United Nations, Carnegie Hall and the State University of New York.

"A lot of the classes that I am teaching are for retired people, and it was one of the most inspiring things in my life," Hynd said.

During her 24 years of teaching the art, miracles have happened, she said. She recalled that one of her students who had suffered serious brain damage started to recover memories after practicing tai chi chuan with her, even though doctors said it was impossible.



A researcher extracts DNA from the droppings of a giant panda. AN YUAN / CHINA NEWS SERVICE

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CHINAWATCH

CHINA DAILY 中国日报

When some Chinese schools first began to introduce the concept of positive education, many parents feared that the programs would sacrifice academic rigor. However, research from China and around the world shows that programs to teach productive character traits and virtues, including curiosity, optimism, leadership, gratitude, teamwork, grit, resilience and long-term planning, raise not only life satisfaction, but also the test scores of students.

"Some people misunderstand the concept of positive education," said Zhao Yukun, administrative director of the Positive Psychology Research Center at Tsinghua University.

"They think it aims to make the kids as happy as possible. This is wrong. The only way you could do that is to indulge them, to let them follow their own will. But this will not give them sustainable happiness. We are trying to develop character skills that improve long-term wellbeing."

Zhao said positive psychology, upon which positive education is based, "aims for something beyond your subjective feelings. You still feel good, but you also do something. You achieve something. You succeed and, more important, you have a moral compass. You pursue the meaning of your life. You are trying to make a contribution to the world."

A positive education curriculum that is being tested at the elementary school linked with Tsinghua University in Beijing integrates key character-building goals through classes and activities.

Zhang Huayu, vice-principal of the school, said, "In the first grade we try to improve social behavior. For example, when they are playing soccer we are primarily asking them to be a good audience or a good participant in the game."

"In the second grade the character strength we are trying to develop is called negotiation and collaboration. We are trying, for example, to ask kids to resolve conflicts in a team."

In the third grade "the emphasis is on self-discipline and improvement."

"We ask the kids to actively prepare for a soccer game. Children should force themselves to do something they think they cannot do, like run every morning."

"In the fourth grade we talk about honesty and integrity. The fifth grade focuses on responsibility. Sixth grade concentrates on respect and gratitude."

Liu Lipin, secretary of the Party committee of the education bureau of Qingyang district of Chengdu, Sichuan province, has concluded



Students of the elementary school affiliated with Tsinghua University in Beijing in class. PROVIDED TO CHINA DAILY



We are trying to develop character skills that improve long-term wellbeing."

ZHAO YUKUN
ADMINISTRATIVE DIRECTOR OF THE POSITIVE PSYCHOLOGY RESEARCH CENTER AT TSINGHUA UNIVERSITY



province, which launched a large positive education program in 2014, found that the percentage of graduating students admitted to key universities rose from 28% to 41% by last year. At the same time, suicides were reduced from seven to one. Similarly, in the 19th Middle School in Beijing (which teaches grades seven to 12) the percentage of graduates admitted to first-class universities rose from 70% to 75% in three years after a positive education program was adopted.

The Himalayan country of Bhutan conducted an experiment in which some schools implemented a positive education curriculum focusing on building life skills. Other schools were a control group that retained the old curriculum. The conclusion was that the students who received positive education standardized test performance rose about the equivalent of a full academic year, compared with that of the control group. In addition, an analysis by a Loyola University of Chicago psychology professor and colleagues of 213 experimental studies concluded that the test scores of students who receive positive education training rises by an average of 11%.

Peng Kaiping, professor of psychology and dean of the School of Social Sciences at Tsinghua University, emphasizes that positive psychology is based on testable conclusions, not vague feelings. Psychological research found that individuals can use technology and training to improve their positive emotions and their feelings of living meaningfully, Peng said.

Zhang, of the Tsinghua elementary school, said, "It has been more than two years that we have been doing positive education. This is actually new to us, too. We knew that we needed to make the students more positive. But we did not actually know how to do it. It was interesting to learn the science of well-being and the scientific way to make students more positive. It is kind of surprising to us that there are actually scientifically validated ways to do that."

Lessons for Life

Experts say positive education methods boost students' academic performance and well-being.

David Blair reports

that positive education is needed in China's schools.

"The schools where we tried positive education are the best schools in Chengdu. They performed pretty well in the college entrance exam, but there are also serious problems. Teachers are exhausted, and students feel tired or don't like studying."

"The parents worry about academic performance. Not at just one period of time; it's all the time. The parents of elementary school children worry about whether they can go to a good junior high school. Junior high school parents worry about high school. And high school parents worry about whether their kids can go to a good college."

Liu said that "because academic performance is pretty much the only indicator of success, every parent disregards the children's real strengths. They just look at the test scores. They actually discourage the development of kids in any other direction other than the tests."

Changes in the schools lead to better relationships among students, teachers and parents, she



Wang Jing, English teacher of second-graders at the Tsinghua-affiliated elementary school, poses with students.

DAVID BLAIR / CHINA DAILY

said. "One of the segments in the positive education curriculum is to ask the kids to go home to talk to the parents about three good things

that happened each day. And we ask the parents to list three good things that happened to them."

"It turned out that this intervention improved, first, the kids' confidence and, second, how the parents look at their kids."

If a child in China performs well academically, "then of course the parents love you," she said. "Otherwise, they will reproach you or scold you, say you are stupid. This even affects the relationship between the father and mother. So after this intervention was done for one semester, they found the children became more confident and the relationships between the students and the parents, and between the parents and the school, were much better. Interestingly, the relationship between mother and father became much better, too."

Scientific studies of schools that implemented positive education in China and elsewhere found that a curriculum that builds the well-being of the students improves academic performance.

For example, the Zengcheng district of Guangzhou, Guangdong

China's Rise Reshapes Global Game Culture



Romano Prodi
FORMER PRIME MINISTER OF ITALY
AND PRESIDENT OF THE
EUROPEAN COMMISSION

an understanding of what makes the uniqueness of a civilization and a capacity to empathize with one another.

Wise politics finds the resources to avoid both the fiction of "the end of history" or of a "flat world" and the course that leads to a "clash of civilizations."

Some globalists are uncomfortable with the realization that China follows its own path because they choose to ignore the dimensions of history, culture and identity. The same sentiment is growing in the opposite direction, with complaints that the United States lives by different values.

Chinese history is not the same as American history, and to be Chinese is not the same as being American or European. The ups and downs in relations between the West and China are often the consequence of not recognizing the diversity of our roots and cultures.

In addition to efforts to take identities into account, we must also avoid what can be called the trap of reciprocal superiority: Being different does not mean

being superior. Wise politics is a quest to find the instruments of compromise with the principle of an open cultural dialogue as a priority.

Such an approach is important for the survival of Western democracies and is also vital for China, which has become deeply integrated into the global system.

To re-evaluate the significance of culture does not mean to ignore the importance of the economy. We cannot underestimate the existence of competition and even a clash of interests, but we also cannot forget that any trade dispute is structurally linked to a cultural environment and to the anxiety generated by an identity crisis.

It must be our collective goal to harmonize our different identities, which will allow us to trade with unavoidable competition but without unnecessary conflict. This is the best guarantee for long-lasting peace.

We have had the intelligence to develop our economies and, by doing so, we have become increasingly interdependent. What we need now is to find the wisdom to take note of our differences and, as a consequence, deepen our legitimate interests respecting our roots and our history.

Difference must be considered an asset, not a liability.

The author is a former prime minister of Italy and president of the European Commission.



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Ports like Yangshan in Shanghai are likely to enjoy greater cargo throughput as overseas companies gain greater access to China. XU CONGJUN / FOR CHINA DAILY

Duties: Barriers Fall as China Widens Access to Market

FROM PAGE 1

China, which joined the WTO in 2001, issued a new negative list on June 28 that sets out which of its industries are closed to foreign investors. It was first drawn up in 1995 and has now been revised eight times.

The new list cuts the restrictions from 63 to 48, especially in the service industry, infrastructure, railway passenger transport, international shipping, grain purchases and for wholesale items. It will become effective on July 28.

The pledge to widen access to Chinese markets and pursue a strategy that benefits China and its trading partners came just days before the U.S. imposed tariffs on Chinese imports worth billions of dollars and China retaliated in kind.

China's stance of further opening-up and being more inclusive is in sharp contrast to the U.S.' protectionist stance, Yang said.

It is clear who is right and who is wrong, and the truth will eventually emerge, he said.

Mei Xinyu, a researcher at the Chinese Academy of International Trade and Economic Cooperation, said, "The new negative list certainly is shorter and opens more sectors, especially the financial sector."

More preferential policies and lower market thresholds have been granted

for foreign-provided services, Mei said.

The white paper said China has revised the catalog for the Guidance of Foreign Investment Industries twice over the past five years, reducing restrictive measures on foreign investment by 65%.

The government will ease market access by removing the equity cap on foreign investment in sectors such as shipbuilding and aircraft and motor vehicle manufacturing.

Since China joined the WTO it has comprehensively honored its tariff reduction commitments, reducing tariffs, upgrading its tariff catalog and improving the tariff structure, said Tu Xinquan of the University of International Business and Economics in Beijing.

From 2001 to 2017 the value of China's goods imports rose from \$243.6 billion to \$1.84 trillion, with annual average growth of 13.5%, making the country the world's second-largest importer.

Wang Shouwen, the vice-minister, said China has taken further initiatives to cut its import duties on certain medicines and will substantially reduce duties on automobiles and parts as well as a number of daily consumer goods starting from July 1.

Reuters and Xinhua contributed to this story.

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CHINAWATCH

BUSINESS | 3



Cross-border Commerce Fledglings Take Wing

Internet sales are soaring as global consumers get to know little-known Chinese brands.

Fan Feifei reports

The digital highway that is part of the modern Silk Road is enabling relatively small Chinese companies previously unknown outside the country to share in its export bonanza.

That business sent goods to more than 200 countries and regions serving more than 100 million consumers last year, taking in 903 billion yuan (\$140 billion).

This business is about ambitious targets: A single e-commerce platform expects to serve 1 billion overseas consumers and 1 billion domestic buyers by 2025.

In this world, local companies and brands may not boast glamor but command reach and sales that could stoke awe in marketing giants.

One such company is Ecovacs, which makes robotic vacuum cleaners.

It receives orders from U.S. consumers via the global e-commerce company Amazon.

Last year during the Black Friday shopping carnival, Ecovacs sold an average of 1,000 vacuum cleaners an hour, earning Ecovacs fourth rank among overall household product sales.

David Qian, president of Ecovacs' international business department, said, "We're building our own brand and investing 10% of our annual revenue in research and development. We have over 1,000 patents both at home and abroad."

Amazon offered Ecovacs helpful guidance on consumer demand analysis based on accurate data, Qian said. It also imparted professional training in operations and taught market expansion strategy.

Like Ecovacs, tens of thousands of vendors in China now sell their products globally through Amazon Global Selling, a mechanism that leverages the online marketplace's branches in 10 countries, including the United States, Britain, Germany, Canada, Japan and Australia.

This helps build visibility for their brands globally. A virtuous cycle ensues: brighter brands generate higher sales; next, greater consumer expectation prompts the brands to invest in research and development and improve the quality of their products; this, in turn, encourages firms such as Amazon to launch plans like "service+", a program to impart Chinese sellers lessons in the art and science of cross-border e-commerce.

Thanks to e-commerce, small and medium-sized Chinese firms now receive consulting services for enterprise development strategy and operating model, as well as tailor-made solutions for business expansion at different stages.

China's cross-border e-commerce is thriving, and that is producing huge opportunities for Chinese enterprises," said Dai Jingfei, vice-president of Amazon China.

"But it also brings about new issues and challenges. By leveraging Amazon's global network and resources we can provide customized solutions to meet the needs of Chinese sellers and cultivate cross-border e-commerce talent in China."

Last year sales revenue from third-party sellers on Amazon's online marketplace accounted for half of global sales, among which SMEs accounted for more than one-fourth of Amazon's overall third-party businesses.

More than 15% of Chinese consumers made purchases worth \$85.7 billion from cross-border e-commerce platforms in 2016, the consultancy eMarketer says.

By 2020 a quarter of the Chinese population, or more than half of all digital buyers, will be shopping either directly on foreign-based websites or through third parties.

China-made smartphones, PCs, electronic accessories and household supplies are proving to be the favorite products among overseas buyers, industry reports show.

For instance, the Chinese earphone maker Bluedio sells its products worldwide via AliExpress, Alibaba Group Holding Ltd.'s business-to-customer website that serves foreign users.

"Sales on Singles Day (on Nov. 11) last year rose about 120% compared with the previous festival," said Li Jiacheng, marketing head of Bluedio. "AliExpress is a good starting point."

The company set up a 30-member task force to pursue R&D for critical technologies, he said.

AliExpress serves 224 countries and regions worldwide with more than 100 million overseas buyers. Its content is available in 18 languages, including Russian, Spanish and French.

"Chinese merchants were intermediaries," said Shen Difan, general manager of AliExpress.

"They had no say in pricing power, but now they can take part in international competition under a transparent and fair environment created by cross-border e-commerce platforms."

Alibaba says that by 2025 it expects to serve 2 billion consumers worldwide, among whom 1 billion will be overseas users, Shen said.



Space: Satellites to Revolutionize Communications

FROM PAGE 1

The current push started in 2016 when the government issued a white paper on industry prospects.

Ever since, the government has been encouraging private investors to enter the commercial aerospace sector. The idea is to allow them to operate satellites, be involved in aerospace research and build space infrastructure.

That is a contrast to the past, when satellites had limited commercial applications. The Chinese government has pushed for integration of military and civilian aerospace sectors. In response, China's space industry has gradually developed more commercial technologies, products and services.

Commsat said it plans to position its 72 satellites in six different orbits, about 430 miles above earth. Each satellite will weigh more than 100 kilograms, with a life span of five to seven years.

Some of the satellites will cover the Belt and Road footprint, strengthening telecom coverage and industry data collection, Xie said.

"Most of these places don't have the internet, and the low-earth orbit satellites will help with telecommunications. Users could share data or keep it confidential, depending on their preference."

In the first half of next year the company will launch four satellites using a tailor-made commercial rocket. This project will start Commsat's commercial applications of the internet of things. In the latter half of 2019, Commsat will launch another eight satellites.

All these projects are being bankrolled by eager investors who foresee handsome returns.

Founded in 2015, Commsat received more than 100 million yuan (\$15.6 million) in its A round of financing. It launched its first satellite in February.

Changting terminals and services entails high costs, a long time and a complicated process, so companies that take the lead in winning the recognition of users first will enjoy a huge advantage."

XIE TAO
CHIEF EXECUTIVE OF COMMSAT

The R&D cost for a satellite dedicated to the internet of things project is around 10 million yuan. Combined with launch, operations, maintenance and monitoring, total costs would be around 30 million yuan, according to Commsat projections.

Companies in the satellite-based

services business see revenue streams in end products and communication services.

In communication services, a satellite can support 100,000 terminals or workstations on Earth. Each terminal could yield 300 yuan in annual fees. That is 30 million yuan a year, which helps offset the costs, the company said.

End products, such as tailor-made solutions and terminals, can generate more revenue.

The satellite constellation devoted to the internet of things project will provide services to a number of sectors such as logistics, transport, heavy machinery, fixed assets, agriculture, forestry, animal husbandry and fisheries.

Real-time communication services for areas not covered by the internet could prove another cash cow.

To make all those theoretical possibilities a reality, Commsat has signed cooperation

agreements with a number of domestic enterprises such as Sany Heavy Industry Co. Ltd., China International Marine Containers (Group) Ltd., and CITIC Dicastal Co. Ltd.

Commsat will provide data services to fields such as engineering machinery, containers and logistics for the above mentioned companies.

Xie said the space constellation sector provides services directly related to consumers. So the focus is on innovation and operations.

The advantages of the traditional aerospace industry are its technology and large size.

But commercial aerospace thrives on new ideas and quick decision-making, he said.

"Changing terminals and services entails high costs, a long time and a complicated process, so companies that take the lead in winning the recognition of users first will enjoy a huge advantage."

Trade: U.S. Seen as Loser in Conflict

FROM PAGE 1

"Unfortunately, at the moment there is no effective domestic backlash to the destruction that Trump is wreaking on the international economic order," said Hufbauer, adding that most people in the U.S. and many lawmakers are unfamiliar with World Trade Organization's rules.

Trump has repeatedly accused it of treating the U.S. unfairly and has reportedly threatened to withdraw from it.

Wayne Morrison, a trade and finance specialist at the Congressional Research Service, said there is great concern among U.S. trade experts that Trump's unilateral action will undermine the global trading system that the U.S. helped build.

Henry Levine, a senior adviser at the Albright Stonebridge Group and a former deputy assistant secretary of commerce for Asia in the administration of former U.S. president George W. Bush, said Trump's decision to impose tariffs on Chinese goods reflects two of his deeply held beliefs that trade is a zero-sum game and that other countries have been taking advantage of the U.S. for decades with their trade surplus. "You can see these two perspectives not only in the tariffs imposed on Chinese goods, but also in tariffs imposed on products from U.S. friends and allies."

Many economists and trade experts dispute Trump's interpretation of the cause and benefit of the trade imbalance. They say the U.S. trade deficit is caused primarily by its fiscal policy, the low saving rate and the role of the U.S. dollar as a global reserve currency.

"Trump is ignoring the pleas of the business community," Morrison said. "He seems to be betting that his get-tough approach against China will make his political base happy, even though these policies will hurt many of them in the long run."

"A trade war would be very costly to both economies and the global economy as a whole."

A study led by Mary Lovely at the Peterson Institute showed Trump's latest tariffs on China will hit non-Chinese supply chains even harder. Many Chinese exports to the U.S. come from foreign companies operating in China.

Edward Alden, a senior fellow at the Council on Foreign Relations, said the only thing that will make the U.S. change course is domestic political pressure.

"My hope is that then there will be a period of reflection in which all the countries involved will find a way to come back to the negotiating table," he said. "I still believe there is time to prevent this trade war from further escalation, but we are in a dangerous period."

On July 6 the Office of the U.S. Trade Representative announced guidance for companies on how to apply for exclusion from the newly imposed tariffs on products made in China. Companies were told they would have 90 days to file the requests.

Li Yong, deputy director of China Association of International Trade Expert Committee, said, "Even if a certain number of U.S. companies obtained exclusions from the additional tariffs, it would not relieve the pressure on its overall economy. High costs imposed on Chinese goods would eventually be passed on to U.S. consumers."

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4 | CULTURE

CHINAWATCH

CHINA DAILY 中国日报



Lin Dihuan is wildly popular as a painter, thanks to his works such as a series of ink-and-brush paintings dedicated to the Chinese 24 Solar Terms as well as two series of stage settings tailored for the TV show *Rendezvous With Chinese Poetry*.

The 43-year-old teaches communication and design at Sun Yat-sen University in Guangzhou, Guangdong province.

Lin, a Guangdong native, became a celebrity after his 24 Solar Terms work was chosen as the illustration for a UNESCO heritage listing application.

His illustrations played an important role in getting the 24 Solar Terms — a treasure trove of knowledge developed through years of observing the sun's annual movements — added to UNESCO's List of Intangible Cultural Heritage in November 2016.

Lin said he spent nearly three months combining traditional Chinese elements with more contemporary aesthetics to produce the 24 Solar Terms series, which were originally created for a book on photography that he put out in 2012.

The paintings were based on his observations of rural life, which are closely connected with the solar terms. And he used circular compositions with minimal strokes to depict each solar term's typical traits.

"I had no idea back then that my work would be a part of a UNESCO Intangible Cultural Heritage application," he said.

Later, Lin's popularity soared even more when he was invited to do stage backdrops for *Rendezvous With Chinese Poetry*, broadcast on China Central Television.

The 10 works, based on lines from 10 ancient poems, impressed many with their illustrations of the poems' content and the painting techniques.

He was asked again last year to paint stage backdrops for the program's



Master: A Perfect Union of Yin and Yang

FROM PAGE 1

"They (the patients) learned about me through the college that I worked at in Canada, and they stayed with me and are still with me. Now the medical world wants to know what this Chinese exercise is doing with their patients."

Hynd wants to pass on her skills to young people as well.

"I volunteered to be a mentor in the high school as well as middle school and elementary school. They want me to teach tai chi chuan, and I am very thrilled about that."

Hynd said it is important to speak to young adults because they are inquiring about the world and are

the future ambassadors for different cultures. "They are the ones who are going to lead the world, and it's really nice to have them embrace all cultures at a young age. To listen, to learn and to be open to all cultures."

The concept of tai chi ("supreme ultimate"), in contrast with *wu chi* ("without ultimate"), appears in both Taoist and Confucian philosophy, where it represents the fusion of yin and yang into a single ultimate, which is interchangeable, said Cao Guozhong, president of the U.N. Staff Recreation Council tai chi club. "I would make a friend with the stranger who is coming toward me with a knife or a gun," Hynd said when asked whether she would

use tai chi chuan to defend herself.

"My life might go, but I would rather have my connection with that person."

Cao said Hynd has learned the core of Chinese culture by practicing tai chi chuan. "To listen carefully to other people, to accommodate others with an empty heart, to transform enemies into friends... these are the essence of the *Book of Changes* (or *I Ching*, an ancient Chinese divination text)."

Hynd said, "Tai chi chuan is such a gift. I am a little bit lost for the best kind of language that I could be using for appreciation for what I inherited. That's where my good health comes from. I am 92, and I can do dancing and tennis and whatever it might be."

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Art of Doing Different Things

For the multitalented Lin Dihuan, life is unfulfilled if you do just one thing or have just one career.

Liu Xiangrui reports

latest season.

Lin said his painting is based on traditional calligraphy, on which he spends more than 10 hours a week.

"Unlike many professional artists, I am not too focused on techniques when I paint. I try to look at a painting with an outsider's perspective, and often bear in mind questions like what the painting can bring to me, to others, and to the world."

His style changes according to the themes, he said, but the principle is that he has sympathy and "a soft heart" when painting, and tries to deliver that feeling to viewers.

Lin, who grew up in a rural family in the coastal city of Zhanjiang, Guangdong province, has loved calligraphy and painting since he was a child.

When he was little the family was too poor to afford regular art education, so he taught himself.

He used to spend his pocket money on books and magazines from recycling centers, and copy the paintings from them.

To cut costs he learned to use a minimum palette and the simplest materials.

Lin started doing caricatures for magazines when he was in middle school. Later he heeded his father's advice and studied clinical medicine in college.

However, instead of becoming a doctor he started doing administrative work at the university because he felt he was too "unrestrained and vigorous" to be a doctor.

Since then, he has made full use of his free time to pursue his hobbies



The amateur painter and photographer Lin Dihuan and the paintings among his series of ink-and-brush works that are dedicated to the Chinese 24 Solar Terms. PHOTOS PROVIDED TO CHINA DAILY

and "do anything I find interesting."

He became one of the first-generation web designers in China in the 1990s, and thanks to that he was later transferred to the university's internet center, before eventually taking on his current position.

He took up photography in 2007 and is now a member of the National Photographers Association, and was recognized in 2012 as one of the most influential photographers of the year by the newspaper China Photography.

So he made up his mind to do something for those children. In the past couple of years, Lin has raised nearly 1 million yuan (\$156,000) through sales of his paintings to fund education of the "left-behind" children in a remote rural school in Weining.

He has also organized several trips to send aid there, including clothes, books, stationery and snacks.

During his most recent visit to the area, Lin took along painting materials for the children.

Zhou Lu, one of Lin's photography enthusiast friends, said, "He is always energetic."

Zhou also remembers Lin walking around a market for hours to find suitable clothes for the children.

In recent years Lin has spent a lot of his time on painting, including caricatures, which he regards as an important way to entertain himself and relax.

Painting, photography, calligraphy and writing are just different means of expression, Lin said.

"So, the most important thing is to

choose the right form to express the right feelings."

As a lover of traditional culture, Lin said he endeavors to present Chinese culture in his works, and provide a way for young people to get in touch with traditions.

According to his friend Guan Jianren, a researcher at Sun Yat-sen University, people like Lin's works because they connect traditional Chinese culture with modern life and awaken the "cultural genes" in young people.

"They (the younger generation) find resonance in his works," said Guan.

Lin's caricatures, which feature traditional styles and materials, often reflect his observations of modern society. For example, some mock people's addiction to electronic devices.

"I hope that my caricatures can have a positive effect and make people optimistic," Lin said.

Asked how he deals with his celebrity status, Lin, who is now well known as a painter, photographer, calligrapher, columnist and author, said that becoming famous has not affected his daily life, and that he manages to strike a good balance between his work and his hobbies.

He updates his official account on WeChat, a popular social media platform, almost every day, posting pictures, new paintings or articles for more than 900,000 followers.

He values his bond with his fans, whom he treats as friends, he said.

As for his opinion of social media and the impact it has on his work, he said. "In the internet age, sharing works helps you get quick feedback. So it pushes artists to constantly adjust and innovate."

Art is not only about self-expression, but should resonate with people, he said.

"When I create, I care about viewers' feelings, and try to make my work graceful, light and happy, a little candy for viewers."



COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
		Open	High	Low	Settle	Chg	Interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.							
July	2.7555	2.7555	▼ 2.6695	2.6860	-0.060	1,435	
Sept	2.7655	2.7785	▼ 2.6735	2.6955	-0.0645	167,541	
Gold (CMX)-100 troy oz.; \$ per troy oz.							
Aug	1227.30	1229.60	▼ 1210.70	1224.00	-3.90	245,732	
Oct	1231.90	1234.20	▼ 1215.70	1228.70	-4.20	32,489	
Dec	1237.60	1239.50	▼ 1221.00	1234.00	-4.40	207,670	
Feb'19	1244.00	1244.00	▼ 1227.50	1239.70	-4.60	25,535	
June	1253.50	1256.90	▼ 1243.30	1251.70	-4.60	6,418	
Dec	1265.90	1265.90	▼ 1262.90	1271.10	-4.60	3,746	
Palladium (NYM)-50 troy oz.; \$ per troy oz.							
Sept	903.00	905.90	▼ 853.30	866.20	-35.60	18,870	
Dec	899.90	900.30	▼ 850.60	863.10	-35.60	2,347	
March'19	888.00	888.00	▼ 859.00	856.70	-35.90	30	
Platinum (NYM)-50 troy oz.; \$ per troy oz.							
July	814.40	814.40	▼ 798.00	800.60	-13.10	15	
Oct	820.60	822.10	▼ 794.50	806.30	-11.50	77,842	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.							
July	15.210	15.255	▼ 15.135	15.340	-0.163	670	
Sept	15.565	15.590	▼ 15.185	15.402	-0.172	154,067	
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.							
Aug	68.95	70.17	▼ 67.80	69.46	0.70	60,863	
Sept	67.89	68.79	66.62	68.24	0.49	474,641	
Oct	66.46	67.21	65.32	66.53	0.15	240,524	
Dec	65.54	66.26	64.50	65.60	0.07	290,490	
Jan'19	65.27	65.86	64.20	65.26	0.07	157,905	
Dec	61.80	62.43	61.02	61.87	0.11	207,742	
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.							
Aug	2.0907	2.1093	2.0665	2.0901	-0.0002	67,053	
Sept	2.0956	2.1144	2.0713	2.0945	-0.0045	109,418	
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.							
Aug	2.0476	2.0580	2.0172	2.0435	-0.0009	59,131	
Sept	2.0186	2.0205	1.9895	2.0135	-0.0024	129,123	
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.							
Aug	2.733	2.776	2.704	2.769	.048	107,901	
Sept	2.702	2.743	▼ 2.671	2.736	.047	277,327	
Oct	2.718	2.758	▼ 2.688	2.751	.046	154,297	
Nov	2.768	2.803	▼ 2.737	2.797	.042	121,906	

Contract

	Open	High	Low	Settle	Chg	Open interest
Jan'19	2.965	3.001	▼ 2.939	2.992	.038	139,823
April	2.586	2.603	2.567	2.596	.018	125,171

Agriculture Futures

	Open	High	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.						
Sept	347.00	352.00	345.00	351.25	4.00	643,866
Dec	360.75	366.00	358.75	365.00	4.00	764,872
Oats (CBT)-5,000 bu.; cents per bu.						
Sept	234.50	235.25	229.00	232.00	-2.00	1,668
Dec	239.00	241.00	233.50	237.25	-3.00	3,168
Soybeans (CBT)-5,000 bu.; cents per bu.						
Aug	842.00	846.75	836.75	846.00	3.75	81,332
Nov	857.50	862.50	851.50	861.50	3.75	435,342
Soybean Meal (CBT)-100 tons; \$ per ton.						
Aug	328.50	330.20	326.00	328.80	.60	52,544
Dec	325.70	327.60	323.40	326.10	.50	203,995
Soybean Oil (CBT)-60,000 lbs.; cents per lb.						
Aug	28.08	28.12	27.71	27.83	-.24	52,723
Dec	28.49	28.52	28.11	28.21	-.26	238,509
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.						
Sept	1193.00	1193.00	1171.50	1186.50	4.00	6,489
Nov	1165.00	1173.00	1153.50	1169.00	2.00	1,215
Wheat (CBT)-5,000 bu.; cents per bu.						
Sept	493.79	505.75	490.25	504.25	9.75	204,581
Dec	510.50	521.50	507.00	520.50	9.75	150,957
Wheat (KCI)-5,000 bu.; cents per bu.						
Sept	488.00	497.50	485.00	496.50	8.75	136,643
Dec	513.00	522.50	511.25	521.50	8.00	67,752
Wheat (MPLS)-5,000 bu.; cents per bu.						
Sept	528.00	537.25	527.25	536.75	8.75	30,214
Dec	546.50	555.50	545.50	554.75	8.50	17,615
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.						
Aug	154.500	154.925	153.800	154.450	... 15,535	
Sept	154.775	155.000	153.975	154.775	-.125	12,076
Cattle-Live (CME)-40,000 lbs.; cents per lb.						
Aug	109.050	109.300	108.550	108.900	-.050	66,719
Dec	114.175	114.700	113.750	114.425	.225	62,584
Hogs-Lean (CME)-40,000 lbs.; cents per lb.						
Aug	67.525	68.475	▼ 66.850	67.250	.050	37,672
Oct	52.050	53.550	51.475	52.225	.300	108,041
Lumber (CME)-110,000 bd. ft. \$ per 1,000 bd. ft.						
Aug	154.775	155.000	153.975	154.775	-.125	12,076

Interest Rate Futures

	Open	High	Low	Settle	Chg	Open interest
Sept	484.90	490.60	484.90	484.90	-15.00	4,408
Nov	454.30	458.80	454.30	454.30	-15.00	679
Milk (CME)-200,000 lbs., cents per lb.						
July	14.21	14.22	14.19	14.21	-.04	3,713
Aug	15.15	15.16	14.79	14.84	-.25	4,551
Cocoa (ICE-US)-10 metric tons; \$ per ton.						
Sept	2,325	2,359	2,288	2,292	-.45	83,894
Dec	2,359	2,383	2,318	2,321	-.43	73,193

BIGGEST 1,000 STOCKS

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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. on the previous day.

BANKING & FINANCE

Goldman Looks Outside for Hires

By LIZ HOFFMAN

For years, **Goldman Sachs** Group Inc. rarely hired from the outside, guarding its culture with an insularity that, to rivals, bordered on arrogance.

Not anymore: Goldman has brought in 15 outsiders at the elite rank of partner over the past year, the biggest influx of senior executives in two decades. More are expected as the firm plugs weak spots in its network of investment bankers, builds out new businesses in consumer and commercial banking, and replenishes trading ranks depleted by the postcrisis lull.

The hiring push is an acknowledgment that Goldman, which is trying to add \$5 billion in annual revenue by 2020, must look beyond home-grown talent to grow. It comes as a former outsider is set to become Goldman's next CEO: David Solomon, who will take over for Lloyd Blankfein in October, joined the firm as

a lateral partner in 1999.

Chris Gallea, joined earlier this year from **JPMorgan Chase & Co.**, where he was a top industrials banker. David Hammond, who had covered big mining companies for **Credit Suisse Group AG**, will start at the end of the summer. Other recent hires include Nitin Jindal, formerly a **Morgan Stanley** energy trader; Ashish Shah, a credit-portfolio manager from **AllianceBernstein**; and Hari Moorthy, who came from JPMorgan to help Goldman build a commercial-banking business.

They join a partnership of 450, about two-thirds of whom started at Goldman in their 20s as analysts or associates, according to the firm. Goldman has historically preferred to promote from within and has stocked its upper ranks with what senior leaders refer to as "culture carriers."

It is Goldman's biggest hiring binge since the late 1990s, when it loaded up on stars

ahead of its initial public offering, a wave that included Mr. Solomon and Michael Carr, who is Goldman's co-head of mergers and acquisitions.

As was the case then, the current hiring is concentrated among deal makers, whose rosters of corporate relationships can command huge fees.

It is the firm's biggest hiring binge since the late 1990s, ahead of its IPO.

Goldman's investment-banking division, which is on the hook for \$500 million of the firm's \$5 billion revenue-growth target, has hired seven partners in recent months and about 30 managing directors, one rung down.

John Waldron, who co-heads the division, said the

strategy is "tremendous home-grown talent supplemented with a little free agency." Mr. Waldron was once a free agent himself, joining Goldman as a managing director from Bear Stearns in 2000.

A little paranoia is at work, too: Goldman is the top-ranked M&A adviser overall, "but if you drill down, there are places we're No. 4, 5, 6 and where there is room for us to move up," Mr. Waldron said.

An internal analysis a few years ago identified industries and companies that Goldman executives believed were ripe for deals but where the firm's relationships were thin. That led to recruits like Mr. Gallea, whose clients include United Technologies Corp. and Emerson Electric Co.; Ben Frost, an M&A banker focused on retail companies who joined from Morgan Stanley; and Adam Nordin, a Barclays PLC banker focused on companies in the education and technology sectors. Deal maker Wei Cai was

added in China, and Dina Powell rejoined from the Trump administration.

Stars don't come cheaply, though, and Goldman, like other banks, is under pressure to manage costs. The firm has spent more than \$600 million on its new consumer-banking business and trimmed its stock buybacks this year to conserve capital.

Most newcomers won't land deals immediately—but they have to be paid in the meantime. Goldman's chief financial officer, Martin Chavez, said in January that a hiring spree would put some "upward pressure" on the firm's compensation ratio, a metric that shareholders watch closely.

Goldman also risks signaling its existing employees that there is less room to rise. It will name a new class of partners this fall, as it does every two years, and the 2018 crop is likely to be smaller than in years past, under 100, said people familiar with the matter.

BNY Mellon Revenue Hits Stock

By JUSTIN BAER

When Charles Scharf laid out his plans earlier this year for jump-starting **Bank of New York Mellon** Corp.'s tepid revenue growth, the chief executive warned there was "no silver bullet here." The question is whether investors will be patient.

BNY Mellon's shares had their worst day in more than two years Thursday after the company reported revenue that fell short of some analysts' expectations. The stock fell as much as 6% before closing down 5.2%.

"Revenues were weaker than we hoped," said Jeff Harte, an analyst with Sandler O'Neill + Partners. "Missing on revenues is not something the Street is going to like for a group that's already revenue constrained."

The results highlight the main challenge facing **BNY Mellon** and other custody banks: how to extract more fees from the money managers, brokers and other clients they serve. **BNY Mellon** has succeeded in slashing expenses since the last financial crisis, helping to lift profit. But revenue growth remains below what investors would like, according to analysts.

BNY Mellon last year tapped Mr. Scharf as CEO to

\$4.14B

BNY Mellon's total revenue in the second quarter

help modernize the custody bank and pull it out of its low-growth doldrums. He has revamped his management team, built out sales coverage in certain businesses and increased the firm's technology budget by \$300 million this year.

Those changes, along with many new investment funds and back-office services, will help **BNY Mellon** pick up new business, Mr. Scharf has said.

Total revenue during the second quarter was \$4.14 billion.

The average estimate among analysts was \$4.13 billion, according to S&P Global Market Intelligence, though some analysts, including Mr. Harte, had been expecting more.

Net income rose 14% to \$1.06 billion, or \$1.03 a share, from \$926 million, or 88 cents a share, a year earlier. Analysts polled by S&P Global had predicted a per-share profit of \$1.02. Total revenue rose 5%, led by gains in net interest income, while fee revenue climbed 3% to \$3.21 billion.

Risks Rise For Drug Middlemen

Continued from page B1

Care Management Association, which represents pharmacy-benefit managers in Washington, warned earlier this week that "it would make no sense to undermine plans' ability to negotiate rebates or other price concessions from drugmakers. That would raise costs while offering no corresponding benefit to either consumers or taxpayers."

Food and Drug Administration Commissioner Scott Gottlieb disagrees. "One of the dynamics that's driving higher and higher list prices is the system of rebates between payers and manufacturers," he said in a May speech. Re-examining the safe harbor "could help restore some semblance of reality to the relationship between list and negotiated prices, and thereby boost affordability and competition."

Investors haven't taken the Trump administration's drug-pricing plan seriously. Those who continue to call its bluff might be making a costly mistake.

Value of Blackstone Portfolio Grows by 9.5%

By MIRIAM GOTTFRIED

Blackstone Group LP reported a sharp jump in second-quarter profit as the value of its private-equity portfolio surged.

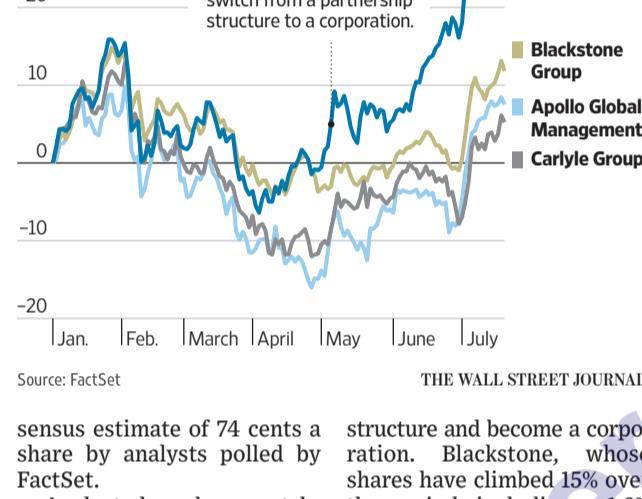
Net income for the quarter rose to \$742 million, or \$1.09 a share, from \$374.7 million, or 50 cents a share, a year earlier.

The value of Blackstone's private-equity portfolio climbed by 9.5% in the quarter, accelerating over the 6.4% growth it posted for the first quarter, as the value of its public holdings climbed and it marked up private holdings based on announced sales. The S&P 500 climbed 2.9% in the second quarter, despite worries about trade tensions, as technology stocks overcame their first-quarter slump.

The investment firm's economic profit, which reflects changes in the value of unrealized investments, rose to \$1.08 billion, or 90 cents a share, from \$695.7 million, or 58 cents a share, a year earlier. The figure exceeded the con-

Private-Equity Pop

Stock performance, year to date



sensus estimate of 74 cents a share by analysts polled by FactSet.

Analysts have been watching shares of Blackstone rival **KKR & Co.**, which have climbed 26% since it announced earlier this year it would ditch its partnership

structure and become a corporation. Blackstone, whose shares have climbed 15% over the period, including a 1.6% decline Thursday, said it is still weighing whether to make a similar move.

"We've been impressed by KKR's recent stock perfor-

mance," Blackstone Chief Operating Officer Jonathan Gray said on a call with members of the media. Still, he said, a conversion would be irreversible, and Blackstone doesn't have a timeline for a decision.

During the second quarter, Blackstone finished raising \$5 billion for its infrastructure fund, executives said Thursday. The firm first revealed its plans for the fund, which has no expiration date, in May 2017. It said at the time that Saudi Arabia's Public Investment Fund had agreed to up to \$20 billion in matching commitments, which could eventually take the infrastructure fund to \$40 billion.

Also during the quarter, Blackstone sold out of the last of its remaining stake in **Hilton Worldwide Holdings Inc.**, closing out the most profitable private-equity investment in real estate ever. Proceeds from that and the sale of three U.K. office properties, led to \$4.3 billion of real-estate realizations in the quarter.

Blackstone said assets under

management were \$439.4 billion, an increase from the previous year but a drop from the prior quarter, reflecting the end of its credit business's relationship with FS Investments.

The firm said Thursday it plans to replace those assets with funds whose economics and governance it controls. It said in April it would use the proceeds from the FS Investments divestiture to pay a special dividend of 30 cents a share, distributed over three quarters.

Blackstone said it paid a 10-cent special dividend and repurchased 2.2 million of its shares during the second quarter as part of a previously announced buyback.

Blackstone's second-quarter distributable earnings, the share of profits that could be returned to shareholders, fell to \$700.1 million, or 56 cents a share, from \$781.4 million, or 63 cents a share, a year earlier. Blackstone said it would pay a 58-cent dividend for the quarter, compared with 54 cents for the year-earlier quarter.

Capital One Earnings Up Sharply

By ANNAMARIA ANDRIOTIS

Capital One Financial Corp.'s second-quarter profit rose sharply as consumer card spending surged and credit losses fell.

Net income for the quarter surged 84% to \$1.91 billion, or \$3.71 a share, from \$1.04 billion, or \$1.94 a share, in the year-ago period. Revenue rose 7% to \$7.2 billion from \$6.7 billion.

Results beat analyst estimates, and shares rose 2% in after-hours trading Thursday.

The loan performance of the company, which has a large subprime card business, often serves as a gauge for consumers' willingness to spend and their ability to pay back their debts. After rising for many quarters on a year-over-year basis, the company's net charge-off rate for its domestic card business fell to 4.72% in the second quarter compared with 5.11% a year prior. That was the first year-over-year decline in this metric since the second quarter of 2015.

Richard Fairbank, Capital One's chief executive, said performance in the domestic card business has turned a corner.

"We are now on the good side of growth math," he said on an earnings call Thursday. "Credit performance on the loans booked during our growth surge [between 2014 and 2016] has now turned and is improving year over year."

Also helping Capital One's loan performance is its recent acquisition of the credit-card portfolio of outdoor-gear retailer Cabela's, whose cardholders tend to have high credit scores.

Provisions for future credit losses in Capital One's domestic card business fell 18% from a year ago. Purchase card volume increased 17% from a year prior, while card balances rose 8%.



Pretax catastrophe losses totaled \$488 million at the insurer due to nine storms involving tornadoes and hail during the quarter.

Storms, Fires Cut Into Travelers Earnings

By AISHA AL-MUSLIM

on companies' investment portfolios.

Travelers Cos. reported record net written premiums in its second quarter, but earnings fell as several weather-related catastrophes and fires at commercial properties dented its bottom line.

The insurance company reported core income of \$494 million, or \$1.81 a share, missing the \$2.42 a share analysts polled by Thomson Reuters were looking for. In the year-earlier period, core income was \$543 million, or \$1.92 a share.

Core earnings are closely watched because they exclude realized capital gains or losses

on companies' investment portfolios.

Net premiums written, an important measure of revenue growth, rose 7% to \$7.13 billion, ahead of the consensus forecast of \$6.92 billion.

Overall, net income was \$524 million, or \$1.92 a share, compared with \$595 million, or \$2.11 a share, a year earlier.

Shares lost 3.7% to \$125.18 Thursday.

New York-based **Travelers**, part of the Dow Jones Industrial Average, is among the largest sellers of insurance to U.S. businesses and sells car and home insurance to individuals.

It is one of the first big prop-

erty-casualty insurers to report quarterly earnings, and its results are watched as a bellwether.

Pretax catastrophe losses,

net of reinsurance, totaled \$488 million, due to nine storms involving tornadoes and hail during the quarter, compared with \$403 million a year earlier. The company said that, absent a severe hurricane season, it expects catastrophe losses to be highest in the second quarter.

Although costs related to major catastrophes punctuated the quarter, Larry Greenberg, an analyst for financial services firm Janney Montgomery Scott LLC, wrote in a research note

that the company's underlying trends were positive.

"Growth was strong, commercial lines pricing was favorable, the expense ratio improved nicely and the improvement in personal auto underwriting was a decent bit better than we (and expect others) were forecasting," Mr. Greenberg wrote.

He added that the loss ratio, when adjusted for the \$45 million of higher large commercial losses than a year ago and \$18 million of the Texas Windstorm Insurance Association assessments related to Hurricane Harvey, would have been slightly better than modeled.

Food and Drug Administration Commissioner Scott Gottlieb disagrees. "One of the dynamics that's driving higher and higher list prices is the system of rebates between payers and manufacturers," he said in a May speech. Re-examining the safe harbor "could help restore some semblance of reality to the relationship between list and negotiated prices, and thereby boost affordability and competition."

Investors haven't taken the Trump administration's drug-pricing plan seriously. Those who continue to call its bluff might be making a costly mistake.

MARKETS

Stocks Decline, Weakened by Financials

Laws to vet foreign investments could shift; some corporate results miss the mark

BY ORLA MCCAFFREY

U.S. stocks declined as a deal to toughen foreign-investment reviews stoked trade tensions and a round of lukewarm corporate-earnings reports weighed on sentiment.

The proposed policy changes would mark the first major shift in a decade to laws used to vet foreign investment.

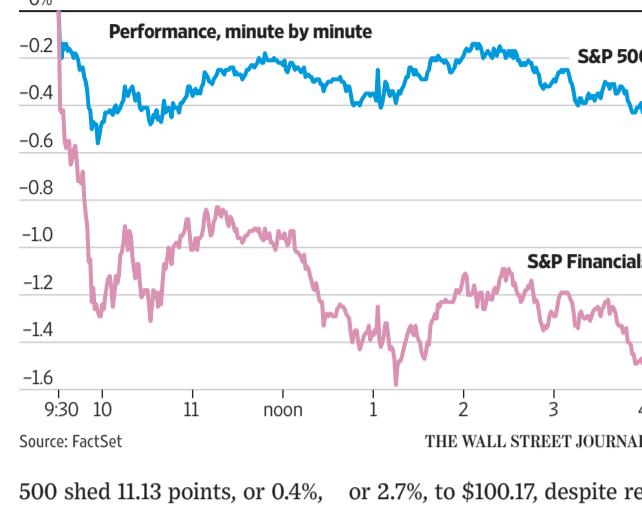
The deal **THURSDAY'S MARKETS** strengthens the Committee on Foreign Investment in the U.S. and the export control system, ostensibly to hinder foreign investment from countries such as China that could threaten national security.

"Policies like this have such a long arc that you can't possibly think of all the repercussions instantly," said Michael Antonelli, equity sales trader at Robert W. Baird & Co. "Investors will look at it over next few months to see what the bill means."

The Dow Jones Industrial Average fell 134.79 points, or 0.5%, to 25064.50. The S&P

Trending Down

Financial stocks were among the weakest performers in the S&P 500 Thursday.



500 shed 11.13 points, or 0.4%, to 2804.49, and the technology-heavy Nasdaq Composite dropped 29.15 points, or 0.4%, to 7825.30.

The S&P 500's financial sector was the weakest of the 11 sectors in the broad index, falling 1.4%. Shares of big U.S. banks had risen over much of the past week after the firms posted results that generally beat market expectations. But

reports from **American Express**, **Bank of New York Mellon** and **Travelers** weren't received as favorably.

American Express fell \$2.81,

or 2.7%, to \$100.17, despite reporting strong card-member spending and loan growth. Bank of New York slumped 2.91, or 5.2%, to 52.73, after posting weaker-than-expected revenue, and Travelers fell 4.82, or 3.7%, to 125.18 as weather-related catastrophes dented its bottom line.

Shares of **Wells Fargo**, meanwhile, fell 24 cents, or 0.4%, to 56.33 after The Wall Street Journal reported the bank is in the process of refunding tens of millions of dollars in charges added to customers' accounts without their

full understanding.

"Financials had a big move yesterday, and everyone piled into the sector," said Mike O'Rourke, chief market strategist at JonesTrading Institutional Services. Thursday's moves "are a reaction to earnings," he said, and aren't indicative of a fundamental weakness in financial stocks.

Major indexes briefly pared their losses after President Donald Trump questioned the Federal Reserve's interest-rate increases in a CNBC interview, saying he hoped the central bank would stop raising rates.

The WSJ Dollar Index, which measures the currency against a basket of 16 others, pared its gains on the comments and ended up 0.2%. Yields on 10-year U.S. Treasurys settled at 2.845%, down from 2.875% Wednesday. Yields fall as prices rise.

The moves also came a day after Mr. Trump reiterated his tariff threats against European autos. Mr. Trump said a failure to negotiate "something fair" with European and North American allies could lead to "tremendous retribution."

"Generally people are going to look at [trade tensions] through a negative lens," said Jeremy Bryan, a portfolio manager at Gradient Investments. "That's one of the things that can stifle global growth—if we

have protectionism."

Shares of U.S. auto companies edged lower, with **General Motors** down 56 cents, or 1.4%, to 39.41 and **Ford Motor** off 5 cents, or 0.5%, to 10.82.

EBay slid 3.84, or 10.1%, to

34.11 after offering disappointing earnings guidance late Wednesday.

In Asia early Friday, Japan's Nikkei was up 0.3% but Hong Kong's Hang Seng was down 0.4%.

Treasury Plans to Sell \$215 Billion in Debt

912828Y53.

Also, \$36 billion in five-year notes, dated July 31, 2018, maturing July 31, 2023. Cusip number: 912828Y61.

Noncompetitive tenders for the floating-rate notes must be received by 11 a.m. Wednesday; competitive tenders, by 11:30 a.m. For the five-year notes, the deadlines are noon and 1 p.m., respectively.

◆ **Monday:** \$51 billion in 13-week bills, a reopening of an issue first sold on April 26, 2018, maturing Oct. 25, 2018. Cusip number: 912796QE2.

Also,

\$45 billion in 26-week bills, dated July 26, 2018, maturing Jan. 24, 2019. Cusip number: 912796QU6.

Noncompetitive tenders

for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

◆ **Tuesday:** \$35 billion in

two-year notes, dated July 31, 2018, maturing July 31, 2020. Cusip number: 912828Y46. Non-competitive tenders must be received by noon Tuesday; competitive tenders, by 1 p.m.

◆ **Wednesday:** \$18 billion in

two-year floating-rate notes,

dated July 31, 2018, maturing

July 31, 2020. Cusip number:

912796QE2.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing date. Rates are determined by the difference between that price and the face value.

10-YEAR TIPS

	\$29,596,742,200
Applications	\$29,596,742,200
Accepted bids	\$13,705,922,200
"noncompetitively"	\$29,354,800
Auction price (rate)	100.09872
(0.762%)	(0.762%)
Interest rate	0.750%
Bids at clearing yield accepted	20.34%
Cusip number	912828Y38
The Treasury inflation-protected securities, dated July 31, 2018, mature on July 15, 2028.	

Pounded

How many dollars £1 buys*

\$1.44



*In late New York trading

Source: Tullett Prebon

THE WALL STREET JOURNAL.



The pound has fallen 9.2% against the dollar and 3.5% against the euro since mid-April—the start of a broad-based dollar recovery.

Sterling Falters Over Investors' Brexit Worries

By OLGA COTAGA

The pound fell to a 10-month low in London and remains vulnerable to steep falls given the prospect of the U.K.

leaving the **CURRENCIES** European Union without a trade deal, analysts said.

Sterling fell to \$1.2958 Thursday in Europe after poor U.K. retail-sales data followed weaker-than-expected inflation. In late New York trading, the currency was down 0.4%

on the day to \$1.3015.

"The pound will remain vulnerable to any buildup of fear in the market that a hard Brexit could be on the cards," said Jane Foley, senior currency strategist at Rabobank. "The market is not assuming a hard Brexit."

The pound has fallen 9.2% against the dollar since mid-April—the start of a broad-based dollar recovery. Against the euro, the pound has fallen 3.5% over the same period.

The more modest decline against the euro, the currency

of Britain's biggest trading partner, underscores how investors and analysts are counting on Britain to get a trade deal before it leaves the EU in March 2019.

British politicians and political commentators are less sure that will happen. The ruling Conservative Party is divided over how close a relationship it wants with the EU, and Brussels has made clear it won't agree to the sort of compromises that would pacify the party's most trenchant euroskeptics.

"Those are tail risks at the moment that will keep the pound on the back foot," said Viraj Patel, foreign-exchange strategist at ING.

"But actively trading [a no-deal Brexit] scenario is hard because you need to see evidence of that happening," he said.

Other U.K. markets also aren't displaying much fear of a hard Brexit. Yields on U.K. 10-year government bonds were around 1.23% Thursday, roughly the same as a year earlier. The more domestically focused FTSE 250 equity index

has gained 7% since the start of April.

U.K. markets still display deep concerns about Brexit, not least as the British economy continues to underperform peers. The trade-weighted pound is way below the levels it was before the Brexit vote in June 2016.

Those concerns heightened recently. Short positions on sterling increased during the week to July 10 from the prior seven days, according to Commodity Futures Trading Commission data.

Asia Junk Bonds Get Thumped

Continued from page B1
doned the region's junk bonds, but seem to be growing more selective.

Sales of new corporate high-yield bonds in Asia, excluding Japan, are down only about 1% from a year ago, at \$21.4 billion, according to Thomson Reuters.

That decline is far smaller than for overall sales of dollar-denominated bonds from emerging-market companies.

Several specialist funds have suffered, after swelling in size as investors poured in money. Net assets in a fund run by **Allianz Global Investors** GmbH have declined by roughly one-quarter, or \$250 million, since March. Assets under management at **Fidelity International Asian High Yield Fund**, one of the largest, ended June just below \$4 billion, down nearly 13% from a peak in January.

Bryan Collins, head of Asian fixed income at Fidelity, said falling bond prices had prompted selling by investors who have less experience in the asset class, or are investing borrowed money. "We've seen this many times over the years," he added.

Chinese local-government vehicles and property compa-

nies have generated many of the worst losses. And as funding costs rise and Beijing cracks down on leverage, their big investors are no longer able to borrow as much to buy dollar bonds.

Sentiment soured after an obscure conglomerate, **China Energy Reserve & Chemicals Group**, in May became the first mainland Chinese company this year to fail to repay dollar bonds. Beijing has previously tended to force banks and local governments to help out.

It was a lesson for investors who relied on ratings and bailouts, said Mitch Reznick, co-head of credit at Hermes Investment Management in London. "China Energy's default showed how faith-based investing is a road to hell," he said.

Yields on dollar bonds from local-government financing vehicles have risen to 8.6% from 4.6% since the start of the year, according to ANZ Research, reflecting rising concern that Beijing won't step in if they run into trouble. Like China Energy, these vehicles were previously believed to enjoy central-government support.

Defaults also are rising on debt denominated in yuan—a sign that the government is content to let market forces determine the fate of weaker companies, said Alejandro Arevalo, a fund manager at Jupiter Asset Management in London.

The new approach is forc-

ing investors to look more closely at company fundamentals, to the extent they can trust the numbers in mainland China.

"There was previously very little demand for credit analysis," said Qinwei Wang, senior economist at Amundi Asset Management. "Local

brokers now are setting up credit teams and they're building their own internal ratings."

And while the market turmoil has led the Chinese government to ease its campaign to slow debt growth, Beijing is unlikely to abandon its longer-term efforts, not least because the alternative would require propping up failing companies at great cost.

Some investors spy opportunity in the shake-up in the junk-bond market.

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"There was previously very little demand for credit analysis," said Qinwei Wang, senior economist at Amundi Asset Management. "Local

had hit multiyear highs in late June. Those high oil prices were pushing up gasoline prices for U.S. consumers.

But Mr. Aama's comments Thursday would suggest the Saudis and other OPEC members don't plan to excessively boost supplies simply because Mr. Trump wants lower gasoline prices for U.S. drivers.

The Saudi official said Saudi Arabia's policy is to work on satisfying customers' needs, but to do so while adhering to the production pact.

Oil prices also got a lift from a late-session drop in the dollar against some other major currencies after Mr. Trump said he is "not thrilled" with the Federal Reserve raising interest rates. The business of oil trading is conducted with dollars, so its movements up or down tend to cause oil prices to go in the opposite direction.

Investors had pushed oil prices lower during the overnight session after weekly data showed U.S. oil stockpiles climbed nearly 6 million barrels last week, while economists expected a decline.

Still, the report showed a big, bullish decline in gasoline supplies, and it also reported robust fuel demand that indicates the U.S. summer driving season is quite active.

—Christopher Alessi contributed to this article.



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Oil prices also got

MARKETS

Trade Fears Crunch U.S. Grain Prices

BY BENJAMIN PARKIN

Gluts of corn, wheat and other crops are finally easing after years of oversupply, but prices have yet to meaningfully rebound.

The enormous stocks of agricultural commodities that piled up around the world in recent years are due to start falling, the U.S. Department of Agriculture said. A combination of robust demand for grain to feed to livestock and droughts from Kansas to the Black Sea region have helped chip away at record oversupply.

That has done little to bolster prices, however, leaving some analysts scratching their heads. Hedge funds and other investors instead have focused on the prospect that tariffs on U.S. agricultural goods levied by China, Mexico and others could kill demand, erode market share and leave American farmers sitting on even larger surpluses.

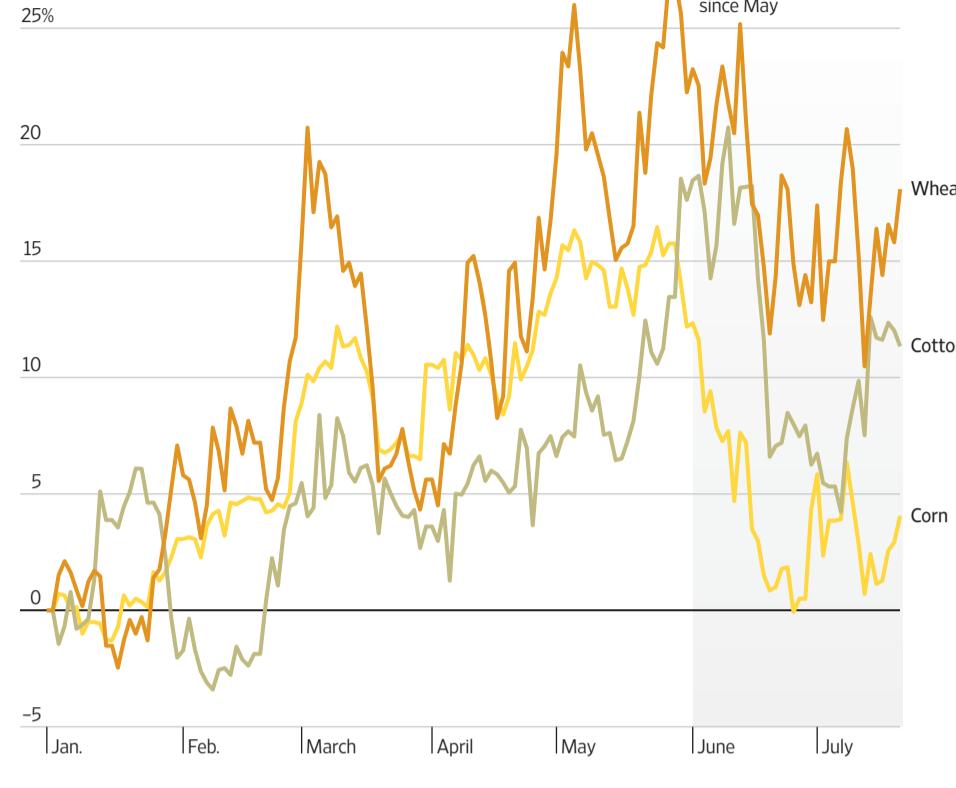
Corn futures at the Chicago Board of Trade have fallen 15% from a late May peak. They traded last week at the lowest point in almost a year. Prices for wheat are down around 10% over a similar period and cotton has slid 7% from mid-June.

"It's a new situation for everyone," said Craig Turner, a senior broker at Daniels Trading in Chicago. "When you see that kind of uncertainty and there's no playbook, everything gets sold eight ways to Sunday."

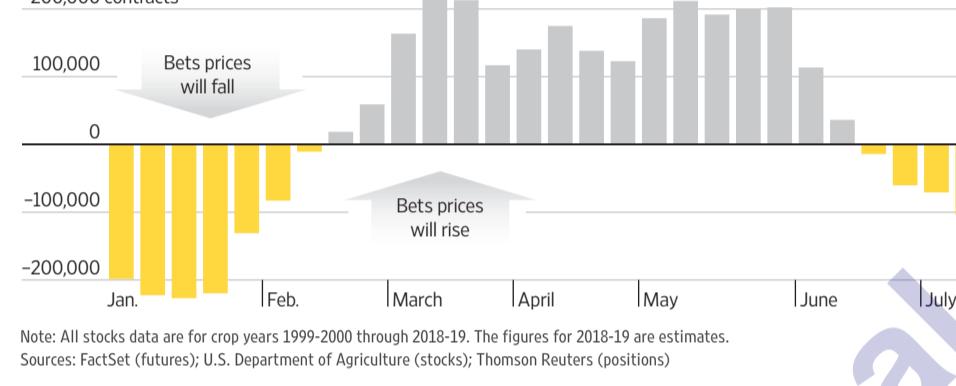
Nowhere is this pessimism more evident than in the corn market, with hedge funds and other speculators betting that prices are headed lower. They have built a net short position of more than 100,000 futures and options contracts, data from the Commodity Futures Trading Commission show. It is a shift from June when they held a net long position of a similar size.

Yet the USDA projects corn

Futures-price performance, year to date



CFTC net fund bets on corn-price direction, weekly



Note: All stocks data are for crop years 1999-2000 through 2018-19. The figures for 2018-19 are estimates.

Sources: FactSet (futures); U.S. Department of Agriculture (stocks); Thomson Reuters (positions)

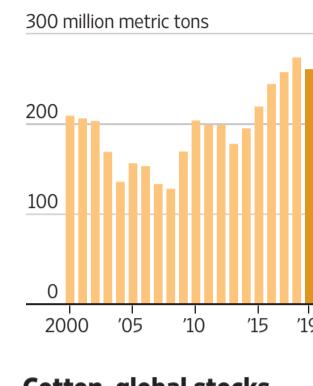
stocks falling so far next year that some analysts say another weather issue could spark tight supplies around the world, which could cause prices to jump. The agency's most recent estimates put global corn stocks at the end of the 2018-19 crop year at 152 million metric tons, down over

20% from the same time a year earlier. Supplies of corn sitting in domestic grain bins are expected to fall by almost one-quarter over the same period. "We've been lulled into complacency because we've produced large crops," said Dan Hueber, general manager of advisory firm The Hueber

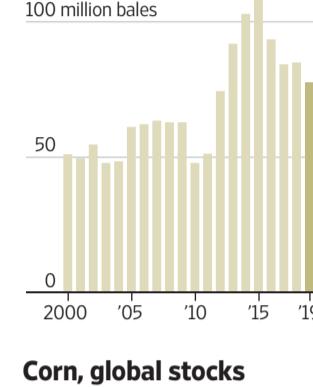
Report. "They just assume that supply is always going to be there."

Traders of wheat and cotton are facing a similar situation: The USDA's latest figures show a 5% reduction in the global wheat surplus in 2018-19 from a year earlier, with international cotton

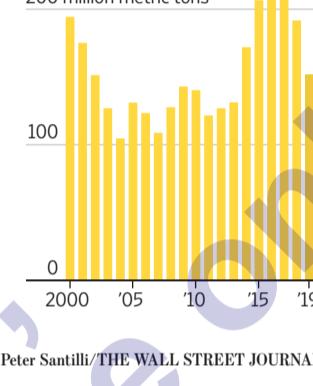
Wheat, global stocks



Cotton, global stocks



Corn, global stocks



Peter Santilli/THE WALL STREET JOURNAL

Many of these crops are in the crosshairs of governments around the world looking to retaliate against U.S. duties on steel, aluminum and other products. China this month introduced tariffs on U.S. soybeans, corn, wheat and cotton. Mexico, one of the largest buyers of American grain, is already levying duties on U.S. goods including pork and cheese, and many expect corn could follow if there's any new escalation.

Gluts of agricultural commodities, sparked in part by the rise of major crop exporters like Brazil and Russia, damped investor demand and quashed volatility. Many had already started to bet earlier this year that situation was correcting, before tension over trade ramped up.

"It has frustrated analysts because things had been looking better," said Michael McDougall, senior vice president at ED&F Man Capital Markets. "After the trade talk came out, I don't think people perhaps believed it would continue as it has."

Analysts say traders are taking their cues from soybean prices, which fell to near 10-year lows this month. China is the largest buyer of American oilseed. The duties of 25% already have the country's grain merchants buying more soybeans from Brazil, but the agency says higher costs will force some to cut back on oilseed consumption. Chinese imports are expected to fall as a result, pushing up domestic and global supplies next year.

Prices in a number of agricultural markets have started to turn higher this week, which some say is helped by the recent lull in heated rhetoric on trade out of Washington, Beijing and Mexico City. Traders say they may nevertheless struggle to continue putting their money behind the improving long-term outlook as long as the uncertainty around export flows remains.

Email: heard@wsj.com

FINANCIAL ANALYSIS & COMMENTARY

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HEARD ON THE STREET

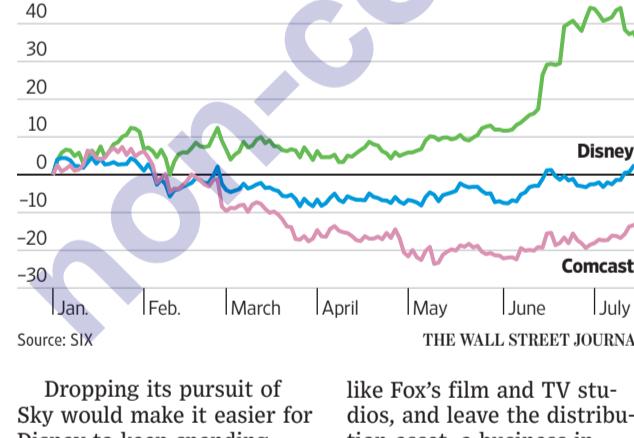
The central battle for 21st Century Fox assets ended on Thursday when Comcast dropped its bid, ceding the prize to Walt Disney. But the side skirmish for control of Sky, the European pay-TV leader, remains unresolved. The rational move would be for Disney to leave Sky to Comcast, lowering the risk of its purchase of the other Fox assets and quieting the loser with a consolation prize.

In a drama of outsized media egos, however, reason might not prevail. Comcast made Disney pay more for Fox; now Disney can make Comcast pay more for Sky.

The best reason for Disney to give up on Sky is to save money. If Comcast prevails, Disney can sell its 39% stake in Sky and reduce its debt on the \$71 billion Fox deal by \$13 billion. In securities filings this week and last, Disney implied it wouldn't bid and explicitly laid out the cost of a higher bid.

Media Drama

Share-price performance



Dropping its pursuit of Sky would make it easier for Disney to keep spending heavily on content to compete with streaming services like Netflix. Sky isn't a "must-have" asset anyway. As a satellite-TV service, it, too, is being disrupted by streaming. In some ways, it makes more sense for Disney to take the content assets,

like Fox's film and TV studios, and leave the distribution asset, a business in which it doesn't have any experience.

The market appears to believe that Disney will let Comcast get Sky: On Thursday, shares of the buyers—Disney and Comcast—were up and the sellers—Fox and Sky—were down.

But Disney shouldn't walk away without giving Sky a second thought. Sky has a direct relationship with 23 million customers across Europe. Controlling it would give Disney a huge leg up in its campaign to go global.

"Disney isn't letting Sky go," says Rich Greenfield of BTIG Research, citing the benefits of owning all of Sky. Disney CEO Bob Iger has called Sky a "crown jewel" of the Fox assets.

Disney's low cost of debt means it may have more to gain by fighting for Sky. At the very least, lifting its bid for Sky will probably provoke Comcast to raise its bid, too. Having ceded the shiniest Fox assets to Disney, Comcast isn't about to relinquish Sky too. So by bidding, Disney can either snag Sky or force Comcast to pay more.

The big corporate drama is over. But there may be one more act left.

—Elizabeth Winkler

Tariffs Give Retailers A Holiday Dilemma

Consumers have months to decide what to buy for Christmas. Retailers are deciding now, so a new round of proposed tariffs on Chinese products couldn't have come at a worse time.

President Donald Trump

has threatened to put tariffs on \$200 billion worth of Chinese imports. Retailers have a tough choice: They can order early to beat the penalties, which the White House says won't take effect for at least two months, and run the risk of ending up with excess inventory. Or they can wait and risk paying the higher costs if the tariffs do go through.

Many companies have tried to tamp down anxiety by saying they have been reducing their exposure to China. But they can shift only so much production, especially on short notice.

Relocating supply chains is no easy or inexpensive task. It is certainly hard to imagine it happening in time for the holiday-order rush.

Retailers appear to be placing orders early to get them through customs before tariffs hit.

"Shippers are definitely shipping early to beat the tariffs," says an Asia-

based shipping-industry executive.

But that carries risks. The biggest is that they lose control of their inventory and wind up with too much on the shelves. That would bring back bad memories of 2015 and 2016, when too much unsold goods forced retailers to offer steep discounts during the holiday season.

After lots of hard work, retailers kept inventory tighter during the 2017 holiday season and stronger profits followed.

If they decide to wait and see whether tariffs will take effect, retailers will either pass on the higher prices to consumers or eat the cost with lower margins. The effect on retailers won't be the same across the board, says Simeon Siegel, a retail analyst at Nomura Securities. Some retailers have been raising prices anyway. But those selling mass, lower-priced goods, like Walmart, Kohl's and Macy's, will have a harder time.

Just when retailers thought they had figured things out, Mr. Trump may send them spiraling again.

—Elizabeth Winkler

Philip Morris Can't Snuff Out Risk

Puffing

Philip Morris International share price



results a few months ago and fell another 1.5% Thursday. More than \$60 billion in market value has gone up in smoke in the past year.

The reason is that the nature of Philip Morris as an investment has changed. While

cigarette smoking is under assault from health authorities and faces ever-harder taxation, that didn't mean it couldn't be an altogether pleasant decline. In 2012, for example, the company paid some \$12 billion, or nearly 10% of its market value, to shareholders via buybacks and dividends and invested a little over \$1 billion.

But in the past 12 months, Philip Morris had 50% more in capital expenditures and returned barely half as much cash as in 2012. A dividend boost announced on Thursday didn't do much to assuage fears over the company's uncertain bet on reduced-risk products.

Philip Morris boasted on its call that its global share

in heated-tobacco products is similar to that of its Philip Morris brand cigarettes, which has an international market share of just 1.6%. The company also faces competition from upstarts. In the U.S., Juul Labs, spun out of a company founded just over a decade ago and funded by private equity, has by far the leading brand of reduced-risk products.

Buying Philip Morris stock today with its 5.8% dividend yield is itself a reduced-risk proposition. The danger remains, though, that the Marlboro Man pours too much of its cash into an iffy new product rather than riding gracefully off into the sunset.

—Spencer Jakab

OVERHEARD

According to eBay, buyers of fidget spinners are fidgety.

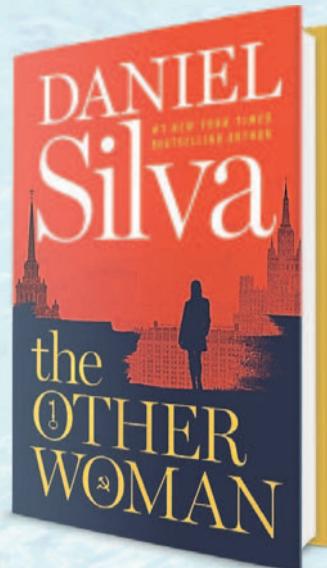
Last year's most annoying toy fad apparently drew buyers to the online marketplace, setting up a tough comparison for this year's second quarter, which recorded no growth in the number of items sold over the site.

On the company's earnings call, CFO Scott Schenkel said last year's buyers of fidget spinners "were kind of one and done."

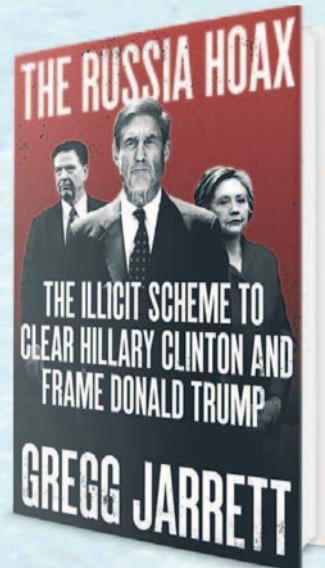
Total revenue in the second quarter fell short of expectations, denting the stock.

But that can't fully be blamed on fidget spinners. The real threat against the company is Amazon.com, which continues to take share in e-commerce. However, Ben Schachter of Macquarie notes that eBay has mentioned Amazon only twice in its past four earnings calls. Fidget spinners are apparently more fun to discuss.

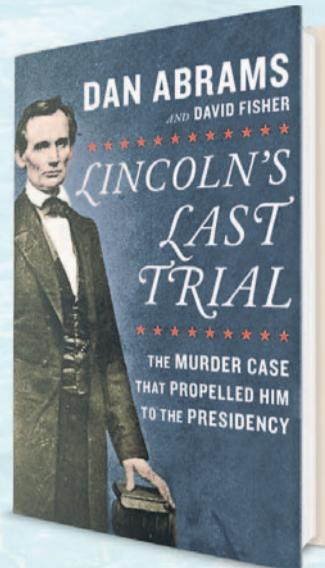
HOT SUMMER READS FROM HarperCollins Publishers



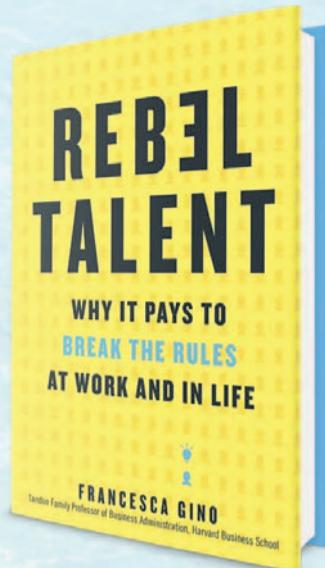
A modern masterpiece of espionage, love, and betrayal that proves once again that "of all those writing spy novels today, Daniel Silva is quite simply the best" (Kansas City Star).



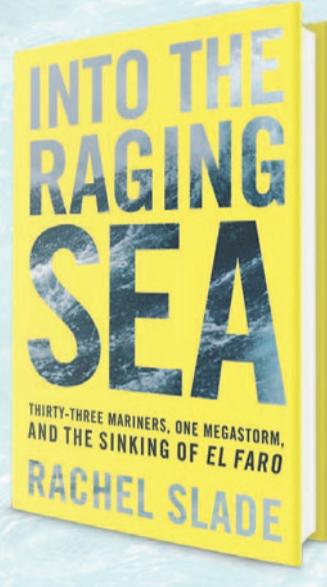
Gregg Jarrett reveals the real story behind Hillary Clinton's deep state collaborators in government and exposes their nefarious actions during and after the 2016 presidential election.



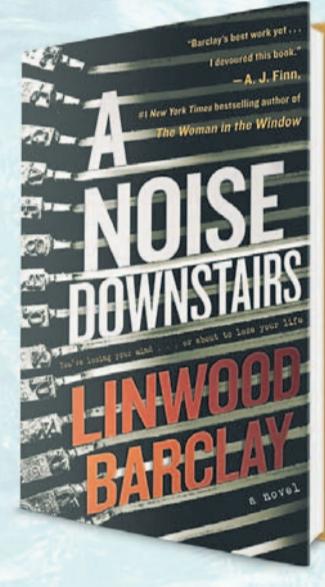
Dan Abrams, chief legal affairs anchor for ABC News and host of *LIVE PD* on A&E, offers an illuminating look at the untold story of Abraham Lincoln's final murder trial, in his own words.



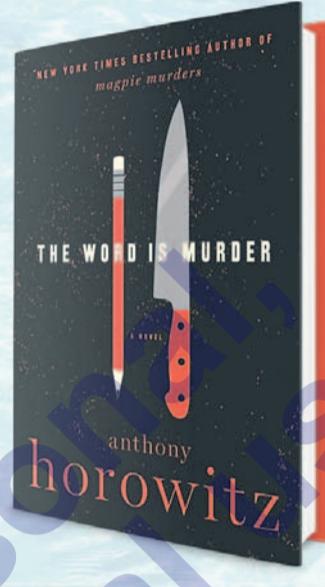
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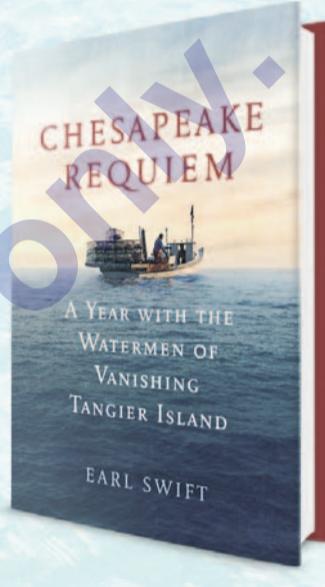
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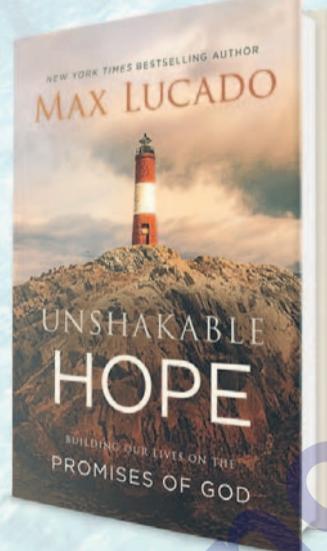
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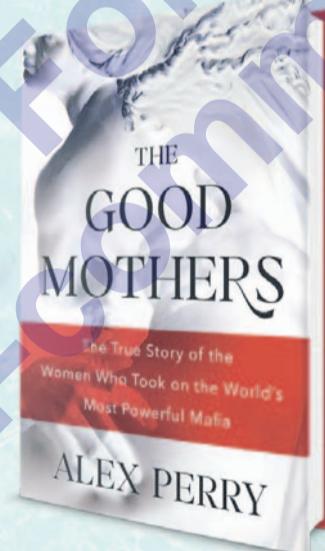
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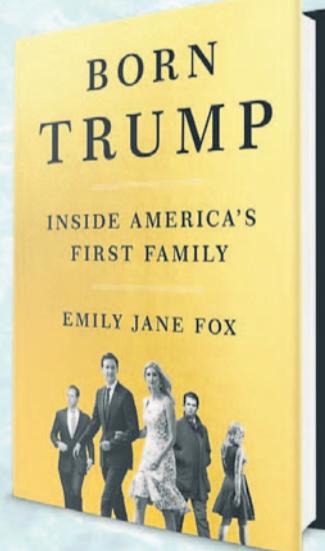
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I have to change. It's like a curse.

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THE WALL STREET JOURNAL.

Friday, July 20, 2018 | M1



FROM TOP: LUCAS HENNINING; RON HOEFER ("BEFORE")

LOOKING GOOD Ron and Judy Hoefer bought a \$550,000 home on the beach on Camano Island, Wash., in 2013 that had the same owner for some 30 years, below. An extensive renovation resulted in a more modern look. The first thing to go was the old home's deep sloping roof. Architect Dan Nelson also squared off the windows and added corrugated metal to the facade, above.

The Hipper Fixer Upper

Frumpy homes—the victims of benign neglect—find new life after massive renovations that transform the facade, floor plan and decor.

BY NANCY KEATES

GOING FROM OLD and frumpy looking to being gawked at with admiration was gratifying. But it required an extensive makeover.

When Ron and Judy Hoefer bought the house in 2013 for \$550,000, it had been lived in by the same owners since the early 1980s. The Hoefers had passed it up for years while they bid on other properties before they were able to overcome their distaste.

"It was pure 1976," says Mr. Hoefer, a 75-year-old real-estate appraiser. "Now it's an exciting space."

The two-bedroom house on Camano Island, Wash., looks new and hip. "It was one of the ugliest houses on the beach," says Dan Nelson,

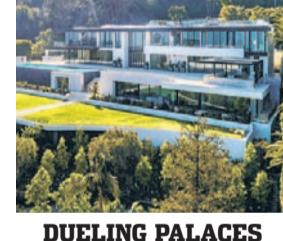
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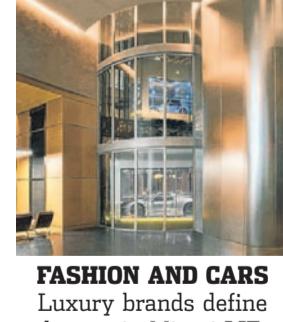
DENMARK'S GEM IN JULY

The resort town of Skagen draws vacation-home buyers to its natural beauty, artistic culture and lively nightlife, but local tradition and building rules dictate the homes be modest in size and in style. 'Location is the luxury.'

INSIDE



DUELING PALACES
\$188 million vs. \$180 million in L.A. M10



FASHION AND CARS
Luxury brands define luxury in Miami M3



AT FULL STEAM
Homeowners chill in Turkish baths M7

ROOM AT THE TOP The most expensive home now for sale in the Danish resort is this 2,200-square-foot Gammel Skagen home, with an asking price of \$3.45 million.

BY J.S. MARCUS

of the country's mainland.

The vacationers, drawn to the area's natural beauty as well as to its artistic legacy, live it up at a few local bars and restaurants before hunkering down for the night in their million-dollar homes—surprisingly modest cottages

that rarely exceed 2,500 square feet.

"We don't want castles here," says local architect Alfred Hansen, who is credited with designing hundreds of new and refurbished homes in the area. "The location is the luxury."

The typical Skagen house is often only a single story, with a converted attic for extra space. The size compels its summering millionaires to do without the typical upscale amenities, such as pools, home cinemas and spas. Centuries-old tradi-

tions and decades-old building codes have dictated a narrow range of options.

Positioned at the top of a thin peninsula that itself tops Denmark's Jutland peninsula, Skagen offers miles of sandy beaches and a distinctly Nor-

Please turn to page M12

MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

Marc Anthony Buys Home From Bacardi Heiress

Grammy-winning Latin crooner Marc Anthony paid \$19 million for a Coral Gables, Fla., home, according to people familiar with the transaction.

Records identify the seller as Hilda Maria Bacardi, sister of Bacardi chairman Facundo Bacardi. Ms. Bacardi is the great-great-granddaughter of Facundo Bacardi Massó, who founded the liquor company in 1862. Ms. Bacardi could not be reached for comment.

The property was listed in August 2016 for \$27.26 million, shortly after it was completed. Located in the gated community Islands of Copoplum, it sits on roughly 1.3 acres and is about 21,000 square feet with 12 bedrooms. It has more than 400 feet of waterfront with a 100-foot private dock and a swimming pool. Other amenities include an elevator, a wine cellar and a two-bedroom guesthouse.

Barbara Estela and Hilda Jacobson of Douglas Elliman represented Ms. Bacardi. Anamaria Velasquez of Nexxos Realty represented Mr. Anthony.

Mr. Anthony, 49, has two children with his former wife, actress-singer, Jennifer Lopez. A spokeswoman for Mr. Anthony declined to comment.



JOHN PARRA/GETTY IMAGES, LUXHUNTERS/Douglas Elliman



IAN SCHRAGER COMPANY

76ERS CO-OWNER TO PAY A RECORD FOR NYC PENTHOUSE

Michael Rubin, a co-owner of the Philadelphia 76ers and the owner of online sports merchandise retailer Fanatics, is purchasing a penthouse in downtown Manhattan for a price in the low- to mid-\$40 million range, according to people familiar with the matter. It is one of the priciest transactions ever to close in the area.

Mr. Rubin entered contract to buy the unit in October 2017, according to these people, but the deal has not yet closed. When it does, the property will be the priciest home ever sold below 14th

Street in New York. Such a record is unlikely to hold for long, though: A penthouse listed for \$65 million at nearby 70 Vestry is also in contract.

The interior of the north-facing penthouse at 160 Leroy Street is close to 8,000 square feet, with five bedrooms. It also has a landscaped roof terrace with a 27-foot private outdoor pool, a private elevator, a screening room, a library and four fireplaces. The building was developed by a partnership that included real estate investor and hotelier Ian Schrager, and was designed by the architecture firm Herzog & de Meuron.

Mr. Rubin's company owns several online brands in addition to Fanatics, including retail websites Rue La La and ShopRunner. His previous company, GSI Commerce, sold to eBay for about \$2.4 billion in 2011.

Mr. Rubin was represented by Dana Power of the Corcoran Group, who declined to comment. Madeline Hult Elghanayan, Lauren Muss, Kirk Rundhaug and Dennis Mangone of Douglas Elliman represented the developer. A spokesman for Douglas Elliman declined to comment.

FORMER FORT LAUDERDALE HOME OF DAVID CASSIDY LISTS

It may be the ultimate collectible for a David Cassidy fan: A Fort Lauderdale, Fla., estate formerly owned by the onetime teen heartthrob is coming on the market for \$3.9 million.

Known as Casa De Mayan, the roughly 7,000-square-foot, six-bedroom home still includes an array of Mr. Cassidy's personal memorabilia, including autographed photos of him taken there. These items, as well as Cassidy family crest throw pillows and pieces of furniture previously owned by Mr. Cassidy will be included in the sale, according to Thomas White, one of the sellers.

Mr. White and his partner Scott

Watkins purchased the home at a bankruptcy auction for close to \$1.9 million in 2015, Mr. White said. Mr. Cassidy, who bought the house in the early 2000s, was going through financial troubles at the time, Mr. White said.

The current owners renovated the home and have been renting it out, marketing it as Mr. Cassidy's former home. Mr. White said the home commands about \$1,389 per night during off-season and upwards of \$1,789 a night during high season.

The property is located on South Ocean Drive, overlooking the Mayan River. It has two master suites, an exercise room, an office,

a heated pool and hot tub, an outdoor grilling kitchen and a dock, which has a 10,000-pound automatic boat lift.

Mr. White said he and Mr. Watkins had originally considered living in the property, but eventually decided the layout didn't fit their lifestyle. After they sell, he plans to move on to other renovation projects. Mr. White and Mr. Watkins are listing the property themselves.

Mr. Cassidy gained fame after starring in the 1970s sitcom "The Partridge Family," and later in life appeared on "Celebrity Apprentice." He died in November 2017 at age 67.



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Artist's Rendering

MANSION

THE TRADE

High-End Living With Fashion and Fast Cars

A slowing market in Miami, along with the highest condo inventory since 2008, tests the draw of Armani, Porsche, Aston Martin and other luxury brands that license their names to real-estate developers



BY KATHERINE CLARKE

ARGENTINE REAL-ESTATE developer Juan Pablo Verdiquio is a self-confessed "car guy." He owns a Porsche and several Ferrari and Audi sports cars. In 2015 he paid almost \$4.2 million to buy a slightly different model of Porsche: a three-bedroom condo in Miami's Porsche Design Tower.

Mr. Verdiquio's decision had nothing to do with his need for speedsters. Rather, he said he thinks the Porsche brand could help ensure that his condominium maintains its value, even if the Miami market, known for its dramatic ups and downs, gets choppy.

"Buying into a brand that's been around for 100 years? I'd take that bet any day. It's like buying into Coca-Cola," said Mr. Verdiquio, 41.

In the Miami area alone, Porsche, Armani, Fendi and Missoni have loaned their names to condo projects over the past few years. And currently under construction on Biscayne Boulevard Way is an Aston Martin-branded 66-story condo, where units are expected to start at roughly \$700,000 and go up to around \$50 million for the penthouse, according to an Aston Martin spokesman. Miami's flattening luxury real-estate market will test the power of these luxury brands to persuade buyers—many of them international—to pay top dollar for a home.

Luxury-branded residences command almost no price premium over comparable luxury condos in the Miami area however, according to research by listings website Zillow.com. In an analysis of the Miami market by Zillow, the company found that the price per square foot commanded by "designer properties" was indistinguishable from prices for other luxury condos, according to a spokeswoman.

At the same time, the inventory of newly built residences continues to rise, with 4,868 new condo units slated for delivery this year, the most since 2008, according to data from brokerage Fortune International Group. The Aston Martin tower specifically could face challenges because it's just getting out of the ground as the market reaches peak supply, said Peter Zalewski, a principal with the Miami real-estate consultancy Condo Vultures. (Developers declined to discuss the percentage of units in luxury-branded buildings that have been sold.)

"They're swimming out and the crest of the wave is coming right towards them," he said.

Some industry experts also caution that affiliating with a new condominium project in this climate could be risky for the reputation of luxury brands if the project doesn't come to fruition, or if sales don't live up to expectations.

"I tell them before we start that it can do more harm than good," said Gil Dezer of Dezer Development, whose firm has partnered with Porsche Design Group and Armani/Casa Interior Design Studio on new Miami towers and who employed the model in the early 2000s with President Donald Trump. "If you don't get financing, if the units come out badly, there are so many things that can happen."

Major real-estate developers, such as the Related Group and HFZ Capital Group, have both paused on new projects in Miami over the past 18 months amid rumblings of oversupply, for example.

"The premise that the brand adds or helps maintain value becomes challenged when you have a lot of competition entering the market," said appraiser Jonathan Miller, who tracks Miami sales. "It becomes less black and white."

There are other advantages, however, said Robert Thorne, 57,



BRAND POWER From left, a master bath at the Missoni Baia building includes the brand's zigzag pattern; a car elevator in the Porsche Design Tower. Right, Robert Thorne in the Armani/Casa showroom; below a model bedroom.



Expanding a brand's reach helps luxury-goods companies face the challenges of e-commerce and attracting younger shoppers. "These fashion companies have never been under more pressure to realize returns when their core business is besieged by all sorts of other issues," said Pauline Brown, the former North American chairman for LVMH Moët Hennessy Louis Vuitton, the luxury-goods company.

Simon Sproule, the chief marketing officer and chairman of the Americas for Aston Martin, declined to say how much the company received for its Miami project. But the returns have been high enough for it to explore other opportunities.

"We're in discussions with a number of different projects around the world," he said. "It might look on paper like a stretch for us to be doing real estate but we have expertise in design and knowledge of the luxury market."



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SPREAD SHEET | ADAM BONISLAWSKI

LAND GOES FROM 'DIRT CHEAP' TO 'PAY DIRT'

One way to boost the value of land is to put it somewhere else: an analysis of some of the country's largest land-reclamation projects


IN REAL estate, location is everything—and that goes not just for buildings, but the ground beneath them as well.

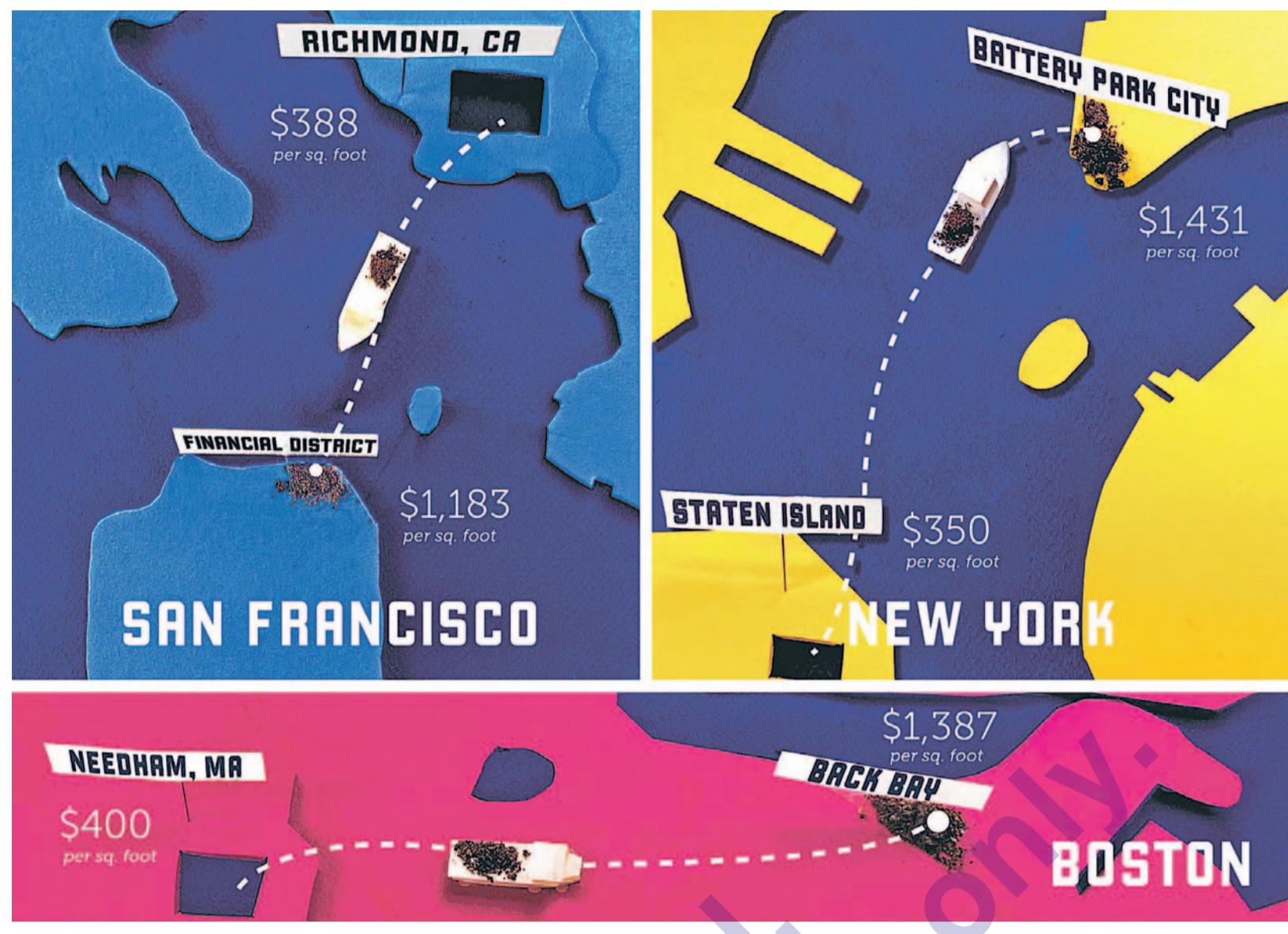
Move a scoop of soil from Beverly Hills, Texas, to Beverly Hills, Calif., and its value soars.

To illustrate this idea more, well, concretely, Spread Sheet asked real-estate firm NeighborhoodX to look at some large-scale land-reclamation projects and the money they created by moving dirt from one place to another.

Before a 19th-century infill effort, Boston's Back Bay neighborhood was exactly that—a bay. Today it is one of the city's priciest residential districts, with homes going for an average of \$1,384 a square foot, according to NeighborhoodX. Much of the material used to build up the area was excavated from nearby Needham, Mass., where prices average around \$400 a square foot.

Likewise, New York's Battery Park City was built, in part, atop sand shipped in from the southern shore of Staten Island during the early 1970s. That move took prices from around \$350 a square foot in Staten Island to an average \$1,431 a square foot in the lower Manhattan neighborhood.

Results in San Francisco's Financial District are more mixed. Residential prices in the area average \$1,183 a square foot today, well above the \$388 a square foot aver-



age in Richmond, Calif., where a portion of the landfill came from throughout the second half of the 19th century. Another portion of the landfill, though, came from San Francisco's Telegraph Hill neighborhood, where prices today average \$1,448.

Federal and state regula-

tions have essentially outlawed coastal infill projects in the U.S. due to environmental concerns, says Vishaan Chakrabarti, associate professor at Columbia University's Graduate School of Architecture, Planning and Preservation. But, he says, "it's still a very common practice in parts of Asia, the

Middle East, and, in some cases, Europe."

Monaco is undertaking a \$2.3 billion project to add 15 acres to its coast using sand imported from Sicily. The tiny Mediterranean principality is the world's most expensive real-estate market according to real-estate firm Savills, with prices averaging

\$4,457 a square foot in 2017.

Land reclamation is expensive, so "you only really see it in top tier cities with really booming economies [and] great land scarcity," Prof. Chakrabarti says, citing as examples spots like Tokyo and Hong Kong.

Several years ago, Mr. Chakrabarti advised on a

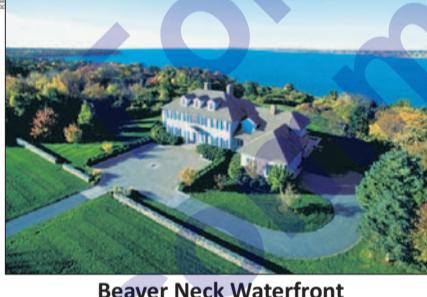
student proposal to connect lower Manhattan to Governors Island via infill. It is unlikely such a project could happen for legal and environmental reasons, but, he notes, it would be on solid ground financially. "It is very hard to argue with the economics of creating more Manhattan," he says.

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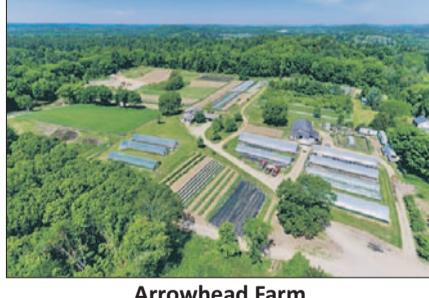
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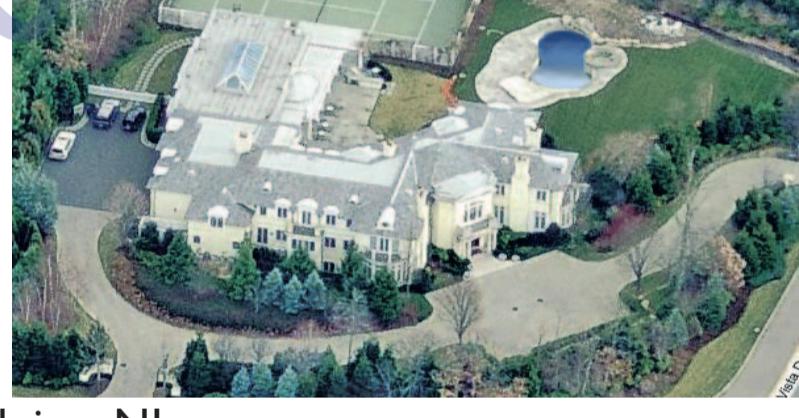


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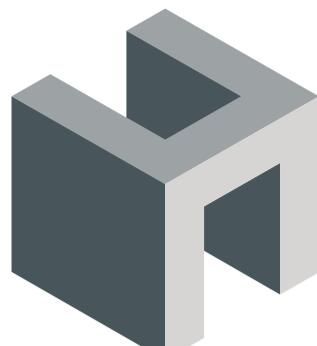
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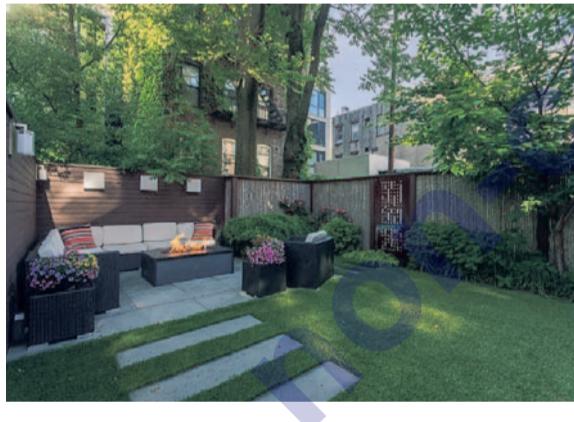
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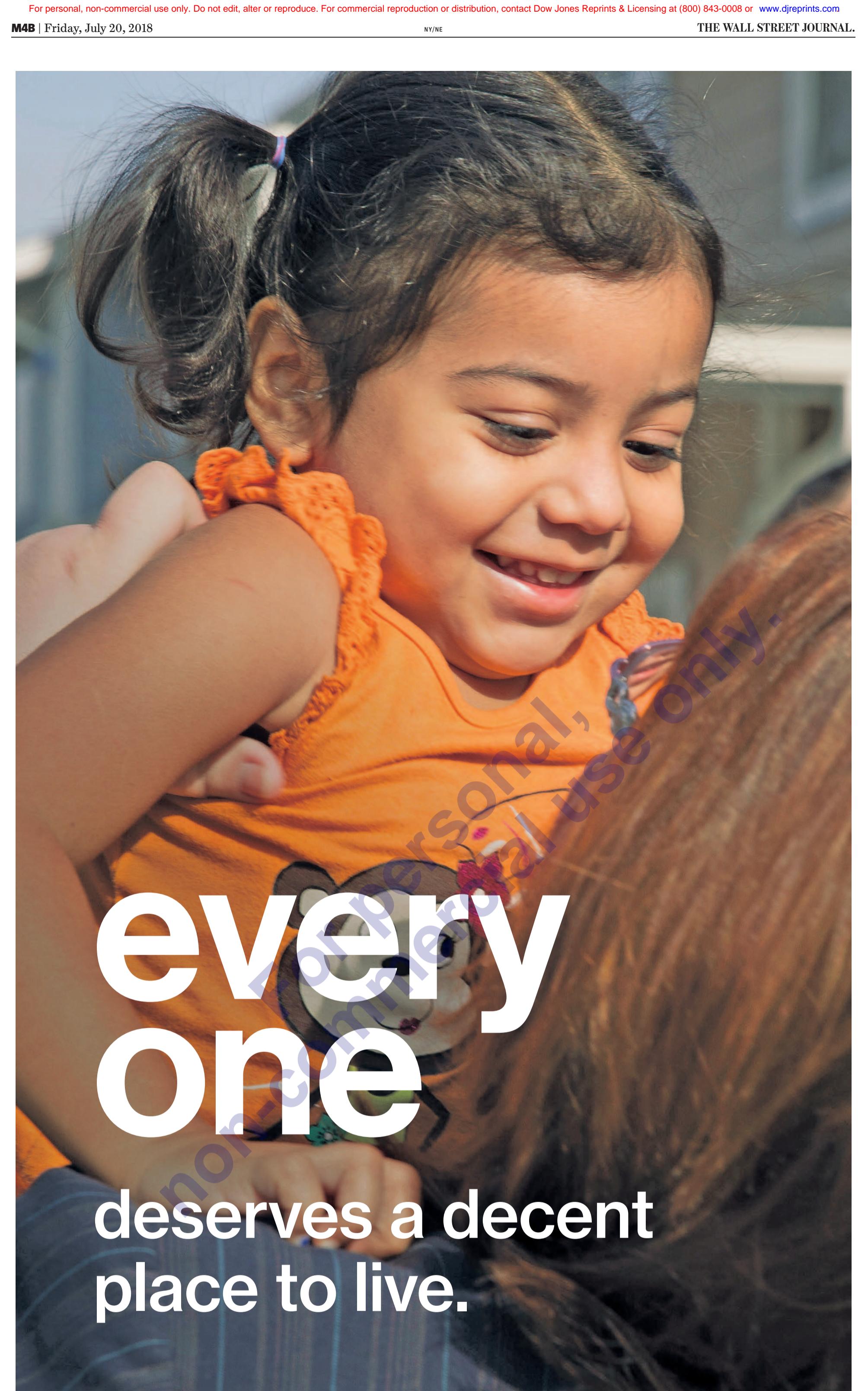
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ANNOTATED ROOM

A Room of Her Own, by Her Designer Mom

Lauren Behfarin designed a bedroom at her Hampton vacation home for her own 4-year-old, for \$14,000

NEW YORK CITY-BASED interior designer Lauren Behfarin, who specializes in creating spaces for children, designed a bedroom for her daughter at her Westhampton Beach weekend house.

The 340-square-foot room was conceived as a space for her 4-year-old to host slumber parties and visits from her cousins; its look needed to appeal to both boys and girls. The daughter wanted pink walls, so her mother chose the "muted and sophisticated" Acapulco Sand, with hints of pink. For the ceiling and trim: Chantilly Lace.

For now, Ms. Behfarin's daughter sleeps in a small, built-in alcove decorated with paper stars. The striped upholstered headboards were a gender-neutral choice.

"This is a room she won't grow out of by her teenage years," says Ms. Behfarin.

Blue coverlets on the single beds reference the nearby sea. A neon sign's inscription sums up the beachy feeling of the home, built in 2009.

"It's what my father says all the time," Ms. Behfarin explains. The total cost of decorating the room was \$14,000.

—Karen Bruno



CHARLIE JULIET (2)

1. The upholstered pair of headboards are semi-custom made. They were purchased, on sale, from Crate & Barrel, then re-covered in about 7 yards of striped fabric from Osborne & Little, the U.K. wallpaper and fabric brand.
Price: \$2,091 total; headboards, \$199 each; fabric, \$113 a yard

2. The star decals, made of silver paper, are by Canadian wall-decal company Urbanwalls.
Price: \$39 for 50 stars

3. A custom-made neon sign, done in script font,

from Etsy, captures a favorite line from a grandparent.
Price: \$650

4. The storage ottomans are custom-built and covered with four yards of Mulberry-pattern material for Lee Jofa fabric.
Price: \$1,492 for two; \$148 a yard

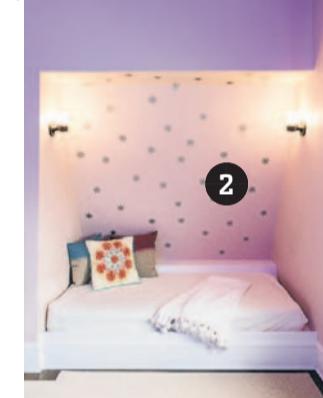
5. Velvet throw pillows in fuschia-colored Donghia "Covet" fabric.
Price: \$69 per yard; \$218 for two

6. A Newport Lounger beanbag-style chair from

Serena & Lily, based in Sausalito, Calif., has a sail-inspired shape (color discontinued).
Price: \$228

7. Three gallons of Benjamin Moore in two colors: Acapulco Sand and Chantilly Lace, in eggshell.
Price: \$54.99 a gallon

8. The beige, easy-to-clean, "form-fitted" wool rug is from Rosanti Floors, Westhampton Beach, N.Y. The rug follows the shape of the room, and is cut 2 inches away from the wall to create a border.
Price: \$3,000



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MANSION

The Hipper Fixer Upper

Continued from page M1
 principal of Designs Northwest Architects, who designed the \$150,000 transformation. He replaced a shed-like roof that sloped on all four sides with a flat one, adding a large corrugated metal panel and squaring off the windows. Inside, they ripped out wall-to-wall beige carpeting and replaced trim molding with a more modern style.

Fixing up an old house that has been lived in by the same owner for decades can also mean freeing it from a not-too-pretty moment in time. The renovations are as much about the style as about repairing the plumbing. These projects can range from major reconstructive surgery to a metaphorical change of clothes, but they often come with complications, such as labyrinth-like floorplans and uncooperative neighbors. Longtime residents often let things go, content to ignore new technologies and design trends.

It was a floor-to-ceiling Buddhist shrine in the living room that Jaime Mannon, 41, suspects deterred other buyers from the 1940s house she and her husband bought in 2011 for \$700,000 in Berkeley, Calif. The lack of a furnace also could have been a factor. The woman who lived there was 90 when she died, and had been there for decades before it was sold by the estate.

The couple hired Oakland architectural firm Tierney Conner to transform the dark, segmented interior into simple, clean, open spaces with white walls and modern furniture—for about \$500,000.

But there were some things Ms. Mannon couldn't change, like all the other houses on her street. They were done in a Minimal Traditional style that many love but that she calls "pretty damn ugly."

"Why didn't I think about the fact that I could change my own house and not the other houses in the neighborhood?" Ms. Mannon asks. Some of the neighbors have been hard on her. One left a note after a lawn service Ms. Mannon had hired used a leaf blower.

"First you inflict your remodel on us, now your gardener," it read.

"Benign neglect" is a phrase that often comes up with homes owned by the same person for years, says Tami Hausman, 50, who spent about \$120,000 renovating a 1958 house on New York's Fire Island that had one owner for 30 years.

The house, purchased for \$825,000, was filled with oil lamps, an old wood stove and dead plants, and it had a wildly overgrown exterior.

"It looked like a hobbit lived there," says Ms. Hausman's husband, Jim Crispino, 55, an architect. Still, the redo was straightforward, what the couple calls "blowing the dust off the place." They added new wood floors for a contemporary look and more white cedar on the interior walls.

In Philadelphia, contractor Kenny Grono of Buckminster Green recently finished a project on a townhouse near Rittenhouse Square that looked as if it had been barely touched since the 19th century. The floor of the basement was all dirt and the staircase was hanging on a thin board.

It turns out, the previous owner was 90 when he moved out and had lived there most of his life. A former antiques dealer, he had covered every surface with heirlooms and painted the rooms colors like maroon and dark green.

"He'd done nothing structural to it," says Terri Steinberg, a physician, who bought the house with her husband in 2010 for \$626,000 (there were five offers on the table), and spent about \$750,000 and a year giving it an open, contemporary feel.

When David Hancock, head of a bicycle-transmission company, and his wife, Laura, bought a 1938 house in Austin, Texas, in 2010 for \$550,000, they couldn't live there because the previous occupant, who owned it for decades, had left it in such bad shape it was condemned. They also couldn't tear it down, due to a historic covenant. Neighbors tried to block their renovation, arguing the contemporary look would hurt the neighborhood's charm.

Six years and more than \$1 million later, Mr. Hancock owns a new house on the same footprint with the same facade in front, but with an altered roof and expanded interior. Austin architect Matt Fajkus gave it the tagline: "humble in the front, party in the back."

SAN FRANCISCO

Ed Fine transformed the home his father had built in the 1930s, inset, with a flat roof and windows with sweeping views. Below left, Mr. Fine with wife, Leslie; children, Charlotte and Gabriel; and dog, Falcor.



AUSTIN, TEXAS David and Laura Hancock bought a 1938 home, above left, neglected by its owner of many decades. After a \$1 million-plus renovation, they have a new home on the footprint, with an expanded back. Above right, Mr. Hancock with his wife, standing, daughter, Ivalea, sister Eleanor and niece, Oolu Scott.



FIRE ISLAND, N.Y. Tami Hausman and husband, Jim Crispino, spent about \$120,000 to upgrade a 1958 house that had oil lamps from its owner of 30 years. They added new wood floors and white cedar walls.

Things can get even more complicated when the house is personal. Ed and Leslie Fine bought out Mr. Fine's brother from their childhood home in San Francisco's Cole Valley neighborhood when his mother, a widow, decided to move out of the house his father had built in the 1930s. "It was an emotional process. I had a lot of psychological inertia," Mr. Fine says.

The Fines navigated the process by weeding out the sentimental from the practical. The third story with tiny windows was enlarged and now has big windows with soaring views.

Mr. Fine successfully argued to keep a Moorish-style arch in the entryway and the staircase railing, which his mother designed. He works from the same office as his father did, except the desktop is real walnut instead of faux wood.

The exterior dramatically changed, from having a traditional peaked roof to a flat roof over big windows. "We straightened things out," is how San Francisco architect Jennifer Weiss explains the roughly \$1 million project.

In Santa Monica, Mazi and Matt Lombard live in a 1906 brick house that Los Angeles architectural firm Hsu McCullough gutted and transformed into what now looks like a contemporary. The Lombards bought the home in 2009 for \$1.19 million from an accountant named Daniel Ortiz, who had purchased it from someone who had owned it for more than 40 years.

Mr. Ortiz had made only one change: He helped find an apartment for a tenant who had been living in a dilapidated shed in back for decades. "He came with the house," explains Mr. Ortiz.

MANSION



A HOT SLAB IN THE DESERT

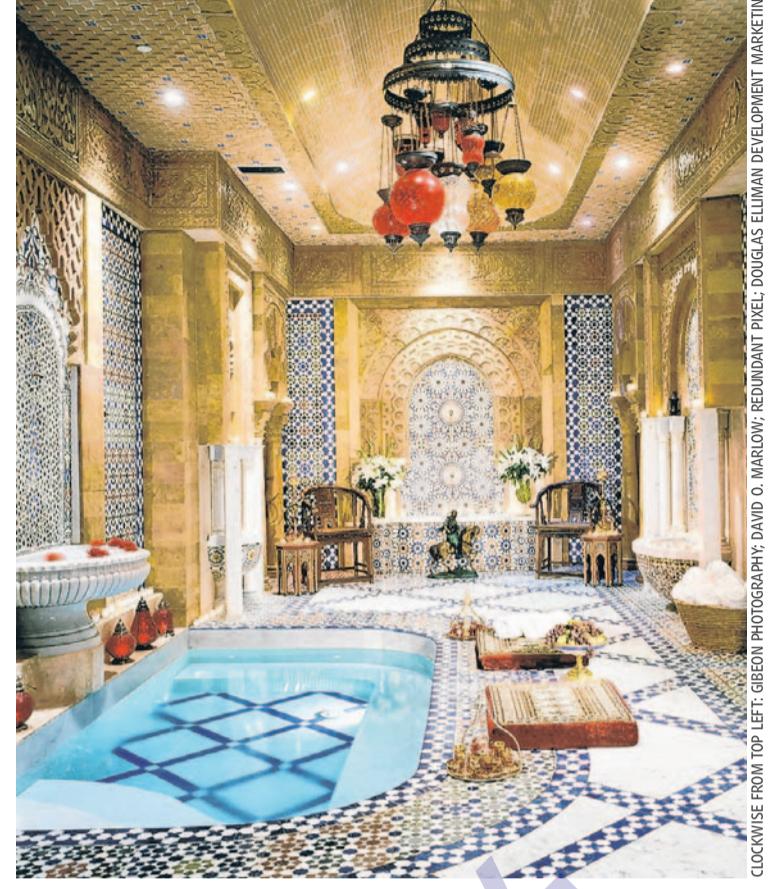
In Palm Desert, Calif., designer Gordon Stein worked on a hammam for a local client who was building a new home in a Moroccan style, he said. He visited Morocco with his client a few times to do reconnaissance on all the materials, including the mosaic tiles for the floor and the base of the bathing pool, which were sourced from the country. The owner hired a team of 20 craftsmen from Morocco to go to California to work on the home project. They spent between five and six months on site. A jewel-like light fixture was handmade in brass using small handsaws. A fireplace is made of black Tadelakt, a plaster surface that is rammed, polished and treated with soap.

Cost: \$350,000 to \$500,000.

OVER THE TOP IN LOS ANGELES

Le Belvedere, a lavish Bel-Air mansion by developer Mohamed Hadid, features an elaborate, traditional hammam with a bathing pool, large swaths of blue-and-white marble tile and colorful light fixtures. Max Fowles-Pazdro, a Los Angeles-based investor who recently bought the property for \$56 million, said he liked the concept of the hammam but felt that it looked a little "cheesy" in its current form. He plans to update the room and make it more contemporary with a more neutral palate. Mr. Hadid didn't respond to a request for comment on the original cost.

Cost: About \$500,000 for the renovation only



CLOCKWISE FROM TOP LEFT: GIBON PHOTOGRAPHY; DAVID O. MARLOW; REDUNDANT PIXEL; DOUGLAS ELLIMAN DEVELOPMENT MARKETING

ELEMENTS

THE LOOK AND FEEL OF A TURKISH BATH

The relaxing vibe and cleansing rituals of traditional hammams are making their way into private bathrooms and spas

More luxury developers and homeowners are turning to Turkish hammams for inspiration for their private bathrooms and spa areas.

The hammam, a version of the

public bathhouse that is typical in Islamic countries, involves a gradual warming of the body in a heated environment, followed by an exfoliating body scrub.

Traditionally, hammams have

been in domed rooms clad in mosaic tiles, complete with stone slabs for laying down and cisterns of water for rinsing and keeping cool.

Today, some builders are going

with a traditional aesthetic, while others pursue a more modern twist on the hammam with sleeker, cleaner materials.

Roughly 50 homes currently for sale in the U.S. incorporate

the word "hammam" in their listing description, according to real-estate listings website Zillow. Here is a look at four examples of private residential hammams.

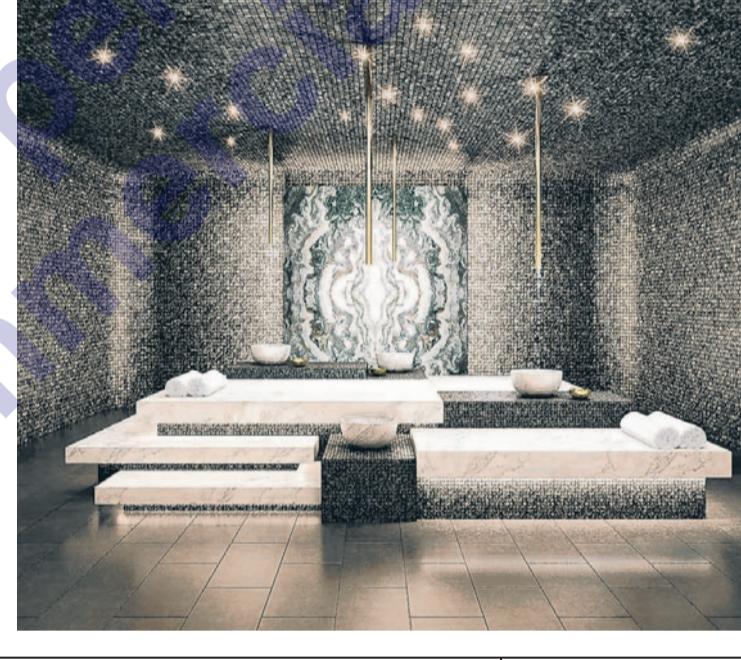
—Katherine Clarke



EMBRACING THE HEAT AT THE BEACH

At Eighty Seven Park, a beachfront condominium in Miami Beach designed by Pritzker Prize-winning architect Renzo Piano, Julia Capp and a team of designers at RDAL sought to replicate natural light with a wood-panel light fixture that allows some rays to seep into the space. In the room's center is a hot stone plinth heated from the inside, with a small pipe that provides steam. There is also a freestanding bath and a body-scrub area with water jets that hang from the ceiling. Just off the room is a separate sauna and scrub area. Ms. Capp said the materials were inspired by the property's proximity to the beach.

Cost: About \$1 million



RESPITE IN MANHATTAN

At 111 Murray Street, a new residential skyscraper in New York's Tribeca neighborhood, designer David Rockwell said he looked to the hammam to bring something "a little bit unique" to the building's amenity spaces. "I was intrigued by the fact that it's a room you can spend a lot more time in than a sauna," he said. "You're decelerating from the speed of New York City into a more relaxing gear." For the design, Rockwell Group incorporated black granite for the floors, mosaic-tile walls and thick white marble plinths for reclining. The plinths appear to float above the granite. Polished nickel-clad pipes hang from the ceiling over stone bowls to deliver water. The hammam was built offsite in Leverkusen, Germany, and will be shipped to the U.S. for the project.

Cost: About \$1.5 million.

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MANSION

HOUSE CALL | AL JARDINE

This Beach Boy Got Around

The band's co-founder grew up in Ohio and New York before playing on a football team with Brian Wilson

My childhood began hundreds of miles from the nearest wave. My family lived in Lima, Ohio, a small and quiet town in the 1940s. Our block was lined with trees, and the smell of raked fall leaves burning still takes me back there.

In Lima, my father, Don, was a master photographer. He took black-and-white images of trains for Lima Locomotive Works. After World War II, his printing expertise was in demand as the defense industry grew.

In 1949, when I was 6, my father took a job with Eastman Kodak and moved the family to Rochester, N.Y. In the early '50s, he taught at the Rochester Institute of Technology.

Both of my parents loved music. My father played clarinet in college. My mother, Virginia, who went to the same school, the University of Toledo, was an arts major. She also played violin. At home, they had a good collection of pop 78s, and we sang as a family.

In Rochester, my parents bought me a four-string ukulele that I picked on. I also played the clarinet in grade school, but the instrument was difficult and discouraging.

Eventually, my mother grew restless and wanted to live in a warmer climate. Teaching didn't exactly suit my dad. In 1952, when I was 9, we moved to San Francisco. By then, my father's experience in lithography had landed him a job managing a plant for the Royal Blueprint Co. It produced detailed blueprints for the military.

San Francisco was our land of dreams. Our first summer there, we went to the beach. My brother, Neal, and I immediately ran down to the surf to taste the salt water.

We had only read about the ocean.

We soon moved to San Francisco's Ocean Beach, to a planned development of white, two-story row houses, each with a single-car garage. We were a street away from the coastal Great Highway. The beach was on the other side.

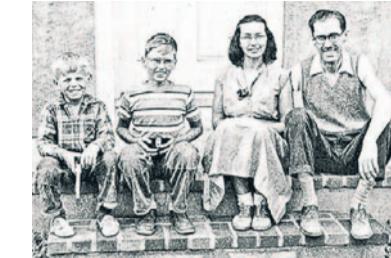
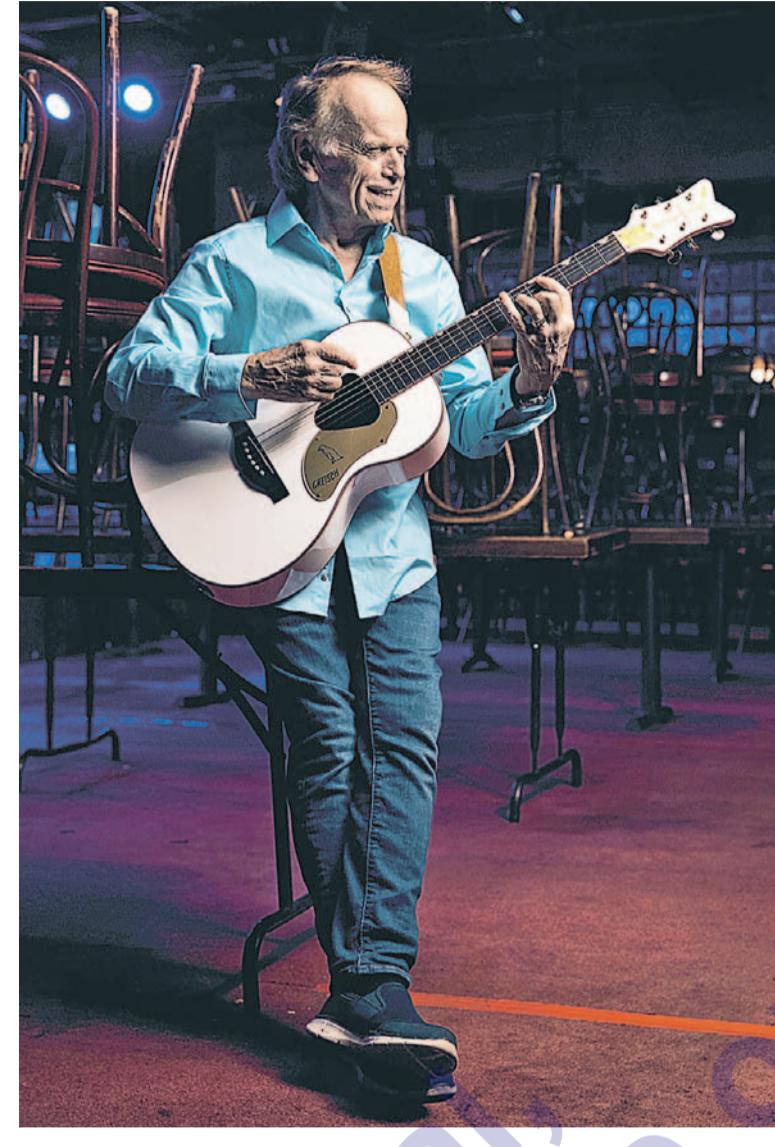
In 1955, Royal Blueprint re-signed my father to manage its Los Angeles plant. We lived in Hawthorne, near LAX airport. I wasn't happy about moving, but I cheered up when I heard Disneyland had just opened about a half-hour away.

In 1958, I began listening to folk music. I loved folk's melodies, and the lyrics provided an escape. I played guitar and formed a folk group called the Islanders.

I met Brian Wilson for the first time that year. We were on the Hawthorne High School football team. I had no idea then he was interested in music until we ran into each other at an A&W root-beer stand on Hawthorne Boulevard. Over burgers, we talked about forming a group.

When I finished high school in 1960, my dad moved us to Big Rapids, Mich., where he had taken a one-year job at Ferris Institute as a lecturer. I enrolled there and majored in dentistry.

In September 1961, when we returned to Hawthorne, I attended El Camino College. At the start of my sophomore year, I ran into Brian again. So we picked up where we left off.



of Spring." Brian loved the Four Freshmen's version that had come out the previous year.

But we needed money to rent instruments for a demo recording session. Brian's parents were away in Mexico, so we went over to my house and sang for my mother.

The five of us sat on the floor in the living room and sang "Their Hearts" and Brian's "Surfin'." My mother loved our sound. She gave us \$300, a month's salary, so we could record. Thanks to her, we had enough to rent an upright bass and a snare drum. I played the bass, Carl played guitar and Brian played the snare with brushes. The three of us, plus Mike and Dennis, sang vocals around one overhead mic but had to jostle for position. It took 26 takes to get the right vocal mix. When "Surfin'" was released, it took off.

Today, my wife, Mary Ann, and I live in Big Sur, Calif. We have a two-story ranch house and a recording studio I built in a red barn out back.

Our place is more of a hobby farm. When our rooster crows just before dawn, I'm a different person. I feel like I'm back in Lima.

—As told to Marc Myers

VIBRATIONS Al Jardine, above, at the Coach House in San Juan Capistrano, Calif. Top, on left, Mr. Jardine with brother, Neal, and parents, Virginia and Don, in Lima, Ohio, around 1950. (Photo from 'Becoming the Beach Boys 1961-1963.'

Between classes one day, we met in the music room, but the teachers kicked us out. So Brian invited me over to his family's house. A couple of weeks later, we got together with Brian's brothers,

Carl and Dennis. Their cousin Mike Love came around a few days after that.

We jelled quickly in 1961 as the Pendletones. The first song we sang was "Their Hearts Were Full

Al Jardine, 75, is a founding member of the Beach Boys. The band's hits appear on "The Beach Boys With the Royal Philharmonic Orchestra" (Capitol). He is on his Postcard From California tour.

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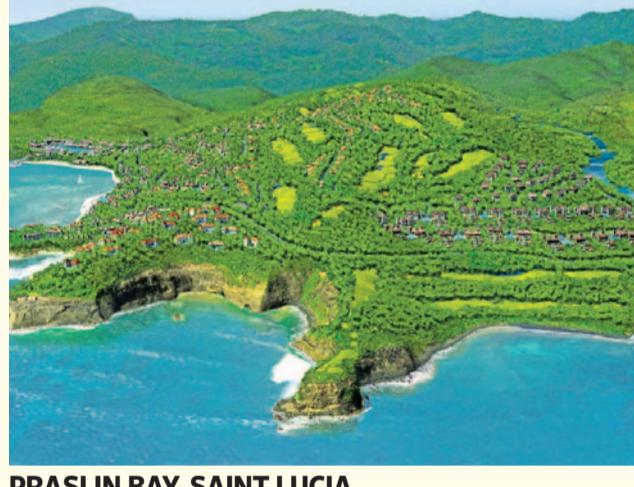
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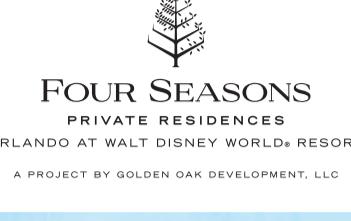
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NEW JERSEY



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PRIVATE PROPERTIES | KATHERINE CLARKE

Mega Bel-Air Home Asks \$180 Million

IN THE RITZY Bel-Air district of Los Angeles comes a tale of two megamansions: A massive spec home coming to market for \$180 million sits right next door to another massive spec home already asking \$188 million.

Both properties are aspiring to become the most expensive home ever sold in the United States. The current record holder is a sprawling estate in the Hamptons that sold for \$137 million to hedge fund manager Barry Rosenstein in 2014.

The \$180 million newcomer was developed by Raj Kanodia, a prominent Los Angeles plastic surgeon who lives across the street on Nimes Road. Known for his rhinoplasties, Dr. Kanodia boasts numerous references in fashion magazines and celebrity clients like Britney Spears and Kim Kardashian West.

Dr. Kanodia originally said he had invested roughly \$50 million in building the home. Upon reflection and consultation with his accountant however, he later revised that

figure to around \$100 million, including the \$6.8 million he paid for the lot in 2011. "Like they say in poker, I'm all in—times millions," he said. He added that the real-estate community was initially skeptical: "They said 'What the hell is he doing playing in the big leagues?'"

Roughly 34,000 square feet, the nine-bedroom spec mansion has a Portuguese limestone facade. The 2,000-bottle wine room is encased in white oak and glass, and a wellness center has a gym designed by celebrity trainer Harley Pasternak. Outside on 1.2 acres is the waterfall, a vegetable and herb garden and an outdoor kitchen.

Sitting next to Dr. Kanodia's contemporary home is a 38,000-square-foot behemoth with 12 bedrooms and elevators lined with crocodile skin. It was developed by Bruce Makowsky, a luxury handbag entrepreneur. His mansion originally came to market last year seeking \$250 million; the price was cut to \$188 million in April.



SIMON BERLIN

"We communicated, chatted and collaborated many times," said Dr. Kanodia of Mr. Makowsky. "He was laughing at me, saying I'm in the wrong business." Mr. Makowsky said there might be friendly competition, but said he wishes Dr. Kanodia the best. "I hope he gets his price and I get mine," he said.

Some real-estate agents ques-

tion whether Bel-Air can support two mega listings. "The ultrahigh-end spec market has softened," said Michael Nourmand, an L.A. agent who is not involved with the listings. "Having two properties in proximity isn't ideal because it gives buyers more choices."

Mr. Makowsky said he's confident there will be buyers for both homes. Branden Williams of Hilton

& Hyland, who with colleagues Rayni Williams and Tyrone McKillen is representing the homes, said there is "no competition" between the two homes. "They're two very different styles even though they're both modern," he said.

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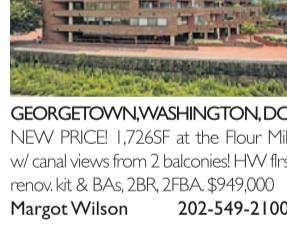
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John Campbell
203.245.1593 x1103



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Melinda Carlisle
860.460.8002



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Spectacular panoramic water views, private beach, deepwater dock and an extraordinary location. Exterior updated, yet Cape charm has been preserved.
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Rick Shechtman
508.362.2120



Essex, CT
Wonderful Waterfront home enjoys stunning views of North Cove, CT River and the hills of Old Lyme. 180 feet of waterfront and dock for small boats. Walk to Village.
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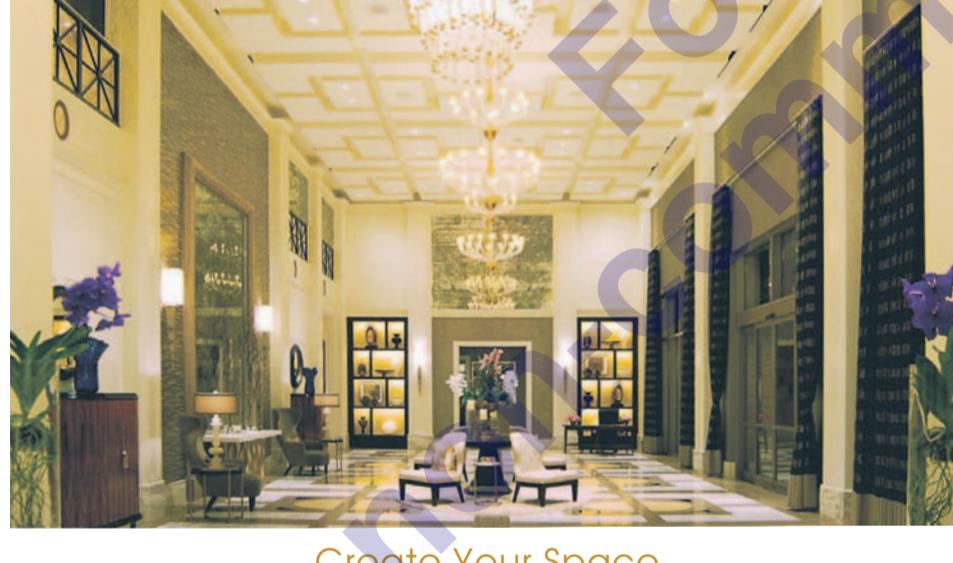
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MANSION



Denmark's Gem in July

Continued from page M1

dic blend of forest and dunes. A sandbar called Grenen marks the spot where waters of the North and Baltic seas meet.

The high-end market shows signs of picking up, said Troels Theill Eriksen, chief economist of DE, Denmark's national organization of real-estate agents. He said the number of Skagen homes that have sold above \$1 million has increased from less than a handful in 2012 to nearly 20 in 2016-17.

Still, the market overall has come down since its peak a decade ago, say local brokers. Bright spots include the most traditional houses, painted yellow with red tile roofs, as well as certain areas of Skagen proper on the peninsula's east side, which is becoming a year-round getaway.

Skagen attracts weekend visitors from Norway and an international cruise-ship crowd. But due to restrictions on second-home purchases by foreigners, the high-end second-home market is almost entirely Danish, with a strong contingent coming from Copenhagen's northern suburbs about a five-hour drive away.

Most Danes vacation in July, which in Skagen means temperatures nearing 70 degrees and skies that are often sunnier than farther south. Year-round residents and off-season visitors say the peninsular setting helps lighten up the dark days of winter, when temperature hover around freezing.

Mr. Hansen says many prime homes in the area are used only a few weeks a year, with owners returning for Christmas and Easter holidays.

Skagen was a fishing village at the end of the 19th century, then became home to a colony of Scandinavian artists who adapted the ideas of French Impressionism to the Nordic setting. The twin bodies of water—the Skagerrak and the Kattegat—on either side of the peninsula have a mirror-like effect, creating an intensity of light that inspired the painters. The area still enjoys an artistic cachet.

The Skagen group of artists—including Anna Ancher, daughter of a Skagen innkeeper—were soon joined by Denmark's royal family, who built a summer home on the east side of the peninsula. Current summer residents include Maersk shipping heiress Kirsten Olfesen and Kasper Rorsted, chief executive of Adidas.

Skagen's most expensive homes tend to be on the west side of the peninsula, in a village-like area known as Gammel Skagen, home to Ruths Hotel, a swanky summer watering hole and restaurant. South of Gammel Skagen, an enclave called Kanestederne offers much larger lots. In Skagen proper, the Osterby neighborhood has quaint lanes and easy beach access.

A 2,200-square-foot thatched-roof Gammel Skagen house in an



BLUE SKIES A main crossroad in Skagen, a summer resort getting more year-round buzz. Most Danes vacation in July, finding sunny skies and temperatures near 70 degrees in the area. Those with vacation homes often return for Christmas and Easter holidays.



ART LOVERS Top: Local beaches inspired artists, whose works fill Skaugen's Museum. A sitting room, left, in the for-sale Moller home, above.

trees, which are thought to be especially hearty, says Ms. Wanting Moller, adding: "And you can see the sea from every window."

The couple, long based in central Jutland, bought the house in 1977 and used it a summer home for decades. Now in their retirement, they live in Skagen full time but plan to relocate to a stairless bungalow in the Grenen area.

The couple did a makeover, rebuilding the roof and turning an attic space into a home office for Mr. Moller, a Skagen native and distant relative of painter Anna Ancher. Mr. Moller decorated the home with antiques, such as a 19th-century Danish pharmacy chest. Ms. Wanting Moller brought in a pastel palette.

"The sea here is blue and greenish blue," she says, "and those were the colors I chose."

Homes for Sale on Denmark's Skagen Peninsula



\$1.57 million

Kanestederne

Four bedrooms, 1 bathroom, 1,400 square feet



\$1.72 million

Osterby

Three bedrooms, two bathrooms, 2,150 square feet

This home has a full second story, which is a rarity in Skagen homes. The top floor has sea and town views, and there are several outdoor sitting areas. A popular beach is a few hundred feet away. It is on a 1/6-acre lot.

Agent: Kasper Lykke Nielsen, Home



\$2.03 million

Gammel Skagen

Five bedrooms, three bathrooms, 2,200 square feet

This thatched-roof cottage is located in dunes beyond the village-like heart of Gammel Skagen, where the resort's most expensive homes are located. The home, built in the 1990s in a traditional style, is on a 5 1/4-acre lot.

Agent: Kasper Lykke Nielsen, Home

Huge lots are a key selling point in this Skagen-area enclave near the southern tip of the peninsula, where this isolated cottage dates back to the 1920s. The home is on more than 9 acres. The property includes a small guesthouse.

Agent: Kristian Lützau, Lützau