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THE WALL STREET JOURNAL.

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WSJ.com

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Last week: DJIA 25058.12 ▲ 38.71 0.2% NASDAQ 7820.20 ▼ 0.1% STOXX 600 385.62 ▲ 0.2% 10-YR. TREASURY ▼ 18/32, yield 2.895% OIL \$70.46 ▼ \$0.55 EURO \$1.1722 YEN 111.44

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Business & Finance

Fiat Chrysler tapped Mike Manley as CEO to succeed Marchionne, whose worsening health after surgery forced the company to appoint a successor earlier than expected. A1

◆ **Many bonds globally are becoming harder to trade, prompting some investors to shift to other markets and raising concerns about a broad decline in liquidity.** A1

◆ **Tesla asked some suppliers to refund cash the auto maker had already spent to sustain operations at a critical time.** B1

◆ **Pimco's risk-controls chief De Leon quit after allegations he acted inappropriately toward a colleague.** B8

◆ **Atos agreed to pay \$3.4 billion for Syntel, in a deal that would give the French firm access to U.S. financial-services heavyweights.** B3

◆ **Meat is piling up in U.S. cold-storage warehouses, fueled by a surge in supplies and trade disputes that are eroding demand.** A1

◆ **The two biggest U.S. public pension funds earned more than 8% for the second straight fiscal year, but cut future expectations.** B1

◆ **Papa John's board voted for a "poison pill" to prevent the company's founder from gaining a controlling interest in the pizza chain.** B3

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◆ **As the administration prepares for another Trump-Putin summit, there is division in U.S. ranks over Moscow's intentions and whether the two sides will be able to cooperate.** A4

◆ **The president's job approval rating rose to 45% in a new Wall Street Journal/NBC News poll, the highest of his tenure, and up 1 percentage point from June.** A4

◆ **Trump tweeted a threat to Iran in capital letters warning of major consequences if it continued to threaten the U.S. See wsj.com**

◆ **The FBI released a redacted version of a surveillance warrant application on Page, reigning partisan skirmishes.** A4

◆ **Israel's military said it fired toward Palestinians in Gaza who were launching flaming balloons into Israeli territory, posing a challenge to a fragile cease-fire.** A9

◆ **Officials probing the sinking of a tour boat in Missouri are focusing on the operator's use of weather data before embarking on the cruise.** A3

◆ **A gunman opened fire on a busy Toronto street injuring nine people in what police described as a mass casualty situation.** A9

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Italian Wins British Open, Beating Star-Studded Field



IL VINCITORE: Francesco Molinari captured the 147th British Open Championship on Sunday. At one point six golfers were tied for the lead, including Tiger Woods, Rory McIlroy and Jordan Spieth. Mr. Molinari is the first Italian winner. A14

Bond Market Is Less Liquid

Debt securities are harder to trade, causing investors to shift assets elsewhere

By RIVA GOLD
AND CHRISTOPHER WHITTALL

Many bonds around the globe are becoming harder to trade, prompting some investors to shift to other markets and raising concerns about a

broad decline in liquidity.

The median gap between the price at which traders offer to buy and sell, a proxy for the ability to move in and out of markets quickly, has widened this year across European corporate debt and emerging-market government and corporate bonds, according to data from trading platform MarketAxess. Trading in some derivatives has picked up as traders pull back from bond markets they view as increas-

ingly unruly and expensive.

Liquidity, a measure of the capacity to trade securities without significantly affecting the price, has been a growing concern since the financial crisis. Traders say it has generally weakened across markets, including stocks, bonds and commodities, as the large banks that once kept these markets running have pulled back in response to limits on their risk-taking.

But recent episodes of ex-

treme market stress in Italy and emerging markets have highlighted just how quickly trading conditions can deteriorate, exacerbating concerns that markets are becoming more vulnerable to a shock as central banks slow the stimulus they have supplied for a decade.

"The global tide of liquidity that quantitative easing spurred is now slowly, slowly moving in reverse," said Na-

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China's Global Building Spree Hits Trouble in Pakistan

To fund a 70-nation infrastructure initiative, Beijing has extended loans in opaque deals

By JEREMY PAGE
AND SAEED SHAH

LAHORE, Pakistan—Pakistan's first metro, the Orange Line, was meant to be an early triumph in China's quest to supplant U.S. influence here and redraw the world's geopolitical map.

Financed and built by Chinese state-run companies, the soon-to-be-finished overhead railway through Lahore is among the first projects in China's \$62 billion plan for Pakistan. Beijing hoped the \$2 billion air-conditioned metro, sweeping past crumbing relics of Mughal and

British imperial rule, would help make Pakistan a showcase for its global infrastructure-building spree.

Instead, it has become emblematic of the troubles that are throwing China's modern-day Silk Road initiative off course.

Three years into China's program here, Pakistan is heading for a debt crisis, caused in part by a surge in Chinese loans and imports for projects like the Orange Line, which Pakistani officials say will require public subsidies to operate.

China's global plan, called Please turn to page A10

U.S. Meat Stockpiles Surge As Tariffs Eat Into Exports

By JACOB BUNGE

On Ice

Billions of pounds of meat are piling up in U.S. cold-storage facilities, fueled by a surge in supplies and trade disputes that are eroding demand.

Federal data, coming as

early as Monday, are expected to show a record level of beef, pork, poultry and turkey being stockpiled in U.S. facilities, rising above 2.5 billion pounds, agricultural analysts said.

U.S. consumers' appetite for meat is growing, but not fast enough to keep up with record production of hogs and chickens. That leaves the U.S. meat industry increasingly reliant on exports, but Mexico and China—among the largest foreign buyers of U.S. meat—have both set tariffs on U.S. pork products in response to U.S. tariffs on steel, aluminum

and other goods. U.S. hams, chops and livers have become sharply more expensive in those markets, which is starting to slow sales, industry of

ficials said.

The meat industry's growing production already is filling the specialized warehouses built to store meat and other goods. "We are packed full," said Joe Rumsey, president of Arkansas-based Zero Mountain Inc. The company's five storage facilities serve as way stations for turkeys and chicken strips between processors and retailers, holding around 250 million pounds of products on any given day.

Growing meat stockpiles may bring down prices for meat-hungry U.S. consumers, along with restaurants and retailers. But slowing overseas sales and rising domestic stockpiles threaten profit for meat processors and prices for livestock and poultry producers. Since the end of May, prices of lean hog futures at

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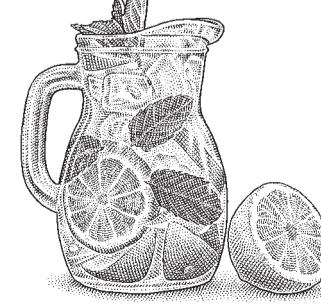
America's Children Make a Stand for Lemonade

Little vendors run afoul of local laws; grown-ups give 'legal-ade'

By CORINNE RAMSEY

Two months ago, the Guffey family set up a lemonade stand in a Denver park. Six-year-old Ben manned the cash register. Four-year-old William recruited customers. Two-year-old Jonathan sampled the product.

Then the police showed up, telling the boys they needed three separate permits for their stand. William offered them some lemonade before



Constitutional guarantee?

bursting into tears. Ben hid. "I put my hat over my face," Ben, now 7, said. "I didn't want to see anyone."

The incident spurred their mother, Jennifer Knowles, into action. She has since founded advocacy group Lemonade Stand Mama, started a petition to change local laws and been interviewed on national TV. She hopes to publish a book. "I want to make it safe for our kids to have lemonade

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U.S. NEWS

THE OUTLOOK | By Jason Douglas

Smaller Players Caught in Trade Fight



In a global trade conflict, the big players might not be the biggest losers. Instead it might be smaller, open countries caught in the middle, such as Hungary, the Czech Republic, Taiwan, Singapore and South Korea.

What these places have in common is they are heavily integrated into global supply chains—importing raw materials and components from other parts of the world before combining them in their own factories into new products they then sell abroad.

Nestled within the web of economic links joining country to country, such economies face an outsize hit from the higher import costs and weaker demand for exports that would likely flow from an escalation in protectionism.

Though big economies such as the U.S. would also face turbulence, they produce a lot of parts and raw materials at home and are fueled by domestic consumption, offering a partial shield to a downturn in global trade.

"If you are a small, open economy that depends on trade, you are more vulnerable," said Amit Kara, head of

macroeconomic forecasting at the National Institute for Economic and Social Research, a nonpartisan London think tank.

The U.S. has imposed tariffs on imported steel, aluminum, solar panels and washing machines, in addition to \$34 billion in Chinese imports, and has said it could widen China tariffs to hit \$500 billion in imports while also slapping new charges on imported cars. In all, threatened tariffs reach nearly \$900 billion worth of goods imported into the U.S. China and others have retaliated and say they will respond in kind to any U.S. escalation.

An analysis by Pictet Asset Management of World Trade Organization data estimated small countries' vulnerability to trade conflicts based on their participation in globe-spanning industrial supply chains. Among those least vulnerable are economies focused less on adding value to exports through manufacturing or services and more on producing raw materials, such as Saudi Arabia, Argentina and New Zealand.

Taiwan, Hungary and the Czech Republic topped the list of vulnerable countries,

Open Danger

Small, open economies could be vulnerable in a global trade conflict.

Share of exports linked to global supply chains

Most exposed Least exposed

Taiwan	67.6%	Turkey	41.0%
Hungary	65.1	U.S.	39.8
Czech Rep.	64.7	Colombia	37.9
South Korea	62.1	Brazil	35.2
Singapore	61.6	Croatia	34.0
Malaysia	60.4	New Zealand	33.3
Ireland	59.2	Argentina	30.5

Source: World Trade Organization

followed by Singapore and Korea. WTO data shows that between 60% and 70% of these countries' exports are used in global supply chains, where different stages of production are located in different parts of the world, exposing them to disruptions in global trade.

Their economies were hit hard after the financial crisis in 2007 and 2008, which sank global trade. Hungary's economic output contracted 6.6% in 2009, while the Czech Republic's output contracted 4.8%, according to the International Monetary Fund. Taiwan suffered its worst recession in decades.

In Ireland, another small economy that is high on the list, Eoin Gavin, managing director of logistics firm Eoin

Gavin Transport Ltd., handles imports and exports between Ireland, other parts of Europe and the U.S.

Mr. Gavin said his business and the wider Irish economy is heavily reliant on foreign investment and trade, especially with the U.S. He said he has five shipping containers of aluminum and steel parts languishing in warehouses after President Donald Trump imposed tariffs on the metals in May.

Some of these countries are already big losers in the eyes of investors. South Korea's Kospi stock index is down 7.5% so far this year, while Singapore's Straits Times index is down 3.7% and Hungary's BUX index is down 10.8%. Malaysia,

also on the list, is down 2.1%.

Hungarian Prime Minister Viktor Orban was Europe's first head of government to endorse Mr. Trump and his America-first foreign policy. His country could be among the biggest casualties if trade tensions escalate. Hungary draws in components from Germany, Russia and the U.S. to make computer equipment and automobiles that it sells back to Germany as well as Italy and the U.K.

The auto industry accounts for 29% of Hungary's annual manufacturing output, according to the Hungarian Investment Promotion Agency, making it especially vulnerable to Mr. Trump's proposed tariffs on EU auto imports.

The International Monetary Fund estimates growth in developing European economies will slow to 3.6% in 2019, from 4.3% in 2018 and 5.9% in 2017.

Luca Paolini, chief strategist at Pictet, which manages \$193 billion of assets, said investors seeking shelter should consider not just the level of a country's exposure but also its political and financial stability, its debt rating and its level of foreign reserves.

—Drew Hinshaw

contributed to this article.

ECONOMIC CALENDAR

MONDAY: The National Association of Realtors releases its June report on existing-home sales in the U.S. Home sales have been weak in recent months, largely because of an inventory shortage that is driving up prices. Economists surveyed by The Wall Street Journal expect sales to rise 0.4% in June from the prior month.

TUESDAY: Turkey's central bank releases a policy statement after investors dumped the Turkish lira. The currency plunged 3.5% after President Recep Tayyip Erdogan appointed his son-in-law as finance minister and put in place measures that could curb the independence of Turkey's central bank.

THURSDAY: The European Central Bank releases a policy statement. In June, the eurozone's annual rate of inflation rose above the ECB's target for the first time since early 2017. And in early June, the bank said it expected to end its loose monetary policy in December, citing its increased confidence that inflation would settle at its target of close to but just below 2% over the medium term.

FRIDAY: The U.S. Commerce Department releases economic-growth figures for the second quarter. Gross domestic product grew at a weak 2.0% annual rate at the beginning of this year. Economists surveyed by the WSJ expect growth to hit a 4.2% rate.

U.S. WATCH

CALIFORNIA

Accused Trader Joe's Gunman Is Booked

A gunman who took dozens of people hostage at a Trader Joe's store in Los Angeles was booked Sunday on suspicion of murder, after an employee was killed during the man's shootout with police.

Gene Evin Atkins, 28 years old, remained behind bars on Sunday in lieu of \$2 million bail, according to Officer Drake Madison, a Los Angeles police spokesman.

A 27-year-old Trader Joe's employee, Melyda Corado, was killed as Mr. Atkins ran into the supermarket in the city's Silver Lake neighborhood on Saturday. Police didn't provide any additional details on Sunday and it remained unclear whether she died from police gunfire or was killed by the gunman.

—Associated Press

MARYLAND

Woman Impaled By Beach Umbrella

A woman on the beach was impaled in the chest by an umbrella Sunday in Ocean City, a spokeswoman for the Maryland beach town said.

The victim, a 54-year-old woman, was conscious when the accident happened, but her condition wasn't known, according to the spokeswoman, Jessica Waters.

Last week, a London woman was impaled by a beach umbrella at the New Jersey shore. Authorities said part of the umbrella pierced her ankle.

—Associated Press

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Slowing overseas sales and rising stockpiles threaten profit for meat processors

ries to store, products can be sent to rendering plants to produce fats and pet-food ingredients.

Exports, industry officials said, are critical to balancing out the growing supply.

"The more you store, chances are you're going to have to export more of it," said Altin Kalo, a commodity analyst with Steiner Consulting Group. "Even with the tariffs, there's only a certain amount of product you can shift into the domestic channels."

However, pork exports to China, which first implemented a 25% tariff on U.S. pork in April and this month boosted the duty to 62%, declined by 18% over the first five months of the year. Several times in recent weeks,

the USDA has reported zero weekly export sales of pork to the country.

Mexico, the top export market for U.S. pork, in June implemented a 10% tariff that climbed to 20% this month.

While overall exports to Mexico have been running slightly ahead of last year's total, new weekly export sales reported for the week of July 5 came in

at their lowest level this year, the USDA said.

The Trump administration recognizes the financial hardship livestock producers could face as a result of retaliatory tariffs, and farm country will be better off under new trade deals the administration is pursuing, USDA Secretary Sonny Perdue has said.

The USDA has examined drawing upon Depression-era programs that permit borrowing of as much as \$30 billion from the Treasury as a way to compensate farmers for tariff-driven price declines, and Mr. Perdue has said he aims to have a plan ready by this fall.

For cold-storage warehouse operators, the growing meat stockpile creates opportunities. In Sioux City, Iowa, Cloverleaf Cold Storage Co. has been upgrading its technology to help track the location of individual pallets in its 18 warehouses, which co-owner Adam Feiges said has helped the company run its warehouses at 90% capacity, compared with 85% in the past.

Netherlands-based NewCold, which specializes in automating the handling of frozen and refrigerated foods, opened a facility in Tacoma, Wash., this year.

"There is a general lack of cold-storage capacity," said Jonas Swarttouw, NewCold's U.S. manager. The company is building another facility for Idaho and is talking to various meat producers about adding more room.

Zero Mountain Inc.'s Fort Smith, Ark., warehouse is filled to the brim this summer, with pallets of frozen meat rising near the 40-foot-high ceilings on towering metal shelves. It is building a new facility in Waco, Texas, and has raised wages for forklift drivers with a gift for stacking and moving tons of frozen meat.

"This summer's going to be increased volumes, and if we want to capitalize on those, we have to do everything in our power to maximize our cubic footprint," Mr. Rumsey said.

—Benjamin Parkin

contributed to this article.

CORRECTIONS & AMPLIFICATIONS

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THE WALL STREET JOURNAL.

DANIEL ACKER/BLOOMBERG NEWS

Storehouses Of Meat Rise in U.S.

Continued from Page One

the Chicago Mercantile Exchange have dropped 14%.

The combination of trade risk and expanding meat supplies could result in "one of the biggest corrections we've seen in the industry in several years," said Christine McCracken, protein analyst at Rabobank, one of the world's largest agricultural lenders.

Some hog farmers and pork processors are beginning to scale back. Maschhoffs LLC, a privately held hog-farming company based in Carlyle, Ill., has put on hold \$30 million in investments planned to expand its breeding operations and upgrade truck washes and other biosecurity measures.

"We've got too much capacity built in this industry if we're not going to be exporting more product," said Ken Maschhoff, the company's chairman. He is instead considering expansion into Eastern Europe or South America—places where the company's hogs perhaps can't be raised as cheaply as in the U.S. but where he said trade policy isn't so "geopolitically charged."

—Drew Hinshaw

contributed to this article.

—Drew Hinshaw

U.S. NEWS

FBI Agent Faces Trial In Oregon Shooting

BY JIM CARLTON

Federal prosecutors who have squared off against a group of antigovernment ranchers in the Northwest are set to return to court this month, this time to go after one of their own—a member of an elite tactical FBI team.

On Tuesday, W. Joseph Astarita, 41 years old, will stand trial in U.S. District Court in Portland, Ore., on charges of making false statements and obstruction of justice related to the 2016 fatal shooting of Robert LaVoy Finicum.

Mr. Finicum had served as a spokesman for Ammon Bundy, the leader of an armed occupation in 2016 of a national wildlife refuge in Oregon. Mr. Finicum was shot and killed after attempting to evade police and federal agents trying to arrest him and others for occupying the Malheur National Wildlife Refuge.

Federal prosecutors said that while Mr. Finicum died from shots fired by Oregon state troopers, Mr. Astarita's alleged failure to disclose he had fired two other shots during the showdown hindered the police investigation into the incident.

Mr. Astarita was part of the FBI's Hostage Rescue Team deployed out of Quantico, Va., to assist other state and federal

Prosecutors accuse the FBI agent of lying on three separate occasions

law-enforcement officers during the standoff. He has pleaded not guilty to the charges and remains free on his personal recognizance. His attorney, Rob Cary, declined to comment. If convicted, he faces up to 30 years in prison.

A judge earlier this month dismissed two of the five charges against Mr. Astarita.

The trial will bring to a head the tensions between Western ranchers and the government that had been at the heart of the 2016 standoffs. Mr. Bundy's armed occupation was fueled by the federal prosecution of Oregon rancher Dwight Hammond and his son, Steven, for arson. The duo, who were sentenced to five years in prison, received a presidential pardon earlier this month.

Mr. Bundy was acquitted for his role in the occupation, along with six followers.

The death of Mr. Finicum has spurred outrage among friends and family. They have long accused the government of carrying out a deadly vendetta. While federal investigators determined the rancher was reaching in his coat for a gun when he was shot, supporters said he was surrendering.

"Someone needs to be charged with murder," said Angie Bundy, wife of Mr. Bundy's brother, Ryan.

Justice Department officials declined to comment on the case. FBI officials also declined to comment on the case and didn't respond to questions about Mr. Astarita's job status.

Prosecutors accuse the agent of lying on three separate occasions when asked if he had discharged his rifle during the confrontation with Mr. Finicum.

A police review of the shooting determined the rancher was killed by bullets fired from the guns of two Oregon state troopers after he evaded one roadblock and tried to drive through the second.

The review also found five other shots had been fired by officers—three from one of the troopers that hit Mr. Finicum's vehicle before it finally stopped, and two more from what investigators determined was the position of Mr. Astarita and another FBI agent.

Mr. Astarita was indicted on the charges in June 2017 after investigators concluded he had fired the shots.

The trial is expected to last up to five weeks.

Officials Probe Duck Boat Tragedy

Following 17 deaths in Missouri incident, federal officials focus on weather information

BY JOE BARRETT

Federal officials investigating the sinking of an amphibious tour boat in Missouri are focusing on the operator's use of a private weather service before proceeding with an evening cruise last week that encountered near-hurricane-force winds.

The boat sank Thursday evening in Table Rock Lake near Branson, Mo., in the Ozark Mountains, killing 17 of 31 people aboard.

"The real objective is going to be what kind of information was on hand when they went out" and how the decision was made to proceed with the tour, said National Transportation Safety Board Member Earl Weener in a news conference Saturday night. "This was a squall that came up rather suddenly."

In addition to the NTSB probe, the Missouri State Highway Patrol has launched a separate criminal investigation into the accident, officials said.

Tia Coleman, a survivor of the sinking boat who lost nine members of her family, said the crew was aware of the coming storm and had been told to change the order of the land-and-water-tour to get off the water as soon as possible.

"There's a storm coming, so go to the water first so you can avoid it," she said, recalling the instructions given to the crew. It wasn't clear who gave the instructions.

The water was calm on Thursday evening as the Ride the Ducks Branson boat entered the water. But as the boat turned back toward shore, it encountered headwinds and waves.

Mr. Weener said wind speeds were recorded at 73 miles per hour, two mph less than hurricane force, and waves were 4 to 6 feet high.

Video of the incident shows the duck boat struggling against the wind and waves and eventually taking water over the bow. The first 911 call came in at 7:09 p.m., about 30 minutes after a severe thunderstorm warning was issued, officials have said.

NTSB officials have been in-



People embraced on Sunday after a memorial service for victims on the campus of the College of the Ozarks near Branson, Mo.



Tia Coleman lost nine relatives Thursday in the boat accident.

terviewing passengers and crew members of the paddle-wheel-style riverboat Branson Belle, which was docked and preparing to embark nearby. A number of its crew and a Stone County deputy jumped into the water to rescue survivors, officials have said. The duck boat went down in about 40 feet of water but eventually settled in 80 feet of water.

The captain of the boat survived, officials said, but hasn't been identified. The pilot of

the vessel died, according to officials.

Jim Pattison Jr., president and chief executive of Ripley Entertainment, owner of the boat, told CNN on Friday that the trouble came up quickly.

"My understanding is that when the boat went into the water, it was calm" but that conditions worsened significantly as the boat began returning to shore, he said.

The company hasn't responded to requests for com-

Victims in Accident Are Remembered

Many of the victims were on vacation with their families.

Steve and Lance Smith, a father and son from Osceola, Ark., were active members of the Osceola Church of Christ, according to a Facebook post by pastor Will Hester. Mr. Hester said Steve Smith was a deacon at the church and Lance had been baptized just late last year. "My heart breaks, but I know where they are, and I know that I will see them again!" he wrote.

Horace "Butch" Coleman was a longtime coach for an India-

napolis youth football league, vacationing with three generations of his family, according to a post by Anthony King. He described the 70-year-old Mr. Coleman as a community legend and a loving father and grandfather. He said his heart was heavy that he had died, along with so many of his family members.

Leslie Dennison was on a day trip with her granddaughter. Ms. Dennison died after successfully pushing her granddaughter to safety, said Brian Dennison, one of Ms. Dennison's sons, in a Facebook post. She was a hero, he said, adding that she loved her granddaughter "more than anything."

—Valerie Bauerlein

ment.

In a statement Friday, the company said the Ride the Ducks attraction would be closed indefinitely and that the company was doing all it could to support the families of the survivors.

NTSB officials said investigators had found the duck boat's onboard video camera and sent it to a lab in Washington, D.C., where it will be dried out and analyzed.

NTSB and Coast Guard offi-

cials said they would try to determine whether the crew acted properly regarding life preservers and windows of the vessel, which appear to have been closed, making it more difficult for passengers to escape once the vessel went under.

Ripley provided investigators with a similar duck boat for inspection, officials said.

—James Oberman, Alejandro Lazo and Valerie Bauerlein contributed to this article.

Zinke Weighs San Francisco Reservoir Fate

BY JIM CARLTON

SAN FRANCISCO—Interior Secretary Ryan Zinke is interested in restoring the Hetch Hetchy Reservoir in Yosemite National Park to its natural state after more than 100 years of providing water to the people of San Francisco and some suburbs.

During a visit Sunday to Yosemite, Mr. Zinke met with a group called Restore Hetch Hetchy, formed about two decades ago to pursue a goal of draining the reservoir.

"This is still just a fact-finding meeting, but the secretary is very interested in restoring the valley to its natural state," said an Interior

official. The official said Mr. Zinke wants to learn how removing the dam at Hetch Hetchy would "contribute to the reliable operation" of an existing federal water project that supplies water to California farmers, "in addition to the conservation benefits removal would provide."

The damming of the Hetch

Hetchy Valley by San Francisco a century ago—burying a valley comparable in splendor to the famed Yosemite Valley—has long been regarded as one of the West's great environmental catastrophes.

Restore Hetch Hetchy's plan is to drain the 360,000-acre-foot reservoir and make San Francisco store its mountain water somewhere else, perhaps even underground. An acre foot is about the amount of water a family of five uses in one year.

The group also had tried to

get support from Washington, asking every Interior secretary since 2000 to meet on the issue, said Spreck Rosekrans, executive director.

"San Francisco has monopolized this spectacular valley for 100 years, and it's time to

return it to the American people," Mr. Rosekrans said.

The Reagan administration had broached the idea in 1987.

The administration of President George W. Bush was contemplation a feasibility study for it, but powerful San Francisco interests including Democratic Sen. Dianne Feinstein have helped blocked any action.

The group hasn't had success in the courts either. Re-

store Hetch Hetchy lost a law-

suit first filed in 2015 to have the dam declared an unlawful diversion, and the case is now

being appealed to the California Supreme Court.

While San Francisco offi-

cials weren't immediately available for comment, they have steadfastly opposed the proposal in the past. City residents in 2012 voted down a measure to study the idea,

with 77% voting against it.

Draining is also widely op-

posed in the surrounding Bay

Area, in part because recent

droughts have raised concern

over water supplies and be-

cause the quality of San Francisco's supply—piped directly from the Sierra Nevada mountains—is considered one of the highest among Western cities.

Dismantling would "cause enormous environmental damage and put at grave risk the reliable water and clean energy supply for more than 2.5

Scoring a meeting with the Interior is a victory for Restore Hetch Hetchy.



The damming of the Hetch Hetchy Valley by San Francisco a century ago buried the valley, below.

JOHN HOLLAND/MODESTO BEE/ZUMA PRESS



LIBRARY OF CONGRESS

million residents and businesses," the Bay Area Council business group warned in a statement after the Hetch Hetchy suit was first filed in 2015.

Getting a meeting with Mr. Zinke, whose office said he first received a request last year, is a victory for the group.

"He is interested to learn how removing the dam would contribute to the reliable operation" of the federal Central Valley Project water system, the Interior official said, as well as the conservation benefits.

Mr. Rosekrans said it would take about two years to drain the granite-walled valley and five years for enough grass and wildlife to return to attract visitors. San Francisco's water, he added, could be stored elsewhere downstream of the Tuolumne River such as by enlarging other reservoirs or banking underground. He said he hopes Mr. Zinke uses his influence to push the draining idea forward.

"I think anybody should be inspired by restoring Hetch Hetchy to the American people," he said.

U.S. NEWS

Trump, Aides Diverge Further on Russia

The president's split with advisers on Russian relations now extends to Syria

BY DION NISSENBAUM
AND MICHAEL R. GORDON

As the administration prepares for another summit meeting between President Donald Trump and Russian President Vladimir Putin, there is division within the U.S. ranks over Moscow's intentions and whether the two countries will be able to cooperate on issues including the conflict in Syria.

Mr. Trump has expressed hopes of working more closely with Russia in Syria, where Moscow has played a central role in cementing President Bashar al-Assad's power. The administration raised the issue with Mr. Putin's government during and after their meeting in Helsinki last week.

But the U.S. general overseeing the fight against Islamic State expressed doubt about deepening cooperation with the Russian military. "I've watched some of the things that Russia has done, it does give me some pause," Gen. Joseph Votel said in an interview en route to Afghanistan.

Gen. Votel heads the U.S. Central Command, which also oversees U.S. military opera-



Closer cooperation in Syria was a topic at the Helsinki meeting between President Trump and Russian President Vladimir Putin.

summit, Syria was seen as a potential area of cooperation between the two countries, especially since the U.S. is no longer providing covert support to Syrian rebels opposed to Mr. Assad. Mr. Trump has said he would like to eventually remove the approximately 2,000 U.S. troops in the country.

The White House's paramount concern in Syria has been finding a way to evict Iranian forces. National Security Adviser John Bolton voiced hopes earlier this month that Mr. Trump and Mr. Putin might work together to scale back Iran's role.

But no agreement to reduce Iran's role was announced in Helsinki. Director of National Intelligence Dan Coats expressed skepticism at the policy symposium that Russia would help.

"We have assessed that it's unlikely Russia has the will or the capability to fully implement and counter Iranian decision and influence," Mr. Coats said at the Aspen Security Forum. Mr. Trump has said little about the Helsinki summit, including Syria. Russian officials said they are preparing to set up a working group with the U.S. to focus on getting Syrian refugees back home.

—Thomas Grove in Moscow and Ian Talley in Washington contributed to this article.

tions in the Middle East, including Syria, where Russia has been carrying out air strikes to help Mr. Assad's forces reclaim territory from Syrian rebels.

A parade of top officials from the Federal Bureau of Investigation, Justice Department and intelligence agencies, as well as U.S. lawmakers, have issued warnings in recent days

about Russian interference in U.S. elections. Mr. Trump and others in the White House say they have raised concerns about interference, and are focusing on other issues.

The skepticism has frustrated Russian officials who had hoped for an opening between Mr. Trump and Mr. Putin to see eye-to-eye on thorny

regional issues, terrorism and arms control.

Seeking to capitalize on the Helsinki meeting, Russian Foreign Minister Sergei Lavrov spoke to Secretary of State Mike Pompeo on Saturday about potential cooperation in Syria and demanded the release of Russian citizen Maria Butina, who was arrested last

week and charged with failing to register as a foreign agent. Mr. Lavrov called the accusations against her "fabricated."

A statement from the U.S. State Department on Sunday said the men discussed Syria, counterterrorism and business-to-business ties but made no mention of Ms. Butina. Before last week's Helsinki

summit, Syria was seen as a potential area of cooperation between the two countries, especially since the U.S. is no longer providing covert support to Syrian rebels opposed to Mr. Assad. Mr. Trump has said he would like to eventually remove the approximately 2,000 U.S. troops in the country.

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President's Rating Inches Higher

BY MICHAEL C. BENDER

WASHINGTON—President Donald Trump's approval rating edged higher during a week in which he faced withering criticism following a summit with Russian President Vladimir Putin, signaling that he is positioned to weather the latest controversy sparked by his unusual brand of politics.

Mr. Trump's job approval rating rose to 45% in a new Wall Street Journal/NBC News poll, the highest mark of his presidency and up 1 percentage point from June. The survey was taken over a four-day period that started July 15, a day before Mr. Trump's news conference with Mr. Putin in which he questioned the conclusion of U.S. intelligence agencies that Russia meddled in the 2016 election.

Underpinning Mr. Trump's job approval was support from 88% of Republican voters.

should control the next Congress, down from a 10-point advantage in June and 7 points in April. Some 49% of voters in the new survey said Democrats should lead the next Congress, while 43% favored the GOP.

Mr. Trump's overall approval rating continued to rank among the lowest of any modern president at this point in his first term, and the poll turned up warning signals for him.

Underpinning Mr. Trump's job approval was support from 88% of Republican voters.

A majority of registered voters—some 51%—don't approve of the relationship between Washington and Moscow, and an increasing percentage say Mr. Trump has been too friendly with Mr. Putin. The 65% of voters who believe Russia interfered in the 2016 election was up 8 percentage points from June 2017.

Among those who agree with U.S. intelligence agencies that Russia intervened in the election, an increasing number

say the action tipped the race to Mr. Trump—some 30%, compared with 24% in June last year.

Mr. Trump's management of immigration issues remained another potential cause for concern. A majority of U.S. voters, 51%, disapprove of Mr. Trump's handling of border security, and 58% don't like how his administration has treated parents and children who have been separated after entering the country illegally.

Half of registered voters approve of Mr. Trump's handling of the economy, the poll found, his highest mark on that question in Journal/NBC News surveys. At the same time, a plurality disapproves of how he has handled trade issues; 53% said recently imposed tariffs would hurt the average American.

When it comes to polling, Mr. Trump has proved to be paradoxical.

"Welcome to the latest and most daring of Donald Trump's high-wire acts, in which the president increases his degree of difficulty and manages yet again to stay on his feet," said Fred Yang, a Democratic pollster who helped conduct the survey with Republican Bill McInturff.

Because the survey started a

day before Mr. Trump's news conference in Helsinki, pollsters said the results may not capture the full reaction to events that unfolded throughout the week. Still, pollsters said results in the two days following Mr. Trump's remarks—deemed by Newt Gingrich, a Trump adviser and former U.S. House speaker, to be "the most serious mistake of his presidency"—differed little from the preceding two days.

Mr. Trump responded to criticism a day after the press conference, saying he misspoke when he said he didn't know of any reason why Russia would intrude on U.S. elections. On Friday, he said he had been nice to Mr. Putin because he wanted to be diplomatic.

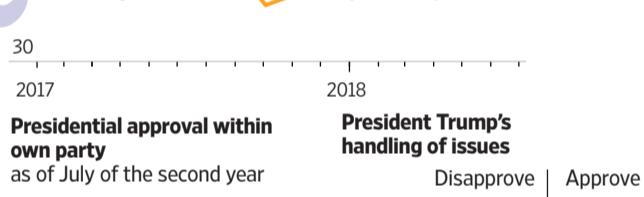
The survey results suggested that the president, who has endured repeated prognostications of his political demise, was positioned to again absorb a barrage of bipartisan criticism.

To help gauge reactions, the poll included an open-ended question that asked voters for their reaction to Mr. Trump's foreign trip, which included the summit with Mr. Putin. Mr. Trump's supporters in the survey approved of his actions and accused the media of taking an unduly negative view of his

Steady Support

President Trump's job approval rating has edged up amid strong support from Republicans. Voters say he has handled the economy better than other prominent issues.

President Trump's job approval



President Trump's handling of issues

	Disapprove	Approve
The economy	34%	50%
North Korea	36	44
Border security, immigration	51	41
Trade	45	38
U.S., Russia relations	51	26
Immigrant families at the border	58	31

Sources: WSJ/NBC News telephone polls most recently of 900 registered voters conducted July 15-18; margin of error: +/- 3.27 pct. pts.; Gallup (previous presidents)

THE WALL STREET JOURNAL.

Mr. McInturff said. Moscow has denied meddling in the U.S. election, and Mr. Trump has denied his campaign colluded with Russia.

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

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

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

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

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

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

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

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



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

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

U.S. NEWS



U.S. Treasury Secretary Steven Mnuchin, center, and French Economy Minister Bruno Le Maire, top left, among others at the G-20 Saturday.

Tariffs Stymie G-20 Talks

By JEFFREY T. LEWIS

BUENOS AIRES—The finance ministers and central bankers of the G-20 group of countries ended their meeting here with little progress on resolving global trade tensions sparked by President Donald Trump's tariffs, with the U.S. and EU both insisting their conditions for trade talks must be met.

U.S. Treasury Secretary Steven Mnuchin got the ball rolling Saturday morning when he told reporters that the U.S. is ready to start talks on trade agreements with China, the EU and the Japanese, but that those trading partners must first level the playing field by removing tariffs, nontariff trade barriers and subsidies.

Mr. Mnuchin specifically mentioned that U.S. companies shouldn't be forced into joint ventures with Chinese companies to do business in China nor be forced to transfer technology.

He upped the ante by adding that "it's definitely a realistic possibility" Mr. Trump will follow through on a threat to impose tariffs on all \$500 billion worth of goods the U.S. imports from China each year. The U.S. has already set levies on \$34 billion of machinery and components from the Asian country, with tariffs on another \$16 billion of imports scheduled. The Trump administration also is looking at targeting an additional \$200 billion of Chinese products.

French Finance Minister Bruno Le Maire returned fire later Saturday, saying the EU wouldn't hold any talks while the U.S. tariffs are in effect because "we refuse to negotiate with a gun to the head." And if the U.S. follows through with a proposed 25% tariff on imported cars, Europe would have no choice but to retaliate, he said.

The EU is ready to hold talks on changes to the existing multilateral trade system,

including at the World Trade Organization, but only if reforms are intended to strengthen the system and not weaken it, Mr. Le Maire explained.

The meeting in the Argentine capital was scheduled to concentrate on issues including infrastructure for development and the future of work, but the conflict over Mr. Trump's tariffs on steel, aluminum and Chinese electronics and other goods, and the retaliatory tariffs imposed by the EU, China and other countries were a constant undercurrent.

One concern of many participants in the meetings brought up was the effect of the tariffs on economic growth. International Monetary Fund Managing Director Christine Lagarde told delegates on Saturday that her organization estimated the conflict would cost the world around 0.5% in gross domestic product, based on current

measures and "in the worst case scenario."

The U.S. would be harder hit than other countries by the tit-for-tat tariffs because a larger share of its exports will be subject to the punitive levies, according to the IMF's calculations.

Mr. Mnuchin said the U.S. government is monitoring the impact of the tariffs very closely, but that on a macroeconomic basis "we don't see yet any impact on the economy."

He added that the producers of some goods, such as lobsters in Maine and bourbon whiskey in Kentucky, are feeling the effects. When asked if he expected an impact at the macro level in the future, he replied "I don't."

At a press conference, Mr. Mnuchin played down any divisions among G-20 members regarding trade, saying the meeting was very productive and that "I didn't feel isolated at all."

Hatch Presses Trump to Rethink Trade Policies

By SIOBHAN HUGHES

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch is ratcheting up pressure on President Donald Trump to reconsider his tariff policies, warning in a letter that GOP senators may be ready to risk a legislative confrontation with the president unless he reverses course on trade.

"As you are aware, members of the Senate are increasingly considering legislation to reduce trade authorities that Congress has delegated to the President," the Utah Republican wrote in a letter obtained by The Wall Street Journal. "I am sympathetic to those efforts. If the administration continues forward with its overreliance on tariffs, I will work to advance legislation to curtail Presidential trade authority."

The letter, sent to the White House last week, is notable because Mr. Hatch has been one of Mr. Trump's most steadfast allies. He ushered through the Senate Mr. Trump's signature legislative achievement—a \$1.5 trillion, 10-year tax cut—and as a former Judiciary Committee chairman is now working to boost support for Supreme Court nominee Brett Kavanaugh.

In contrast, two of the primary sponsors of legislation to curtail Mr. Trump's trade powers—Sens. Bob Corker (R., Tenn.) and Jeff Flake (R., Ariz.)—have built reputations as GOP lawmakers who aren't shy about publicly challenging

Mr. Trump.

But Mr. Hatch's impatience with the tariffs has been growing in recent weeks.

He has expressed concern about the Trump administration's market-rattling tariff threats in hallway interviews and committee hearings. Last week, he turned to a floor speech and a tweet, aiming to amplify the message. In his letter, Mr. Hatch said he was "deeply concerned about the administration's recent actions with regard to global tariff policy."

The White House didn't respond to a request for comment.

In the hierarchy of messages from Capitol Hill to the White House, a letter like the one Mr. Hatch sent the president could be seen as the most potent, possibly a prelude to the legis-

GOP leader warns of potential Senate bill to curtail president's trade authority.

lation it threatens.

And a number of lawmakers, especially on Mr. Hatch's committee, are wondering if that is their next move—a bill that would ensure that Congress has its say over tariffs that could rebound in the form of retaliatory tariffs on farmers or manufacturers in their districts.

—Greg Ip contributed to this article.

Private Prisons Are Sued Over Work Programs for Migrants

By ZUSHA ELINSON

Two private prison companies are facing legal pressure over work programs at detention centers that pay migrants \$1 a day to perform tasks such as cleaning or working in the centers' kitchens.

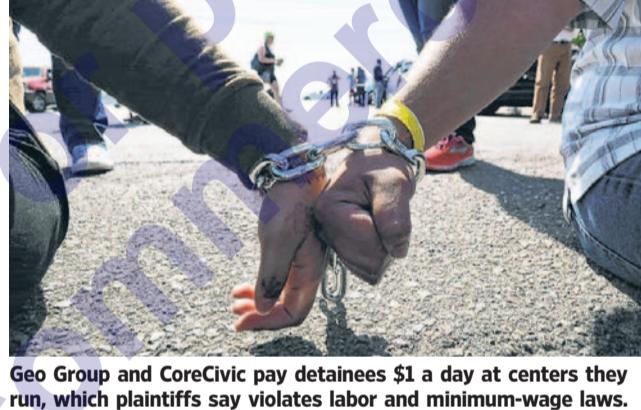
Recent lawsuits have accused **Geo Group** Inc. and **CoreCivic** Inc. of violating federal laws prohibiting forced labor, state minimum-wage laws or unjust-enrichment laws. The companies run detention centers for migrants caught crossing the southern border, detained asking for asylum at an official entry place or accused of living in the U.S. illegally.

Andrew Free, who represents several plaintiffs, said that while prisons can force people convicted of crimes to

work, they can't do the same to people who haven't been. "The key distinction is because immigration detention is civil in nature," said Mr. Free. "The people in these places cannot be made to work against their will."

The companies—the nation's two largest private prison operators—say the longstanding work programs for migrants are voluntary and are sanctioned by U.S. Immigration and Customs Enforcement.

The \$1-a-day rate for im-



Geo Group and CoreCivic pay detainees \$1 a day at centers they run, which plaintiffs say violates labor and minimum-wage laws.

pact of confinement."

CoreCivic spokesman Steve Owen said the company's voluntary work programs "are

consistent with similar programs at other ICE facilities—operated by both public and private entities—and that

meet our contractual obligations."

Geo spokesman Pablo Paez pointed out that the voluntary work program and wage rates were set by the government. "As a service provider to the federal government, Geo is required to abide by these federally mandated standards and congressionally established guidelines," he said.

The legal challenges gained traction earlier this year when the U.S. Court of Appeals for the 10th Circuit agreed with a lower-court ruling to allow nine immigrant detainees held at Geo Group's 1,500-bed detention center in Aurora, Colo., to represent a class of about 60,000 others who have been held there in recent years.

Geo Group is appealing the

10th Circuit decision to the Supreme Court. Geo's attorneys have argued that the company is simply following ICE's own policies on voluntary work.

The Trump administration wants to detain more migrants who have crossed the southern border as it tries to crack down on immigration. The number of migrants in detention while awaiting immigration hearings or deportation has risen to a daily average of 40,000 this year from 34,000 two years ago.

A group of 18 Republican congressman sent a letter to ICE earlier this year recommending that the agency step in to defend the private prison companies and offer new guidance on the work program to prevent such lawsuits.

Trading Bonds Gets Harder

Continued from Page One

Chanel Rosenbaum, credit strategist at Wells Fargo Securities. "You're starting to see small hot spots emerge in parts of the market that don't have a natural support," he said, such as pockets of Europe and Latin America.

In May, Italian two-year government-bond yields notched their biggest one-day jump since at least 1989. The surge was triggered by Italian politics, but a lack of liquidity appeared to amplify the moves as the gap between the price at which traders were willing to buy and where they were willing to sell surged to above half a percentage point, according to Thomson Reuters data.

Alberto Gallo, of Algebris Investments' Macro Credit strategy, said it took "around 10 times longer" to unwind a bet on Italian bonds than normal and that it was hard to get bids or offers on trades of more than \$10 million in size. Liquidity "was bad, and it's remained relatively bad" since May, he said.

The median bid-ask spread for developed European high-yield credit is up 24% this year, according to MarketAxess, while the spread for investment-grade credit has also widened. In the U.S.—home of the deepest capital markets in

the world—the spread on investment-grade credit is holding steady, but it has edged higher in high-yield credit.

For years, central banks helped paper over the decline in market liquidity that occurred when postcrisis regulation made it harder for banks to trade bonds. The current challenge coincides with central banks withdrawing their longtime support for fixed-income markets. The Federal Reserve is shrinking its \$4.5 trillion bond portfolio and the European Central Bank is trimming its bond-buying program.

This past March, Gilles Pradère, a senior portfolio manager at RAM Active Investments in Switzerland, sought to reduce some of his exposure to investment-grade credit while this market was

fairly calm. To his surprise, "we were confronted with a market which was already deteriorating quite significantly" in terms of liquidity, he said.

Many investors like Mr. Pradère are switching to derivatives contracts for assets they need to trade more regularly, where they say liquidity is better than in the underlying bond market.

Trading in Italian government-bond futures rocketed in May, more than doubling the previous year's monthly volume, according to Eurex. By contrast, Italian government-bond trading volumes fell 18% over the first half of 2018 from the previous year, according to MarketAxess, despite the pickup in volatility, which usually boosts activity. Traders say the greater

ease of buying and selling Italian futures meant that market became the main channel for taking—or trimming—risk.

Similarly, volumes in emerging-market government debt are down 32%, according to MarketAxess. At the same time, credit-derivatives volumes rose substantially in the first half of 2018 compared with previous years, according to strategists at JPMorgan.

Mohammed Kazmi, a portfolio manager at Union Bancaire Privée, has been slowly switching bond positions into more liquid credit derivatives, as he expects episodes of turbulence. During real high-risk events across bond markets, "no one is able to trade," he said.

Trading derivatives has its own drawbacks, since they can be less precise instruments.

Meanwhile, parts of global bond markets have always had patches of illiquid trading, particularly during bouts of financial-market turbulence.

But investors say that it is getting worse, particularly in emerging markets.

For dollar-denominated government debt in emerging Europe, the Middle East and Africa, the median bid-ask spread has risen roughly 75% this year to around 22 cents, according to MarketAxess.

Turnover ratios in local-currency emerging-market bonds—which measure trading activity relative to bonds outstanding—have fallen sharply in recent years, according to the Institute of International Finance.

—Laurence Fletcher contributed to this article.

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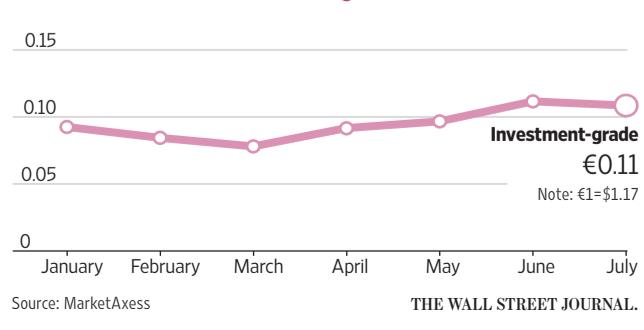
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A Big Ask

The median gap between the price at which traders offer to buy and sell, a proxy for the ability to move in and out of markets quickly, has widened this year.

Median bid-ask spread for developed European corporate debt



THE WALL STREET JOURNAL.

WORLD NEWS

Saudis Spend Heavily to Draw Investors

Riyadh to put \$18 billion into new investment funds as it kick-starts non-oil economy

RIYADH—Saudi Arabia is ramping up efforts to lure international companies and revive Crown Prince Mohammed bin Salman's plans for an economic makeover, after foreign investment fell to a 14-year low in 2017.

*By Rory Jones,
Margherita Stancati
and Summer Said*

The moves include plans to create two investment funds totaling over \$18 billion for the government to enter into ventures with foreign companies, said people familiar with the matter. The kingdom is also pouring billions into entertainment-industry partnerships and working with SoftBank Group's Vision Fund to bring technology firms to Saudi Arabia.

The first modern Saudi bankruptcy law is due to soon come into effect. The government has also drawn up a law on public-private partnerships, the first step toward the sale of billions of dollars in state-owned assets that the government hopes will attract foreign investment in big infrastructure projects.

The accelerating moves highlight worries in the kingdom about a chill spreading through business activities just as the 32-year-old crown prince is attempting a historic economic and cultural opening.

Prince Mohammed is trying to shift the economy away from oil and toward industries that provide growth and jobs for Saudis. First steps toward economic reform included cutting subsidies and adding taxes to narrow the budget deficit.

He has introduced social reforms such as allowing women to drive and opening cinemas. He has also forged an alliance



Saudi Arabia is shifting the economy away from oil toward industries that create jobs for its people. A family visits a new cinema in Riyadh.

with the Trump administration and shifted the kingdom into a more firm posture against Iran. But some of his economic plans have so far stalled.

The Saudi economy contracted last year, largely as a result of lower oil prices, and only emerged from recession in the first quarter of this year.

The prospect of years of low oil prices helped spark Prince Mohammed's calls for economic reform, though prices have rallied in recent months.

Direct foreign investment into the country fell to \$1.4 billion last year from \$7.4 billion in 2016, according to United Nations figures released last month. That compared with an average \$18.2 billion annually in the years leading up to the global financial crisis in 2007-2008 and last year fell in part because of fewer investments from multinationals, said the U.N. Saudi officials

Some Reforms Give Investors Pause

A number of investment banks are expanding operations in Saudi Arabia as the government plans to list state-owned assets and establish public-private financed infrastructure projects.

But some reforms, though they may be good for the economy in the long term, have made investment in Saudi Arabia less attractive.

Cuts to energy subsidies, a new value-added tax on most goods and a requirement that

companies hire more Saudi workers have given foreign businesses pause.

"What is going to induce global companies to invest in Saudi Arabia? Cheap labor, low taxes and subsidized utilities—all that is going away," said Christopher Johnson, the chairman of the American Business Group of Riyadh, which promotes U.S. business interests in the kingdom.

To address one of these concerns, the government circulated a draft law covering public-private partnerships that offered investors exemptions from certain labor laws.

didn't dispute the numbers. Saudi Arabia hasn't landed investment commitments from U.S. corporate giants. In the fragile economic environment, investors have been apprehensive about spending before they see the results of Prince Mohammed's reforms.

Also worrying some investors was the detention of Saudi business leaders last fall

in what the kingdom said was an anticorruption crackdown. The charges weren't aired publicly and some businessmen remain jailed; the government has moved to collect over \$100 billion in their assets.

Saudi officials have said the crackdown should assure investors that the kingdom is serious about securing a stable rule of law. The crown prince sought to win more American business on a nearly three-week visit to the U.S. this spring.

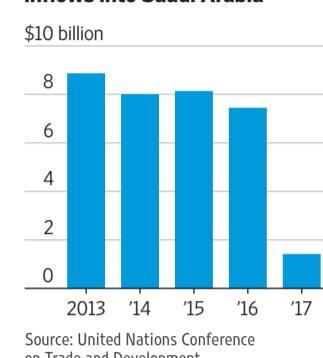
The cornerstone of the prince's economic reform plan—the initial public offering of the state-owned oil giant Saudi Arabian Oil Co., known as Aramco—has stalled, and may never happen.

"If they can't create an environment that is welcoming to foreign investment and supports it through a rules-based economy, they cannot succeed in any kind of change," said

Foreign Flight

Investment into Saudi Arabia collapsed last year as the government pursued major reforms and an anti-corruption drive that has deterred international investors.

Foreign direct investment inflows into Saudi Arabia



Source: United Nations Conference on Trade and Development

THE WALL STREET JOURNAL

Karen Young, a political economist at the Washington-based Arab Gulf States Institute.

Reversing the fall in foreign investment is a priority, said Basem al-Sallom, a deputy governor at Saudi Arabian General Investment Authority.

"We are interested to work with companies that have the technology, the know-how, the experience to achieve our vision. We cannot do it alone," he said. "And now is the right time. There are a lot of opportunities here."

The government is in the final stages of creating a 50 billion Saudi riyal (\$13.3 billion) fund for developing partnerships with foreign companies, said people familiar with the matter. Known as the International Partnership Fund, it will be run by the Saudi Industrial Development Fund, which invests in the industrial sector.

The Saudi Arabian General Investment Authority is planning to expand its mandate by creating a separate investment fund to enter partnerships with foreign companies, according to people familiar with the matter.

Despite Its Oil Wealth, Iraq Can't Keep the Lights On

BY ISABEL COLES
AND ALI NABHAN

BAGHDAD—Temperatures across southern Iraq are so high in the summer months that birds drop dead from the sky due to heat exhaustion. And tap water runs piping hot.

So when Iraq's power supply faltered this month as a heat wave ramped up air-conditioning demand, it ignited an angry question: Why can't one of the world's top oil producers keep the power on?

Protests have rippled through Iraq's oil-rich south for over a week as demonstrators railed against the government's failure to provide basic services like electricity, health care and clean water. They have posed a serious enough risk that authorities have shut down the internet and sent in troops to quell the unrest.

Iraq's electricity sector is a microcosm of the ills plaguing the country since the U.S.-led invasion in 2003. Some households receive no more than a few hours of state-provided power a day during peak demand. People who can afford it buy their own generators, or

Iraq's peak demand is 23,000 megawatts and growing; it can only produce 15,900.

buy from neighborhood generators, when the power goes out.

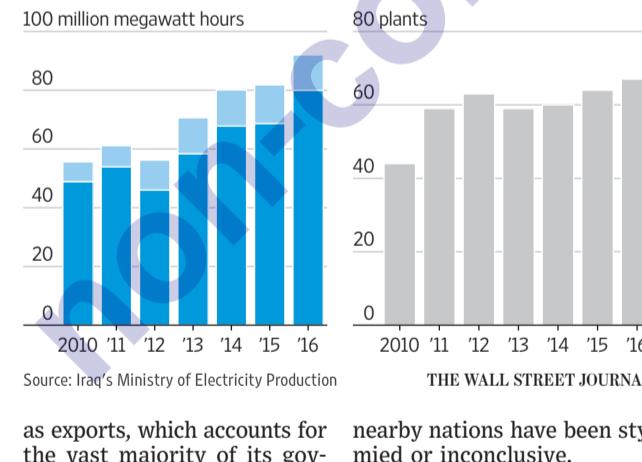
Among other cities, protests flared again on Friday in the province of Basra, where most of Iraq's oil is produced.

"Basra is like a camel loaded with gold and fed thorns: it produces 90% of Iraq's wealth but does not get enough electricity," said Hamid Hafidh, a protest organizer in the province.

Iraq produces much of the natural gas, gas oil, heavy oil and crude that it burns to create electricity, but most of its oil production is sent abroad

Power Outage

Iraq doesn't produce enough of its own electricity.



as exports, which accounts for the vast majority of its government revenue.

But even if Iraq were to divert some of its oil exports for domestic power generation, the country can't generate the electricity it needs.

Iraqi electricity demand has grown to 23,000 megawatts at peak summer hours, but the country can only produce 15,900 megawatts, according to Iraq's Ministry of Electricity.

Demand will continue to grow by around 7% a year, analysts say.

On top of everything else, the nation still is picking up the pieces after the militant group Islamic State destroyed a swath of Iraq's electrical and oil-refining capacity. That degraded a national power system that was failing short before the group began its three-year occupation of the north in 2014. Islamic State inflicted \$7 billion of damage on the country's power system, with eight out of 17 power plants in occupied areas completely destroyed, according to a World Bank assessment.

Iraq has initiated many projects to increase generation capacity, including multibillion-dollar contracts signed with Siemens AG and General Electric Co., but they have yet to be completed. Attempts to purchase more electricity from

nearby nations have been stymied or inconclusive.

Iraq had been purchasing electricity from Iran for several years, but Iran cut the power, citing unpaid debt and electricity shortages of its own. Ministry of Electricity spokesman Mosaab al-Modares said Iraq has the money to pay, but can no longer transfer the funds without violating U.S. sanctions on Iran.

The biggest problem, however, isn't electricity generation, but distribution. As much as 65% of the power supply is consumed by people who illegally tap into the grid or don't have electricity meters, according to the Ministry of Electricity. Fee collection is also weak. In 2015, its best year to date, the ministry said it collected just 12% of fees.

The government tried in 2015 to collect more fees and stop illegal power consumption, but a popular backlash stalled it. Among the biggest opponents, Mr. Modares said, were private generator owners, who he says collectively make around \$10 billion in annual profits from the government's failure to provide electricity.

"The situation is completely unsustainable," said Robert Tollast, an Iraq-focused political-risk analyst.

—Ghassan Adnan contributed to this article.

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WORLD NEWS

Mexico Offers U.S. 'New' Path For Ties

BY JUAN MONTES

MEXICO CITY—In a conciliatory letter to President Donald Trump, Mexico's president-elect, Andrés Manuel López Obrador, said he was ready to start a new stage in U.S.-Mexico relations and seek a "common path" on trade, migration, economic development and security.

"Everything is ready to start a new stage in our societies' relationship based on cooperation and prosperity," Mr. López Obrador said in the letter to the U.S. president. The letter was handed to a delegation of cabinet-level U.S. officials who visited Mexico City on July 13 and met with Mr. López Obrador.

The communication was made public Sunday just days before the U.S., Mexico and Canada are set to restart talks to renegotiate the North American Free Trade Agreement. A representative of Mr. López Obrador will join the Mexican delegation in Washington on Thursday.

Mr. López Obrador told Mr. Trump "it is worth making an effort to conclude the renegotiation" of Nafta. Prolonging uncertainty could slow down investment in the medium and long term and hinder Mr. López Obrador's plan to spur economic growth through more infrastructure projects.

The letter, which includes a detailed description of the incoming Mexican administration's platform, also proposes creating a development plan for Central American countries to stem the flow of migrants heading north. Mr. López Obrador proposed that 75% of available economic resources for the plan be used to create jobs in Mexico and Central America, and 25% to strengthen border security.

CEO Shift Jolts Fiat Chrysler

Continued from Page One
paying down its debt and improving its balance sheet, due in large part to the success of its highly profitable trucks and sport-utility vehicles in the U.S.

Fiat Chrysler has doubled down on a continued shift in demand toward larger vehicles by retooling its factories and largely exiting the sedan business.

Still, Mr. Manley faces several challenges.

Fiat Chrysler is spending heavily to catch up on new technologies, such as electric and self-driving vehicles. It needs to restore a reputation tarnished by regulatory crises involving safety lapses, suspected emissions cheating and bribery allegations. Representatives for Fiat Chrysler have denied any intentional wrongdoing.

Fiat also has to deal with the fallout on the company's supply chain and pricing from tariffs on aluminum and steel, which the White House says it may widen to include vehicles and auto parts.

"That storm is right on the horizon. He's going to have to have a voice in that [trade debate]," said Mike Jackson, CEO of AutoNation Inc., the largest U.S. car dealer chain.

The accelerated succession also may rekindle speculation that the auto maker could seek to sell off all or part of itself. Mr. Marchionne once sought such a deal but had abandoned the idea.

Finally, Mr. Manley has to earn the confidence of the 236,000-large global workforce, including those who got overlooked for the CEO post, and possibly deal with questions about how Mr. Marchionne's illness was disclosed.

Mr. Marchionne appeared last week in a video at the Automotive Hall of Fame ceremony, but a company spokesman couldn't say exactly when it was filmed. His last public



Mike Manley, above, was one of Sergio Marchionne's top lieutenants and most recently ran the company's Jeep and Ram truck brands.

appearance was on June 26, when he presented a Jeep Wrangler SUV to military police in Rome.

A workaholic known for making blunt comments and wearing black sweaters instead of formal business attire, Mr. Marchionne has been an outsized presence in the auto industry.

After taking over Italy's Fiat SpA in 2004, Mr. Marchionne then took control of Chrysler Group LLC following the auto maker's federally sponsored bankruptcy in 2009. At the time, few thought Chrysler would survive, but as the U.S. market rebounded following the recession, it ended up generating the bulk of the profit for the two car makers, which were formally combined in 2014.

Under his watch, Fiat Chrysler confounded critics on Wall Street and elsewhere by meeting most debt-reduction and profit targets. The company's stock price has nearly quadrupled since 2014 and its 6% profit margin is higher than Ford Motor Co.'s 5.2% margin and is approaching General Motors Co.'s 7.2%.

Mr. Manley's appointment

Mr. Marchionne, a fan of poker, was fond of taking big risks as CEO—such as killing off the company's sedans years ahead of rivals—and publicly berating the industry for excessive production capacity and low profitability. He raised eyebrows in 2015 by writing a missive called "Confessions of a Capital Junkie," arguing the industry

ends a succession race that included European head Alfredo Altavilla and financial chief Richard Palmer, according to industry analysts and company insiders. A spokesman for the company said no decision has been made yet on who will fill Mr. Manley's role as head of Jeep and Ram.

Mr. Marchionne had planned to exit Fiat Chrysler next year but stay on as the CEO and chairman of Ferrari NV, which was spun out in 2016. But on Saturday the luxury sports car maker said Mr. Elkann would take over as chairman and that the CEO role would go to Louis Camilleri, the chairman of Ferrari racing division sponsor Philip Morris International Inc.

Mr. Elkann is a member of Fiat's founding Agnelli family, which through a holding company owns nearly 43% of Fiat Chrysler's voting rights and about 33% of Ferrari's voting rights, giving it controlling stakes over both companies.

Mr. Manley, who first joined the company in 2000 when it was still DaimlerChrysler, is as hardworking as the multitasking Mr. Marchionne but keeps

a much lower profile than his outspoken ex-boss, say dealers and Fiat Chrysler officials.

"He is a workaholic and detail-oriented guy," said Wes Lutz, a Jackson, Mich.-based Chrysler dealer, who serves as chairman of the National Automobile Dealers Association.

Mr. Manley has worked closely with dealers and oversaw the roll out of new models, such as the redesigned Jeep Wrangler and Ram 1500 pickup truck. During his time as head of the Jeep brand, he grew global sales to nearly 2 million this year—double the number sold as recently as 2014 and up from 338,000 in 2009, in part by rolling out new higher-end models in the U.S.

The new CEO has less experience with finance and manufacturing, core areas that Mr. Marchionne obsessed over during his tenure, say analysts and dealers, but he has the benefit of Mr. Marchionne's recently announced strategic plan.

Mr. Manley hasn't made any public statements since being named CEO but will host an earnings call Wednesday for financial analysts.

THE WALL STREET JOURNAL. GLOBAL FOOD FORUM

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WORLD NEWS

Israel Helps 'White Helmets' Flee

Syrian rescue workers fear arrest and worse at the hands of the Assad regime

BY RAJA ABDULRAHIM

BEIRUT—Hundreds of Syrian emergency rescuers and their families were evacuated from the country's southwest with Israel's help, passing through territory it controls to Jordan as the regime of President Bashar al-Assad takes control of one of the last remaining opposition strongholds.

The Israel Defense Forces said Sunday that rescuers and their families were recently evacuated "from the war zone in southern Syria due to an immediate threat to their lives" at the request of the U.S. and European countries. The civilians were subsequently transferred to a neighboring country, it said.

The Jordanian government said Saturday night that it had agreed to allow passage for 800 Syrian rescuers—known as the White Helmets—and their families in an evacuation and resettlement operation being overseen by the United Nations, according to the government news agency Petra.

The trip was eventually made by 422 Syrians, Jordan's foreign minister, Ayman Safadi, said on Twitter.



Volunteer rescuers, known for their white helmets, searched for survivors after a blast in Idlib in April.

British statement.

In the process, they have put themselves at risk as well. Dozens of White Helmet members have been killed and many more have been injured and maimed—often in the regime's attacks that target those who come to rescue the victims of an initial attack.

White Helmets in southwest Syria fear arrest and worse at the hands of the Syrian regime, which has accused the group of being terrorists and allied with al Qaeda.

The rescuers and their families will stay in Jordan for a maximum of three months, according to Jordan's state news agency. They will then await resettlement through the UNHCR, the United Nations refugee agency, in either Britain, Canada or Germany because of the risks they face if they were to remain in Syria. Other European countries including France, Sweden and the Netherlands have also offered to take them.

Jordan and Israel have refused to allow Syrians displaced by the government offensive to capture the southwest region of Daraa and Quneitra provinces to enter their countries.

Jordan said it was overwhelmed by about 1.3 million Syrian refugees living there.

—Dov Lieber in Tel Aviv contributed to this article.

Cease-Fire In Gaza Faces New Challenge

BY FELICIA SCHWARTZ

TEL AVIV—Israel's military said late Sunday it fired toward a group of Palestinians in Gaza launching flaming balloons into Israeli territory, an incident that posed a challenge to a fragile cease-fire between Israel and Gaza ruler Hamas over the weekend.

The truce came after an Israel soldier was killed and Israel responded on Friday with a wide-scale attack on militant targets inside the Gaza Strip, in which three members of the militant group were killed. A fourth Palestinian was killed the same day by Israeli security forces during one of the weekly demonstrations at the Israeli-Gaza border.

It wasn't clear whether Sunday's episode was a minor flare-up or one that could undermine the cease-fire, which had eased immediate concerns of an escalation of the conflict.

Israeli Defense Minister Avigdor Lieberman said earlier Sunday that if Hamas continued to refrain from launching flaming kites and balloons, Israel would on Tuesday lift the severe restrictions it imposed earlier this month on Gaza's only commercial crossing.

"Residents of Gaza must understand that as long as there are incendiary balloons and fires on our side, life on their side will not return to its normal routine," Mr. Lieberman said while visiting the crossing, Kerem Shalom.

Israel also has demanded an end to rocket and mortar fire from the Palestinian territory and weekly violent protests at the border. It restricted access through the crossing, allowing only food, medicines and some fuel to pass through it, as part of an effort to pressure Hamas to change course.

The Israeli soldier Hamas killed Friday was the first to die in combat near the Gaza border since the 2014 war. Israel killed three Hamas members in a massive response that included airstrikes and tank fire. Gaza's ministry of health said other people were injured without giving details.

Early Saturday, Hamas announced it had agreed with Israel, via Egypt and the United Nations, to restore calm. Israel's military hasn't commented directly on the truce.

Prime Minister Benjamin Netanyahu said Israel could resume targeting Hamas again if it deemed it necessary. "At the end of the week we hit Hamas very hard and if it's needed, we'll hit them seven-fold," he said in a video statement released Sunday.

Turkey's Regional Rise Opens a Door for Greece

BY YAROSLAV TROFIMOV

ATHENS—It's hard to find a better example of how geopolitical realities trump ideology than the blossoming friendship between Israel and Greece.

As the leader of Greece's leftist Syriza party before gaining office in 2015, Prime Minister Alexis Tsipras called to expel Israel's ambassador and close Greek ports to U.S. arms shipments heading to Israel.

Syriza's leftist allies in Europe still demonize Israeli Prime Minister Benjamin Netanyahu and his right-wing government. Many of them back the boycott, sanctions and divestment campaign against Israel.

Not Mr. Tsipras—who intensified cooperation with Israel instead. The leaders of Israel, Greece and Cyprus are holding regular trilateral summits—the fourth was in May—and the Israeli air force uses Greek airspace for training. The three countries, plus Egypt, are jointly developing the eastern Mediterranean's natural-gas reserves.

The key reason for all this: Turkey.

Ruling party ditches anti-Israel stance and cooperates with Netanyahu.

power across the region, threatened both Israel and Greece, uniting them like never before. Greece is concerned by Turkish incursions in the disputed areas of the Aegean Sea. Israel and Turkey are at odds over the blockade of the Gaza Strip and over Ankara's support for the Palestinian Islamist movement Hamas.

Cyprus—divided between the internationally recognized

government in the Greek-inhabited south and the Turkish-populated areas occupied by Turkey's military since 1974—provides an additional bridge, especially as Ankara ramps up its opposition to developing Cypriot offshore gas fields.

"We have to work in such a way as to safeguard strong geostrategic ties with our neighbors, keeping in mind that to our east we are not neighboring Switzerland or Liechtenstein, but a very nervous and in some cases a very aggressive neighbor," said Yiannis Bourousis, Syriza's head of international relations and Mr. Tsipras's strategic planning chief.

Another senior Greek official put it more bluntly: "There are two countries that want to be the cops of this region—Turkey and Israel. We have to be friends with at least one."

In the 1980s and 1990s, Greece was among Israel's harshest European critics and a vocal supporter of the Palestinian cause.

The breakthrough came in 2010, when then-Greek Prime Minister George Papandreou



Israeli Prime Minister Benjamin Netanyahu and Greek Prime Minister Alexis Tsipras meeting in Cyprus in May.

and Mr. Netanyahu found themselves visiting Moscow at the same time. At a private dinner in the Russian capital's Pushkin restaurant, the two men realized how much they could achieve by cooperating, said Arye Mekel, a former Israeli ambassador to Greece.

The following year, Greece provided Israel with a big favor by blocking in Greek ports an international flotilla of boats that aimed to break Israel's Gaza blockade.

The Israeli Navy stormed a similar pro-Palestinian flotilla organized by a Turkish charity in 2010, an incident in which nine Turkish activists were killed. This was the turning point that ruptured the Israeli-Turkish relationship.

The center-right government that ruled Greece in

2012-2015 continued Mr. Papandreou's more Israeli-friendly policy. But when Syriza gained power, Israeli officials started to panic because of the party's record of opposing Israel.

Greek officials say their partnership with Israel isn't at the Palestinians' expense. Athens still champions the creation of a Palestinian state with east Jerusalem as its capital, and consistently votes for the Palestinian cause at the United Nations, they point out.

"It is not a volte face. We are not abandoning the Palestinians," said George Katrougalos, Greece's alternate minister of foreign affairs. But "we must also take into account our national interests," he added, which are "to balance the rising influence of Turkey in the area."

WORLD WATCH



A wounded security officer is helped after an attack near Kabul Airport that killed 14 people.

cluded civilians, said the spokesman for the Afghan ministry of interior, Najib Danish. The vice president had left the airport in a motorcade only minutes before the explosion.

Gen. Dostum had been forced to leave Afghanistan after political rival Ahmad Ishchi alleged in 2016 he was held hostage, beaten and sodomized with a rifle by the vice president at a game of Buzkashi, Afghanistan's national sport. In January 2017, Afghanistan's attorney general ordered the arrest of nine of Gen. Dostum's bodyguards on charges related to the alleged abduction and assault accusations.

Mr. Dostum denies the allegations and accuses Mr. Ishchi of links with the insurgents.

—Habib Khan Totakil

SOUTH AFRICA

Gunmen Ambush Taxi Drivers; 11 Killed

South African police said gunmen opened fire on a minibus carrying members of a taxi drivers' association, killing 11 people and critically wounding four.

Police Brig. Jay Naicker said the victims of the Saturday attack had attended a colleague's funeral and were returning home when the ambush occurred.

Police are investigating possible motives.

Tensions between groups of taxi drivers vying for the same routes sometimes spill into deadly violence in South Africa.

—Associated Press

ISRAEL

Strike Over Gay Men's Surrogacy Exclusion

Tens of thousands of Israeli LGBT advocates and their supporters went on strike across the country, protesting the exclusion of gay men from a recently passed surrogacy law.

The protests came when Prime Minister Benjamin Netanyahu pledged to pass legislation supporting surrogacy for gay fathers, but then voted against it, apparently under pressure from his ultra-Orthodox Jewish coalition partners. Protesters marched in Tel Aviv and other cities, waving rainbow flags and blocking a highway.

—Associated Press

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IN DEPTH

Children Stand for Lemonade

Continued from Page One
stands without breaking the law," she said.

Reports of kids' lemonade stands being shut down for breaking local health or permitting laws have long left grown-ups feeling sour. Now, a growing movement of adults is fighting back.

A libertarian nonprofit in Missouri has mapped reports of shut-down stands to raise awareness; its litigation director says lemonade stands are protected by the U.S. Constitution.

A Texas-based youth-entrepreneurship nonprofit, Lemonade Day, is lobbying local health departments to change regulations. A drink maker has offered to reimburse up to \$60,000 in lemonade-stand permits and fines.

"We should give children a few years to experience a free market and the joys of entre-



Jonathan, William and Ben Guffey before local authorities shut down their lemonade stand.

preneurship before they feel the crushing weight of the government come upon them," said Connor Boyack, president of Libertas Institute, a Utah-based libertarian think tank.

The institute advocated for a Utah law, passed last year, that prohibits local authorities from requiring minors' businesses to have permits or licenses.

A map created by the libertarian Freedom Center of Missouri includes more than two

dozen reports from around the country over the past decade of what it calls "the government war on kid-run concession stands." Most involve lemonade stands.

The enemy, activists say, is a hodgepodge of local rules and regulations. Among those encountered by Steven Gordon, president of Lemonade Day: You need three sinks on site. Minors can't accept money. Stands must have three walls.

In June, Kraft Heinz Co., owner of the powdered lemonade brand Country Time, pledged to pay the permitting fees and fines of kids busted for selling lemonade.

A video promoting the pledge features a group of suited lawyers who have the serious expressions and crossed-arm poses often seen in commercials for slip-and-fall law firms. It calls the force "Legal-Ade."

In the video, one suited lawyer downs a lemonade and crumples the plastic cup. "Tastes like justice," he says.

The lawyers are actors and the company hasn't had to bail any kids out of jail so far. It has reimbursed five fees and fines—averaging \$200 each, with one running to \$500—in the program's first six weeks, said Adam Butler, Kraft's head of beverages and nuts.

Local health officials say they are looking out for consumers' safety and protecting customers from unsavory food-preparation techniques.

In some cases, police departments say they are responding to community concerns.

Complaints from competing vendors put the squeeze on

the stand set up by the Guffey children, who had set up next to an arts festival. "Officers received several complaints from permitted vendors about a stand which lacked a permit," the Denver Police Department said in a statement. The department said it doesn't go out of its way to enforce such matters, but "when officers receive a complaint, we have an obligation to act."

To stay out of trouble, 14-year-old Taylor Thomas of Brooklyn, N.Y., took a New York City test two years ago to get a food-protection certificate for her stand, where she sells lemonade, ice tea and cookies.

"I got 19 out of 20" on the test, she said. "It's like common sense. You use gloves. You wear a smock. Different stuff can get in the food."

Lemonade Day, the nonprofit, organizes children to sell lemonade on specific days and locations, typically obtaining waivers and other permits.

For its dozen stands going up at a Brooklyn park later this month, local organizers got a \$200 certificate of insurance as well as a food certificate, which required an adult

to take a \$114, five-day class.

Last year, Lemonade Day organized stands at a plaza in downtown Brooklyn. Security guards from the area's MetroTech Business Improvement District shut down the operation. A MetroTech spokesman said the group was on private property and hadn't provided proper notice or documentation.

"They said, 'Give it away, and don't let us see you exchange money,'" said local Lemonade Day director Bryan Guadagno. He felt bad for the children but acknowledged benefits in protecting local vendors. "Having kids out there will cannibalize their business," he said.

Some are ready to take the fight further. Dave Roland, litigation director at the Freedom Center of Missouri, believes the stands are protected under the Fifth and 14th Amendments, which ban the government from unreasonable restrictions on private property and guarantee due process.

"I think the Constitution covers [lemonade stands] as written," said Mr. Roland. "But if there's any doubt about that, let's get it fixed."

other as a counterweight to India.

More recently, China has been anxious to prevent Islamic extremism spreading from Pakistan into China. Still, China's goals depend on political stability in Pakistan, which requires strong economic growth to create jobs.

One problem is that Pakistan has yet to establish any of the planned "special economic zones." With local business wary of Chinese competition, provincial governments won't agree to generous incentives China wants for its private companies to invest in them.

Political frustrations

Many Pakistani and Chinese business leaders are skeptical about Pakistan's potential as a trade route, especially if railway upgrades are canceled. The only land route across the border into western China is a two-lane road over the 16,000-foot Khunjerab Pass.

At the other end of the proposed route, Gwadar has failed to attract significant cargo traffic.

Chinese officials have grown accustomed to the security challenges in Pakistan. It is the politics that frustrates them more.

They single out the Orange Line, which wasn't in the original CPEC plan. It was added at the insistence of former Prime Minister Nawaz Sharif. China agreed, with Premier Li Keqiang describing it as a "gift," Pakistani officials say.

The Export-Import Bank of China provided a \$1.6 billion loan—on the condition the contract went to two state-run Chinese companies. They were exempted from income tax, sales tax and import duties on construction materials.

Sibtain Halim, Pakistan's official in charge of the Orange Line, says no other countries expressed interest in bidding.

Opposition parties complained that CPEC disproportionately benefited Punjab. To appease them, China agreed in late 2016 to build metros for three more cities—Peshawar, Quetta and Karachi—each controlled by opposition parties and often racked by violence.

Beijing had hoped the Orange Line and other early projects would be finished in time to help secure victory for Pakistan's ruling party in July, according to people involved. Last year, however, Nawaz Sharif was dismissed as prime minister and this month was sentenced to 10 years in jail for corruption.

"The real reason for building these loss-making mega-projects has always been massive kickbacks," Imran Khan, the main opposition leader, said on Twitter in March.

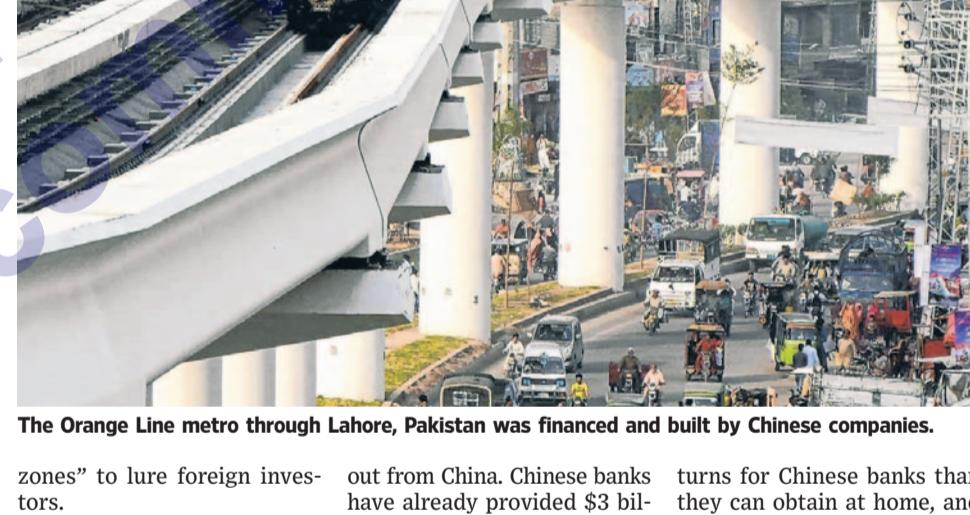
The Sharifs, and Pakistani and Chinese officials, deny that, and Mr. Khan has produced no proof.

At an Orange Line test run in May, Shehzad Sharif—Nawaz's brother and his party's new candidate for premier—repeated a promise to build metros for Karachi and Peshawar, despite Pakistan's debt crisis.

"My crime is that I made this Orange Line for the people," Shehzad Sharif supporters, standing in front of a banner decorated with his portrait alongside President Xi's.

Infrastructure Initiative

Beijing is building and financing a global network of trade and energy links to fill gaps in existing infrastructure spanning Asia, Europe and Africa. Here are some of the main projects in its 'Belt and Road Initiative':



The Orange Line metro through Lahore, Pakistan was financed and built by Chinese companies.

Bailout fears

The problems are expected to come to a head by early fall, when Pakistan's new government is likely to seek a bailout from the International Monetary Fund, the nation's first since 2013, according to Pakistani officials. Such a bailout would likely include restrictions on borrowing and spending, the officials say, which would force the country to curtail its Belt and Road program with China, known as the China-Pakistan Economic Corridor, or CPEC.

That would be a big embarrassment for China, which has portrayed its plan as a game-changer for this chronically unstable nation of 200 million—and a chance to prove the benefits of its development model to other nations.

"You're then effectively having the West bail out this country," says Andrew Small, an expert on China-Pakistan relations at the German Marshall Fund, a Washington think tank. "If this is where Pakistan ends up financially, I think that's going to be a big kind of black mark against the entire Belt and Road."

It also would give the U.S., the largest contributor to the IMF, a strong influence over China's plans in Pakistan. Washington has been pushing back against what U.S. officials have called Beijing's "debt-trap diplomacy."

European Union and Indian officials also have stepped up criticism of Belt and Road, saying it lacks transparency and sustainability and is designed to expand China's strategic influence.

"The Ming Dynasty appears

to be their model, albeit in a more muscular manner, demanding other nations become tribute states, kowtowing to Beijing," U.S. Defense Secretary Jim Mattis said in June.

Chinese President Xi Jinping rejects such criticism, telling a conference in April his infrastructure program was neither a Chinese conspiracy nor a would-be Marshall Plan, but an attempt to build a "community of shared future."

China's foreign ministry said in a written statement to The Wall Street Journal that its Pakistan program remained a model for Belt and Road countries. "Naturally, it will have to adapt to changing conditions, and necessary adjustments will be carried out," it said, adding that China was in close contact with Pakistan on its financial situation.

In Malaysia, the second-biggest recipient of Belt and Road loans after Pakistan, a new government suspended work this month on a \$20 billion Chinese railway project and is reviewing other Chinese projects.

Chinese projects in Pakistan now vulnerable to chopping include an \$8 billion railway upgrade central to Beijing's vision of a new overland trade route, which would link China's northwest to Pakistan's Arabian Sea coast, Pakistani officials say. The upgrade aimed to double the average speed on 1,170 miles of track between the port of Karachi and the northern city of Peshawar.

"I can't see how the money would be repaid" for the upgrade, says one senior Pakistani official involved in discussions with China.

Opaque deals

The IMF also would likely require Pakistan's new government to be more transparent about existing CPEC projects. Critics of the outgoing government accused it of channeling funds to wasteful political projects, often in opaque deals, without competitive bidding.

"Deals like the Orange Line cannot be secret," says Chaudhry Fawad Hussain, spokesman for the main opposition Pakistan Tehreek-e-Insaf (PTI) party. He says his party backed CPEC but wanted all agreements put before the parliament for review.

Pakistan's outgoing government blames its debt crisis on an overvalued rupee, and it questions Western motives in criticizing Chinese loans. "Before China came along, they weren't worried about Third World debt," says Miftah Ismail, the departing finance minister.

The U.S. helped build Pakistan's infrastructure in the 1950s and 60s, when it saw the country as a Cold War ally. More recently, Washington focused on other economic aid and security assistance to fight groups such as the Taliban.

Even so, some ministers in the outgoing government said in interviews they should have negotiated better terms with China, and been more open about details.

There is skepticism about government forecasts that CPEC will boost economic growth from 5.8% this year to 7% by 2023, allowing Pakistan to service its debt. A March IMF report blamed Pakistan's rising current-account deficit and external debt obligations partly on CPEC.

"The new government will have to do some adjustment, with us or without us," says Teresa Daban, the IMF representative in Pakistan.

With the U.S. freezing all security aid and winding down economic support this year, Pakistani officials now say its financial future lies in emulating China's emergence as a low-cost manufacturing hub. CPEC, they say, will ease energy and transport bottlenecks, paving the way for China-style "special economic

zones" to lure foreign investors.

Beijing and Islamabad say that of 43 CPEC projects due to be finished by 2030, around half—worth \$19 billion—are completed or under way, including a dozen power plants.

Much of the infrastructure is badly needed, especially the energy projects, which will help ease Pakistan's chronic electricity shortages.

Even so, some ministers in the outgoing government said in interviews they should have negotiated better terms with China, and been more open about details.

Another senior Pakistani official says an IMF bailout would need to be \$8 billion to \$10 billion. The outgoing government, he says, "made lots of attempts" to negotiate a Chinese bailout instead, but the Chinese disengaged in recent weeks because they wanted to deal with the new government after the election.

A Chinese bailout could keep Beijing's plans intact but would set a worrying precedent. Chinese banks have provided at least \$200 billion of loans to Belt and Road projects since 2013, Chinese officials say.

The rationale has been partly to generate better re-

turns for Chinese banks than they can obtain at home, and to drum up overseas business to use China's surplus industrial capacity.

Some Chinese bankers and officials, though, are growing more concerned about the financial risk of Belt and Road projects, according to people familiar with those discussions and often racked by violence.

In its latest guidance to Chinese companies investing in Pakistan, China's tax administration warned that Pakistan's capacity to repay debts "is extremely low."

A Chinese bailout could feed worries that Beijing is using Belt and Road to extract onerous concessions, including equity in strategically important assets.

Sri Lanka's government, unable to repay a Chinese loan for a port in Hambantota city, last year granted a Chinese state company a 99-year lease on the facility. U.S. and Indian officials have long thought China wants a naval outpost there, which China denies.

They now suspect China could do the same at Gwadar, a port on Pakistan's Arabian Sea coast that is part of CPEC and that Chinese and Pakistani officials say is purely commercial.

Some diplomats believe Beijing will keep throwing money at Pakistan, regardless of the returns. China and Pakistan have had close ties since the 1950s, when each saw the

Pakistan promises

Official figures reviewed by the Journal show that Chinese-backed power plants were promised annual returns on investment of up to 34%, guaranteed by Pakistan's government, in dollars, for 30 years.

There is skepticism about government forecasts that CPEC will boost economic growth from 5.8% this year to 7% by 2023, allowing Pakistan to service its debt. A March IMF report blamed Pakistan's rising current-account deficit and external debt obligations partly on CPEC.

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Pakistan could seek a bail-

GREATER NEW YORK

Residents Stumble Over Dockless Bikes

As pilot program rolls into the Rockaways, two-wheelers are dumped in odd places

BY LARA KORTE
AND KATIE HONAN

Some have been spotted on a sidewalk piled on top of one another. A few have been discarded in the backyards of homes. Another was left hanging on a fence.

They are ride-sharing bikes that are part of a New York City pilot program that rolled into the Rockaways, Queens, only a week ago. The bicycles, unlike their Citi Bike counterparts, don't require a docking station. Riders can rent them, ride them and then leave them wherever they choose. And that is the problem, according to some residents in the beachfront community.

"I've seen people throw them over the fence. I've seen them get left in some pretty inconvenient places," Marshall



Kerielle Sollecito signed into an app before starting her ride.

director of Community Board 14, which includes Rockaway, said the riders could be more considerate, but also argued that some people just like to complain.

"The city of New York could be handing out 50-dollar bills on the street and 20% of the population would complain they're not hundreds," Mr. Gaska said.

Each company's bikes can be unlocked and rented with a smartphone app at \$1 per 30-minute ride. Lime's pedal-assist bikes, which will join the peninsula starting Saturday, will cost \$1 to unlock and 15 cents a minute of riding. After reaching their destination, riders can leave the bike anywhere they please, but preferably out of harm's way. Pace bikes require users to lock them to something, like a bike stand or fence, whereas Lime bikes have a mechanism that locks the back wheels in place.

Rockaway isn't the first town to see the downside of dockless bikes. Cities like Austin, Texas, and Boston, which

recently introduced dockless bike shares, have also faced the misuse of the bikes.

Dave Reed, Pace's New York market manager, said the company has only received positive feedback from the community.

"We actually haven't been seeing much of any issue at all in the first week. People are embracing the technology and ease of use," Mr. Reed said.

In response to concerns about vandalism, he said Pace has experienced less than 4% of improperly parked bikes in the other cities where the company operates, which include Rochester, N.Y.; Albuquerque, N.M.; and Knoxville, Tenn.

Caen Contee, vice president of marketing at Lime, said the company saw 1,000 rides on the Rockaway bikes within the first week. Any misuse of the bikes, he said, is likely to come from people who don't understand how the system works.

"There are always people trying to understand the program better or haven't really been educated," he said.

If a bike ends up some-

where it shouldn't be, Mr. Contee said users can contact the company via the app, phone call or text and a Lime team member will arrive within an hour to move it.

The dockless bikes are popular among tourists coming from Manhattan and Brooklyn, who flock to the beach during warm months.

Kerielle Sollecito, 24 years old, was riding a Lime bike to the Rockaway beach on Tuesday after taking the ferry in from Manhattan.

"I love it," Ms. Sollecito said. "I lived at the Jersey Shore originally, and I think they need to put these there as well. You can ride it wherever you want, you have the freedom."

Mr. Gaska from Community Board 14 said he isn't ready to condemn the bikes yet, but said the program might need some adjusting.

"I think this is kind of like the shakeout cruise," he said. "By the end of the summer, we'll have to revisit to see if this is something we actually want."

Public-Housing Program Boosts Food Entrepreneurs

BY CHARLES PASSY

In a lower Manhattan classroom on a summer weeknight, John Childress, a veteran culinary and business professional, challenged a group of about 30 budding food entrepreneurs seeking his advice.

He pushed them to bring in extra help to avoid suffering from burnout. He told them to consider creative pricing strategies to boost revenue. And he encouraged them to explore new markets. "You can't be afraid to go outside your neighborhood if that's your best customer," he said.

The entrepreneurs weren't well-funded individuals starting up trendy restaurants or craft breweries in fashionable locales. Rather, they were people living in public housing hoping to better their situation through the business of food.

The class was part of the Food Business Pathways program, a 10-week-plus program that is open to the 400,000 residents of the New York City Housing Authority's 325 developments, along with 200,000 New Yorkers living in Section 8 housing administered by the



Sandra Mathis, who runs Grace Kelli Cupcakes, says Food Business Pathways has given her confidence that she can eventually succeed.

the process" of starting a business from scratch.

"It eliminated a lot of extra steps," she said.

The program provides courses covering everything from government regulations to budget management, and it also helps attendees incorporate their business and pays the necessary fees involved. And while it doesn't actually fund their businesses, it connects them with many lenders, particularly those who support small businesses.

Which isn't to say all 200-plus graduates of the program to date have been successful in establishing a food business. About 30% don't end up incorporating. And even those who do face challenges.

Sandra Mathis, a graduate from last year who runs Grace Kelli Cupcakes, said the program has given her confidence she can eventually succeed. Still, operating the baked-goods company named after her daughter is a challenge—revenue can range from \$100 to \$3,000 a month.

"I'm struggling, but I'm still out there pushing," Ms. Mathis said.

This Puppy Love Came With Strings

BY NANCY COLEMAN

It didn't take Chelsea Walrath long to fall in love with Remi, a Chihuahua puppy who fell asleep in her arms last year at an upstate New York pet store.

But it took her about a month after bringing him home to realize that the contract she signed at The Pet Zone in Wartertown, N.Y., wasn't to finance the purchase of the dog—it was to lease him.

Remi was legally owned by a company called Wags Lending, a Nevada-based firm specializing in pet leasing.

"I talked to the lease company one day, and they were like, 'No, that's not what's going on, you're renting this dog,'" said Ms. Walrath, who is 29 years old and lives in Gouverneur, N.Y.

An employee at The Pet Zone, Ms. Walrath said, told her Remi's list price was about \$1,900, but according to the contract, the puppy would have cost more than twice as much—\$4,370—after two years of her paying about \$180 a month.

And after the leasing period, if Ms. Walrath wanted to legally own Remi, she would have to pay an additional \$300 purchasing fee. She opted instead to pay off the lease early and purchased Remi after three months for \$1,900, in addition to the monthly payments she already had made.

"I felt like they lied to me and this wasn't right. I kind of felt trapped, too, because I felt like there was nothing I could do," she said in an interview with The Wall Street Journal. "They took advantage of me."

Ms. Walrath's story—documented in records from a fraud case brought by the New York attorney general's office in May against the pet-store chain, and recounted to the Journal—isn't unusual. At least six other customers gave similar accounts about The Pet Zone, which has four outlets in New York, in depositions for the same continuing lawsuit.

Ted Bell, owner of The Pet Zone and a defendant in the lawsuit, told the Journal his lawyers advised him not to comment at this phase. But he said he is "confident that this case will resolve in our favor."

The Federal Trade Commission recently posted a cautionary blog post about pet leases.

Please turn to page A10B

REMI THE CHIHUAHUA

GREATER NEW YORK

GREATER NEW YORK WATCH

NEW YORK CITY

Many Still Displaced After Pipe Explosion

Most of the estimated 500 people evacuated from their homes in Manhattan's Flatiron District when a century-old steam pipe exploded last week haven't been able to return, according to officials.

Crews from the fire department and Con Edison have coordinated a cleanup of the area after asbestos was found on the pipe that ruptured Thursday at Fifth Avenue near 21st Street.

An estimated 500 residents from 249 units were displaced. Although some of the buildings have been deemed safe, a spokesman for Mayor Bill de Blasio said Sunday that a "significant majority" still weren't back home. Con Edison has set up a relief site at a nearby school for residents and offered financial assistance to residents starting at \$500. It isn't clear when the area will fully reopen.

The cause of the rupture is still under investigation.

—Katie Honan

REAL ESTATE

Developer Gets Loan For Brooklyn Project

The developer behind a Brooklyn downtown office project has landed a \$235 million construction loan from a large Canadian real-estate lender.

JEMB Realty Corp. secured the loan from Otéra Capital, one of Canada's largest real-estate debt providers, marking a milestone for One Willoughby Square, a 500,000-square-foot office tower, according to JEMB.

The building, bordered by Willoughby, Duffield and Gold streets, is about a third leased, with architecture firm FXCollaborative Architects LLP taking about 40,000 square feet and a 300-seat public school slated to fill 87,000 square feet on the first six floors. The tower is expected to be completed by the first quarter of 2021.

—Keiko Morris

Company Tries New Mix to Revive a Mall

By KEIKO MORRIS

Owners of struggling malls have added medical clinics, offices, even amusement-park rides in an effort to resuscitate a fading retail model.

Now, China Lesso Group Holdings Ltd., a maker of pipes, building materials and home-furnishing products, thinks it has

PROPERTY hit on a winning formula:

Mixing manufacturers' showrooms that sell lighting fixtures, floor tiles and kitchen cabinets with traditional mall chains such as the Gap and Cheesecake Factory.

The Hong Kong-based company is in the midst of a \$25 million renovation of what was the Mall at the Source in Westbury, N.Y. The firm aims to recast the long-ailing retail center as a home-furnishings marketplace for design professionals, contractors and retail buyers—with a big food and entertainment component for local shoppers.

Redubbed Lesso Home New York Market, the mall with its collection of showrooms would be the first of several that Lesso hopes to roll out across the U.S., and eventually in other countries. Lesso has a site in Frisco, Texas, almost twice the size of the Westbury property.

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—Keiko Morris

for a mixed-use development that includes showrooms, as many as 1,200 apartments, and retail, office and hotel space, according to public documents.

"That's what has been done in China," said Michael Mai, Lesso's New York general manager. "In the same space, you can have both, and you can find a way to serve both sets of customers."

Mixing wholesale and retail is hardly a common turnaround strategy. Retail real-estate consultants and brokers said they can't recall anyone else trying this approach in the U.S.

But the concept isn't all that surprising. The growth in e-commerce has forced traditional brick-and-mortar retail chains to close stores as they expand their online operations. Mall owners have been dressing up properties with food and entertainment venues and experiences that aren't so easily replicated online.

While some malls in well-located, dense, affluent areas have maintained strong occupancy rates, lower-quality malls have suffered from store closings. The vacancy rate for malls in the U.S. reached 8.6% in the second quarter of this year, up from 8.4% in the first quarter, and the highest level since 2012, according to real-estate research firm Reis Inc.

The tough environment for

An employee at The Pet Zone's Watertown location said the store stopped offering financing plans through Wags Lending "well over a year" ago. It is unclear whether Wags Lending is still operating after its parent company, Bristlecone Holdings, filed for bankruptcy last year. Wags didn't respond to requests for comment.

The general elements of a pet lease aren't too different from those in more common leases for cars or furniture. Consumers make monthly payments for a set leasing period—typically one to three years, the FTC says. The consumer usually ends up spending much more than the original cost.



Lesso, which is renovating a Long Island mall, plans to create a lawn where people can hang out.

many retail properties didn't flag ship store.

The Westbury mall had been in decline for the past decade, despite its location in a dense, affluent retail hub on Long Island. Some retail consultants said it had design flaws that stymied foot traffic.

Lesso purchased both properties for \$92 million last year. The mall is largely vacant now, and Lesso expects to complete its makeover early in 2019.

The company's Lesso Home concept intends to provide a physical market where Chinese and international manufacturers, including Lesso, can display their interior-decor products and building materials.

Lesso also plans to create a more welcoming environment, adding an open lawn for people to hang out on that would feature food trucks and events.

Pet-Store Pup Was A Rental

Continued from page A10A ing, its second one in the past year about what it says is a "relatively new industry."

The practice also is on its way to becoming illegal in New York. Both chambers of the state legislature passed a bill last month banning pet leasing, and the measure is awaiting Gov. Andrew Cuomo's signature.

 Chelsea Walrath says she thought she signed a deal to buy the dog, but it was a lease.

But unlike leases for inanimate objects, some of the terms included with pet leases can have troubling consequences. The leasing company can repossess the animal if a payment is missed, and consumers might still be obligated to pay the company if their pet runs away or dies.

These agreements also can

include extra balloon payments at the end of the lease, such as a fee to purchase the pet.

The bigger issue often is whether customers understand they are leasing the animal in the first place. The problem is two-sided: Many consumers might not be familiar with what they are signing, and businesses might not be explaining the offer clearly enough.

There are certain compliance requirements under the Consumer Leasing Act that come into play when stores advertise a leasing option, said Lesley Fair, a senior attorney in the FTC's Division of Consumer and Business Education. The language used to

explain the lease needs to be "clear and conspicuous," and understandable for consumers, she said.

"Businesses can't put the onus on consumers to 'go fetch,' if you will, to figure it out yourself," Ms. Fair said. "That's not what the law says."

Businesses also specifically need to disclose how much consumers will have paid at the end of the leasing term and details about monthly payments.

Some responsibility falls on the consumer, as well. If there is anything in the paperwork that shoppers don't understand, Ms. Fair said, they should ask about it before signing documents.

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LIFE & ARTS



Lucille Ball, Steve Carell, Kristen Schaal and other famous funny faces mug for the camera in the National Comedy Center's 'Ham It Up' display.

BY DON STEINBERG

Jamestown, N.Y.

CURATORS AND workers are putting the finishing touches on the National Comedy Center, which opens here Aug. 1. They are stocking the museum's two bars, fine-tuning the virtual Jim Gaffigan in the Hologram Theater and making sure that George Carlin's seven dirty words you can't say on television are spelled correctly in very big letters.

Mr. Carlin's words are plastered across an area down in the cellar called the Blue Room. In this part of the Center, recommended for grown-ups only, the museum explores taboo topics, foul language and the question of whether jokes—for example, ones about tragedies—can be “too soon.”

“We didn’t want to sanitize or censor the very thing we’re celebrating,” says Journey Gunderson, executive director of the Center.

Upstairs on the main floor, the laughs stay mostly family-friendly. Artifacts and high-tech exhibits, spread throughout two buildings including the 1932 Jamestown train station, explore comedy from vaudeville and Buster Keaton to podcasts and online memes. “Saturday Night Live,” Jerry Seinfeld, Carol Burnett, Kevin Hart, the Three Stooges, “SpongeBob SquarePants,” Sarah Silverman, “Caddyshack” and hundreds of other favorites are in the mix.

The concept of a comedy museum gestated for decades in Jamestown, which TV-history nerds may recognize as Lucille Ball’s birthplace. In the 1980s, Jamestown’s arts council asked Ms. Ball about a museum devoted to her life and work. She said she would prefer a place that celebrated comedy widely. In 1991, two years after Ms. Ball’s death, Jamestown launched an annual Lucille Ball comedy festival. Five years later, the city opened the Lucille Ball Desi Arnaz Museum, shelving the broader plan.

COMEDY

This Museum Takes Jokes Seriously

The National Comedy Center opening next month in Lucille Ball’s hometown looks at what makes us laugh, from vaudeville to podcasts

Ms. Ball’s estate “came to us and said, ‘Hey, this was supposed to be about all comedy,’ ” Ms. Gunderson says. The \$50 million National Comedy Center, a few blocks from the Lucille Ball Desi Arnaz Museum, was built with private donations as well as about \$14 million from New York state and \$2 million in federal funds. An advocate for much of the government funding was Sen. Chuck Schumer. His cousin Amy Schumer will headline this year’s comedy festival, coinciding with the National Comedy Center’s grand opening.

The western New York location puts the National Comedy Center in a sort of Hall of Fame alley. It’s closer to Cleveland (Rock & Roll Hall of Fame) and Canton, Ohio (pro football) than to Cooperstown (baseball) or Canastota, N.Y. (boxing). There were early ideas of making this a Comedy Hall of Fame, too. But comedians, apparently tired of being judged and ready to be seen as artists, advised against it. Comedian Lewis Black told Ms. Gunderson, “You don’t see the Met going, ‘You know, van Gogh did some good stuff. Let’s induct van Gogh this year.’ ”

The exhibits are organized around comedy genres, formats



Items on display at the National Comedy Center include the trench coat made famous by Lenny Bruce.

and creation more than individual performers. (In a “Seinfeld” clip, Jerry tries out some comedy material on his friend Elaine: “Tell me if you think this is funny: Men definitely hit the remote more than women...men don’t care what’s on TV, men only care what else is on TV.”)

Visitors can see some of the museum’s 25,000-piece George Carlin archive as well as Rodney Dangerfield’s duffel bag of jokes, Lenny Bruce’s black trench coat, a frilly Phyllis Diller dress and Johnny Carson’s monologues with scribbled revisions. But the rooms are relatively light on artifacts and heavy on audience participation.

Visitors are given wristbands containing radio-frequency ID chips, then use touchscreens to build personal sense-of-humor profiles. Guests refine their profiles by tapping on hotspots throughout the exhibits. There’s a 60-foot-wide touchscreen wall showing hundreds of connections among comedians. In the Hologram Theater, a 3-D projection of present-day Jim Gaffigan introduces younger versions of himself, saying, “Please welcome ‘90s me!”

“One of the things the team worked hard on was that every-

thing wouldn’t be just touching an electronic screen,” says Stephen Platenberg, creative director of Cortina Productions, which developed many of the exhibits.

A display about late-night TV has a floor-standing television camera that visitors can swivel to look around the sets of talk shows through the ages, from Jack Paar to Jimmy Fallon. (For those two shows, it’s the same 30 Rock stage.)

At an exhibit about comedy props, guests can grab plastic anvils, whoopee cushions and other items and place them on interactive video tables to watch movie and TV clips that use those props in slapstick.

Comedy isn’t all fun and games, of course. One stand-up video clip shows a scathing 2015 routine Judd Apatow did about Bill Cosby. How is the Comedy Center handling the Cosby question—and other performers it doesn’t feel right to celebrate?

“We’ve taken the approach that when it’s necessary for storytelling, to do justice to the history of comedy, we are including the work of controversial figures,” Ms. Gunderson says. “We’re not going to pretend that ‘The Cosby Show’ wasn’t revolutionary for sitcoms.”

There’s political humor throughout the museum, most of it not too partisan. Ms. Gunderson says the planners talked about how people might react to all the comedy—not just politics but jokes about race, religion and gender. “It very quickly became less about politics and more about all the ways we might offend people,” she says. A statement in the lobby will warn visitors that the comedy doesn’t necessarily represent the views of the museum.

But comedy also brings people together. In the comedy karaoke cafe, visitors can perform short sets of material by established comedians in front of complete strangers—and feel the experience of getting a laugh or bombing. The cafe has a bar, Ms. Gunderson says, because “sometimes comedy is best with a two-drink minimum.”

ARTS & ENTERTAINMENT

AT COMIC-CON, ‘AQUAMAN,’ OTHERS SCORE WITH FANS

BY ERICH SCHWARTZEL

San Diego DIRECTOR M. NIGHT SHYAMALAN said that when he was making his 2000 superhero movie “Unbreakable,” studio executives warned him against advertising it as a comic-book story.

That was “too fringe,” he says they told him. “It’s [for] ‘those people’ who go to those conventions.”

This time, Mr. Shyamalan was not only at the convention, but begging for attendees’ approval. The director told the story Friday at Comic-Con International, where he brought footage of his latest feature, “Glass,” a January follow-up to “Unbreakable” that Universal Pictures was hoping would generate buzz among hard-core fans that can

translate to overall success at the box office.

More than 130,000 people—many dressed as characters—descended on the convention center for the annual celebration of fandom, encompassing several days of panels, merchandise sales and studio presentations of coming films and television shows.

When it was founded in the 1970s, Comic-Con drew a niche crowd. But since movies like “Iron Man” and “Spider-Man” have turned comic books in the profit drivers at most major studios, it’s not the stars and directors who are the most powerful people in the convention center. It’s the fans they come to court.

Hits and Misses

The slightest misstep in a crowd ready to tweet or post about their reactions to early footage can set a tone that lasts until the

Please turn to page A12



At Comic-Con International in San Diego, visitors passed the DC Comics booth with Supergirl and White Canary on display. The brand's next feature 'Aquaman' drew a big response at the event.

LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

No Ocean Is No Problem For This Stand-Up Paddleboarder

Vermonter Bob Arnot, 70 years old, uses Lake Champlain to train for ocean SUP races



VERMONT IS BETTER known for snow than surf. But that hasn't deterred Bob Arnot from pursuing his fantasies of ocean adventure. Most summer days, the 70-year-old Stowe, Vt., resident hits his local "surf club" on Lake Champlain, paddling to the Beach Boys and the Surfaris as he trains for long-distance stand-up paddleboard races.

Dr. Arnot had aspirations of being a surfer, but says he was never good at paddling prone and popping up to ride a wave. Seven years ago, he was in Nantucket and tried stand-up paddleboarding, or SUP. "An instructor told me I had terrible form," he recalls. "He then told me people race SUPs and right then I was determined to pick it up as a serious racer."

He dove headfirst into the sport, entering the 2011 Battle of the Paddle, an elite, 10-mile SUP race from Dana Point, Calif., to San Clemente, Calif. "I borrowed a board and probably swam half the course," he says. "But I loved the demographics of the community. It was a sport for all ages."

An author and chief medical officer for a humanitarian nonprofit that does work in Iraq, and former medical and foreign correspondent for NBC and CBS, Dr. Arnot has always been interested in health and fitness. Paddling appealed to his obsession with endurance sports and biomechanics. "The part I love most about sports is learning new techniques," he says. "I was instantly captivated by the SUP stroke."

Dr. Arnot hired various coaches, including former Olympic canoeists Tommy Buday and Larry Cain, to help improve his form and speed. He says his pace has improved from 4½ to 6½ miles an hour. He competes in about 20 races a year, from April through November, often finishing first in

his age group, and holding his own in the open-age division. "Races are like my cocktail parties," he says. "I get to chat before and after with new and old friends."

He spends one month a year on Nantucket and visits Maui twice a year to train on the ocean. He is preparing for the Molokai 2 Oahu Paddleboard World Championships, which takes place in Hawaii on July 29. The approximately 32-mile course crosses the Molokai Channel, considered one of the toughest ocean channels in the world due to its strong winds and currents and large swells. This will be his sixth time competing in the race.

The Workout

When home in Vermont, Dr. Arnot spends about two hours, five days a week training on the water. Lake Champlain isn't the Pacific, but he says winds can reach up to 25 knots, simulating some of the rough conditions he'll face in ocean races.

His coaches have created a half-dozen workouts that he rotates through. For example, he might

paddle for 15 miles at a slow and steady pace one day and then do intervals the next. His goal with intervals is to stress his "VO2" max, the rate at which you can take oxygen from the air and deliver it through the lungs into the bloodstream for use by your muscles. "Pushing myself is the only way to build speed," he says. An interval workout might consist of 10 sets each of one-minute, 30-second, and 15-second SUP intervals.

On Wednesday nights he participates in time-trial races, which usually span 6.2 miles, at the Burlington Surf Club. Most Saturdays he finds a race, such as the 9-mile Brattle Paddle, which took place on the Connecticut and West Rivers in June in Brattleboro, Vt.

Dr. Arnot had both hips replaced in 2007. That hasn't slowed him down. On "rest" days he hits the gym and puts in 90 minutes on an Arc Trainer, followed by a strength circuit that might include a bench press, row, lat pull-downs, triceps dips and squats. He admits that his coaches press him to rest,

Bob Arnot trains on Lake Champlain, above, with coach Tommy Buday. He competes in about 20 stand-up paddleboard races a year.

but he has a hard time taking time off. "I am a master of overtraining," he says. "I always push so hard that something hurts." He once trained so hard the day before a race that he got a blister on his hand from paddling that required medical attention.

He says Nordic ski racing keeps him conditioned in the winter. "The double poling motion and crouched stance simulate what I do in SUP racing," he says.

The Diet

Dr. Arnot starts the day with five cups of coffee—he owns his own coffee company—and a bowl of oatmeal topped with fruit and brown sugar. Lunch is usually a smoothie made from Greek yogurt, kale, blueberries and strawberries. He grills Alaskan salmon or tuna for dinner in the summer and pairs it with whole-grain pasta or wild rice and asparagus or snap peas. He has Cream of Wheat or pancakes and three cups of coffee before a long race. He tries to drink Gatorade every 25 minutes during a race.

The Gear & Cost

Dr. Arnot owns about a dozen surf and SUP boards, which range in price from \$1,300 to \$5,475. His paddle cost around \$500. He will use a 17-foot custom Bayonet touring board from SIC Maui in the Molokai 2 Oahu race. He works with eight different coaches—two of them regularly—who specialize in everything from nutrition to downwind paddling, and pays each anywhere from \$50 a month to \$200 a session. He also pays \$57 a

Getting Set Up to Stand Up



Stand-up paddleboarding is the fastest-growing outdoor recreational activity in the U.S., according to a 2017 report by the Outdoor Foundation. Jenny Kalmbach, a Kona, Hawaii-based former winner of the Molokai 2 Oahu race, says the sport is accessible for everyone from children to octogenarians. "Anyone can paddle; getting good is all about technique," she says.

Falling is one of the biggest fears, she says, so let it happen. "If you get off-balance, the worst thing you can do is try to stop yourself. That's when people tend to get hurt." She suggests beginners start on a large, stable board in calm water. Begin on your knees. When you do stand, keep your eyes to the nose of the board or on the horizon. "People's instinct is to look at their feet and that throws you off balance," she says.

Another common mistake is overpaddling. "When your paddle passes your feet, you're actually slowing yourself down," she says. "When your elbow comes to your hip, pull the blade up out of the water." Rather than pull the paddle back with a bent bottom arm, she says you want to keep your arm straight and use your lat muscles and core more than your arm strength. Keep your knees soft, she says. If your feet start to cramp, try wiggling your toes. A flotation device and a board leash are safety essentials, she says.

month for the subscription-based coaching site, Paddle Monster.

An annual membership at the Burlington Surf Club costs \$250. His annual family membership at the Swimming Hole, his gym in Stowe, costs \$1,250.

He paid around \$500 for his Garmin Forerunner 935 watch. He wears a VestPac WilsonPac 2018 (retail \$85) filled with Gatorade during races. His Salomon Speedcross sneakers cost \$130.

The Playlist

Dr. Arnot wears waterproof earphones and has an eight-hour playlist on his iPod mini. "I listen to the whole spectrum, from the Police and the Rolling Stones to Mozart and Hymns Triumphant on the calmer parts of races," he says. "And of course, I have all of the surfer music, like 'Pipeline' and 'Surfin' Safari.'"



From left: Comic-Con this weekend attracted fans of all ages; Jamie Lee Curtis attended to publicize a 'Halloween' reboot; two fans came as Indiana Jones and the boulder from 'Raiders of the Lost Ark.'

Comic-Con Spotlights New Releases

Continued from page A11

movie's release. It was hard to get momentum for Warner Bros.' "King Arthur: Legend of the Sword" after its footage was met with shrugs at the convention in 2016. (The movie opened the next year and grossed a disastrous \$39 million.) On the other hand, blockbusters like "Deadpool" built early buzz there and rode it to box-office success.

This year, the next DC Comics feature, "Aquaman," starring Jason Momoa as the amphibious superhero, drew the highest level of response on social-media platforms, according to an analysis by the ListenFirst analytics firm. That's good

news for Warner Bros., which has tried in recent years to rejuvenate its DC brand after critical flops like "Justice League" and "Suicide Squad" turned fans into skeptics. The studio's other offerings, the comic-book comedy "Shazam!" and Harry Potter spinoff "Fantastic Beasts: The Crimes of Grindelwald," also scored high—though the latter may have been in part due to a surprise appearance by Johnny Depp in character. (Warner Bros. also made the savvy call to release the Comic-Con footage immediately, allowing people everywhere to weigh in.)

Sony's "Venom," an R-rated comic adaptation about a journalist who becomes the host of a sharp-toothed alien, was also well-received among the crowd, some of whom yelled, "We are Venom!" On the television side, fans were chattiest about "Doctor Who" and "The Walking Dead," which used its convention appearance to confirm that star Andrew Lincoln was leaving the show.

Scream Queen

Jamie Lee Curtis is reprising her "Halloween" role in a reboot to John Carpenter's horror classic coming to theaters this October, and the extended trailer shown Friday was a hit with the crowd.

Her character, Laurie Strode, began as a teenager who experienced unimaginable trauma at a time when few would know how to treat it, Ms. Curtis said. In this sequel, she finally has a chance at revenge. "This is a woman who has waited 40 years... to take back [her] narrative," she said.

Then, the kind of surreal moment that Comic-Con can bring happened. In the question-and-answer session, a middle-aged man told Ms. Curtis that her performance in "Halloween" had saved his life. Years ago, he discovered a knife-wielding home invader in his own house. Rather than panic, he asked himself, "What would Jamie Lee Curtis do?" He grabbed knitting needles.

"I ran down to the neighbor's, and started screaming like you did

in the movie," he said.

"Are you serious?" Ms. Curtis asked. When it became clear he was, she walked off stage to embrace him in a flurry of a smartphone camera flashes.

I Love the '80s

You can tell a new generation of directors is calling the shots by when the movies are set. After "Stranger Things" popularized the 1980s, some of the biggest features at Comic-Con this year also embraced the decade. "Wonder Woman 1984" and the new "Transformers" installment "Bumblebee" both take place in the '80s, with "Wonder Woman" showing off a scene set in a mall food court and "Bumblebee" featuring a Sony Walkman alongside the giant robots.

A First for 'Monstress'

Actual comics and graphic novels get their due at Comic-Con. On Friday night, the Will Eisner Comic Industry Awards gave its best-writer prize to the first woman in its 30-

year history. Marjorie Liu won the award for "Monstress," about a teenage girl in early 20th-century Asia who discovers a mysterious link with a monster. The series written by Ms. Liu and drawn by Sana Takeda for Image Comics won five awards.

More Than Comics

Pilar Montes, a retired computer scientist from Santa Barbara, could have dressed as a "Star Trek" Borg, as she has in the past. Instead, she opted for a more topical choice: Supreme Court Justice Ruth Bader Ginsburg.

"She's the real hero, don't you think?" said Ms. Montes, wearing a judicial robe and a lace kerchief.

Trenten Eldred, a 22-year-old from San Diego, came as Indiana Jones, a conventional pick. But his friend Helene Christensen came dressed as the boulder that chases him in "Raiders of the Lost Ark."

"He said, 'You could be Mary Jane.' I said, 'Why don't I be the boulder?'" Neither could walk far without getting stopped for photos.

LIFE & ARTS

ART REVIEW

Depictions Free From Bias

An exhibition shows how African-Americans used studio photography to present and express themselves on their own terms

BY ALLIE SPENSLEY

New York IN JUNE 1963, James Baldwin took to the podium at Castlemont High School in Oakland, Calif., to address its predominantly black student body. "Every Negro boy and every Negro girl born in this country," he said at one point, "undergoes the agony of trying to find...some image of himself or herself which is not demeaning."

Baldwin would surely have been pleased by the images in a new show at the **Metropolitan Museum of Art**: "African American Portraits: Photographs From the 1940s and 1950s," organized by Met photography curator Jeff L. Rosenheim. Far from demeaning, the 150-plus studio portraits on display demonstrate how African-Americans made use of the popular yet intimate art form to depict themselves free from caricature or bias.

The exhibition is the result of a collecting initiative that began in 2015, sending photographs from California flea markets to the walls and slender glass cases of the Met's Howard Gilman Gallery. Here, the unassuming, postcard-sized portraits form a collective time capsule, a glimpse into an era when the twin threads of war and economic prosperity were reknitting American society into unrecognizable patterns. As battleships ferried soldiers abroad, factory wages drew workers from farms in the Jim Crow South



A collection of studio portraits from the 1940s-50s by unknown photographers

to cities in the North, and photography—with its magical, instantaneous ability to distill a transient moment into a permanent keepsake—gained widespread appeal.

Within this broad historical context, more detailed information is hard to extract from the visibly worn images; many are presented alongside charmingly vague labels such as "Five Friends and/or Family Members." Small details now become clues to subjects' personalities: a casual slouch or confident tilt of the head, a hand on the hip, a smile. Clothing choices, too, seem significant: From flashy double-breasted suits to chic handbags and elegant winter furs, sitting for a portrait often called for one's Sunday best.

In other shots, identities and relationships are more

explicit. Sailors and soldiers show off crisp uniforms, mothers beam with pride at their children, couples squeeze into the same chair, and friends (or are they sisters?) grin side by side. Most sitters pose in front of intricately painted backdrops, from trellises wreathed with flowers to lavishly decorated drawing rooms.

One vitrine near the gallery's entrance presents an example of the kind of camera common to midcentury portraiture: the PDQ (Model G). A clunky, columnar black box, it efficiently chewed up long rolls of the "direct-positive" paper central to a new, inexpensive chemical process that circumvented the time-consuming development of film negatives. For an extra fee, portraitists would hand-tint details in the otherwise achromatic results—a slash of red lipstick, sky-blue earrings—or even paint entire images, as in one on display that depicts a young woman's mint-green skirt and canary-yellow blouse in full, vibrant color.

A wall label explains that wartime transitions endowed portraits with a social purpose. They were designed as mementos for loved ones parting ways, to be carried under gunfire on Italian beaches or tucked into an urban worker's wallet. But the experience of sitting for a portrait was also an intensely personal one. Inherently objective, the camera afforded its subjects a simple, individual dignity by allowing them to present and express themselves on their own terms.

This connection between self-representation and self-empowerment is the central (and compelling) argument that the photographs are meant to support. The exhi-

These images reshaped a shared identity in a time of cultural turmoil

bition was inspired in part by Frederick Douglass's 1861 lecture "Pictures and Progress." As the wall text explains, Douglass—believed to have been the most photographed American in the 19th century (one ornately framed daguerreotype is shown here)—urged his listeners to "make ourselves objective to ourselves," because without honest self-representation there could be no freedom. Primed by Douglass's words, we can see how these images push against the airless weight of stereotype, confronting viewers with the individuality of their black subjects and reshaping a shared identity in a time of cultural turmoil.

The photographs make for enjoyable viewing; their nostalgic, timeworn quality evokes the pleasurable surprise of stumbling upon a family photo album abandoned in an attic. (In fact, the Met hopes that visitors will help the museum identify portrait subjects if they recognize a relative's face on its walls.) Those expecting to see examples of refined technique or aesthetic perfection will come away disappointed, but that's not the point: The emotional punch of these portraits comes from their context as much as their content. In the current era of social media and its desensitizing barrage of images, they're stirring reminders of photography's power.

—Ms. Spensley is a Robert L. Bartley Fellow at the Journal.

African American Portraits: Photographs From the 1940s and 1950s

The Met Fifth Avenue
Through Oct. 8



TWENTIETH-CENTURY PHOTOGRAPHY FUND (4)



These images reshaped a shared identity in a time of cultural turmoil

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The Met Fifth Avenue
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SPORTS

GOLF

Molinari Takes the British Open

The Italian emerged from a star-studded leaderboard including Tiger Woods, Jordan Spieth and Rory McIlroy

BY BRIAN COSTA

Carnoustie, Scotland

By the time Tiger Woods arrived at each hole Sunday, many of the fans pressed against the ropes had been waiting in their spots for well over an hour. They were there to secure a glimpse of the man who would win the British Open, a man whose triumph they scarcely could have imagined mere months ago. And they did. It was Woods's playing partner.

Francesco Molinari, a 35-year-old Italian who might as well have been called Not Tiger Woods during his round, emerged from a star-studded leaderboard to win the Claret Jug at Carnoustie. He shot a 69 to finish at 8 under par, capping a wild afternoon in which Woods, Jordan Spieth, Rory McIlroy and a handful of others each grabbed at least a share of the lead.

Woods was alone in first place by one stroke after nine holes, eyeing his first major championship in more than 10 years. But he stumbled on the back nine and finished three shots back.

McIlroy couldn't overcome a pair of early bogeys. Spieth was doomed by a pair of late bogeys. But on a course best remembered for an infamous collapse—by Jean van de Velde at the 1999 Open—nobody handed Molinari the title. He took it, among other ways, with a wedge shot that he hit to around 5 feet from the pin on the 18th hole, setting up an easy birdie to end his round.

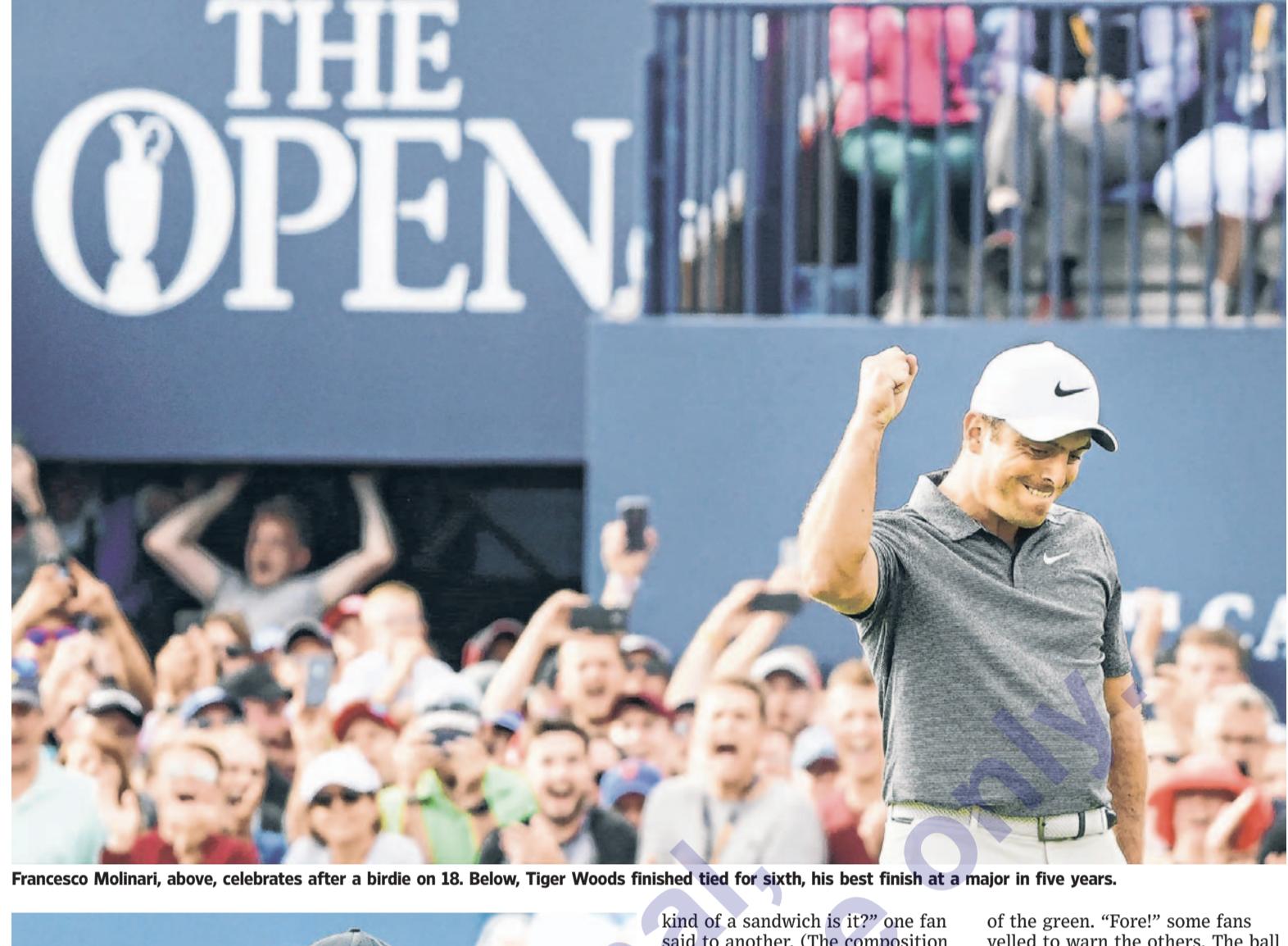
Molinari, who only earlier this month won his first PGA Tour event, is golf's first major champion from Italy. "I'm just in disbelief, to be honest," he said.

Playing in his first Open since 2015, Woods finished tied for sixth, his best finish at a major in five years. He remains stuck on 14 major titles for his career, but he has also never been so content merely to compete for another.

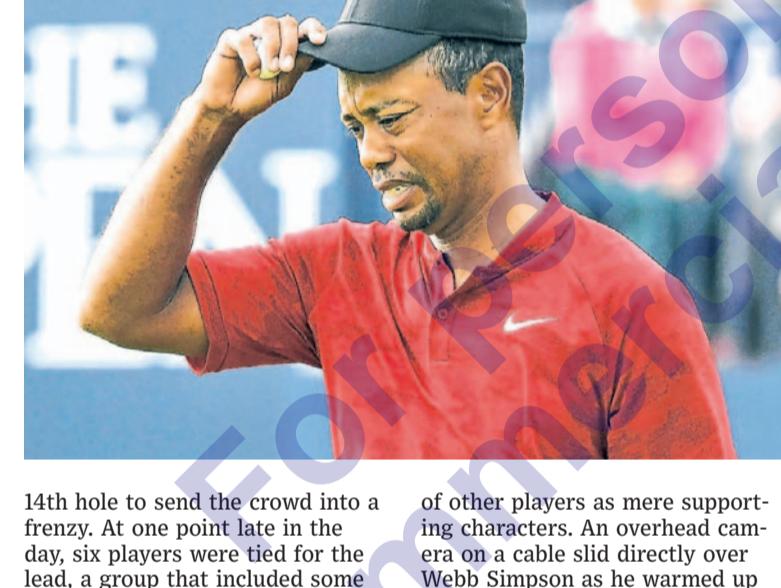
Woods has talked often during his comeback from four back surgeries about his desire to have his children see him at something resembling his best. His 11-year-old daughter, Sam, and 9-year-old son, Charlie, have only seen it on old video highlights. Woods said both children hugged him tightly near the 18th green afterward.

"I told them I tried, and I said, 'Hopefully you're proud of your pops for trying as hard as I did,'" Woods said. "For them to understand what I was doing early in my career—the only thing they've seen is my struggles and the pain I was going through."

Woods was hardly alone in coming up just short. McIlroy drained a long, lead-tying eagle putt on the



Francesco Molinari, above, celebrates after a birdie on 18. Below, Tiger Woods finished tied for sixth, his best finish at a major in five years.



14th hole to send the crowd into a frenzy. At one point late in the day, six players were tied for the lead, a group that included some lesser-known players such as Alexander Schauffele and Kevin Chappell. But the possibility of Woods winning loomed over the day unlike anything else.

The scene with Woods on the driving range reinforced the image

of other players as mere supporting characters. An overhead camera on a cable slid directly over Webb Simpson as he warmed up to get a better view of Woods. "That's so loud," Simpson said as the camera hummed over his head. There were more eyeballs on Woods as he ate a quick pre-round sandwich than on the other contenders hitting balls nearby. "What

kind of a sandwich is it?" one fan said to another. (The composition of the sandwich remains unconfirmed.)

For Woods's playing partners, it creates an odd competitive environment, one that is often electric—but rarely in response to any of their shots. A nearby spectator coughed loudly during one of Molinari's backswings in a way that appeared intended to distract him.

"Playing with Tiger was another challenge because of the crowds and everything," Molinari said. "Clearly, in my group, the attention wasn't really on me, let's put it that way. If someone was expecting a charge, probably they weren't expecting it from me."

On a windy day, much of the challenge was just keeping bogeys to a minimum. Three shots off the lead to start the round, Molinari didn't make a single bogey. He was an island of stability amid chaos around him, making par after par as other contenders surged and dropped. His birdie on No. 18 was his second of the day.

For Woods, the round was more dramatic. From the rough right of the 11th fairway, he yanked his approach shot toward the gallery left

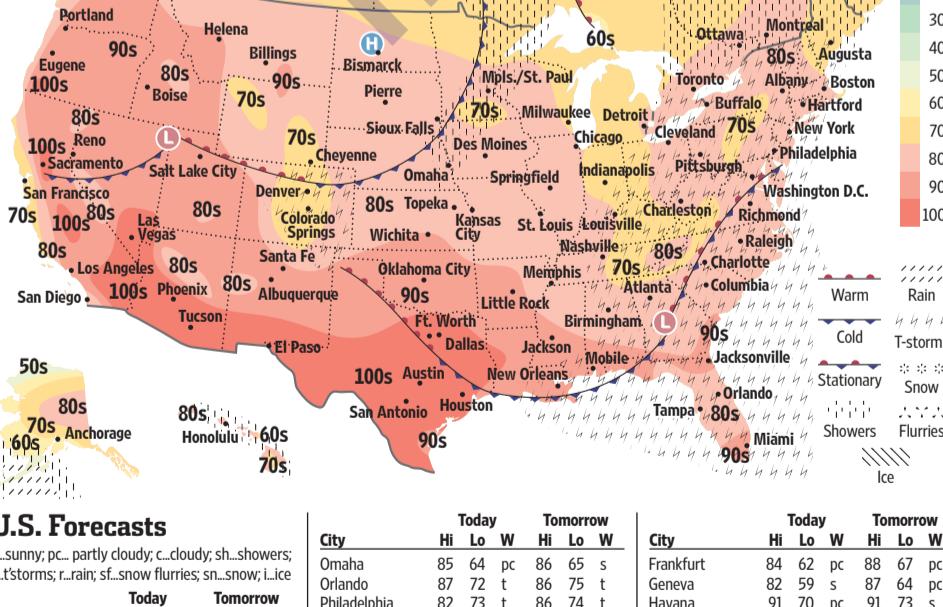
of the green. "Fore!" some fans yelled to warn the others. The ball struck one fan in the shoulder, then ricocheted off the phone of another before settling in some thick grass just off the green.

Woods autographed a glove and handed it to the second fan, 34-year-old Colin Hauck from Annapolis, Md., who said he was holding his phone up to get a picture of the shot. It was unlucky bounce. Instead of hitting from what likely would have been a reasonably playable lie, Woods failed to get on the green with his next shot and three-putted for a double bogey. He went on to bogey the 12th hole and never led again.

In his heyday, Woods might have simmered over such a missed opportunity, but this time he repeatedly used the word perspective. He cited a conversation he had with Serena Williams about losing in the Wimbledon final months after enduring a difficult childbirth.

"Just keep it in perspective, and the same thing with me," Woods said. "I know that it's going to sting for a little bit here. But given where I was to where I'm at now, I'm blessed."

Weather



U.S. Forecasts

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

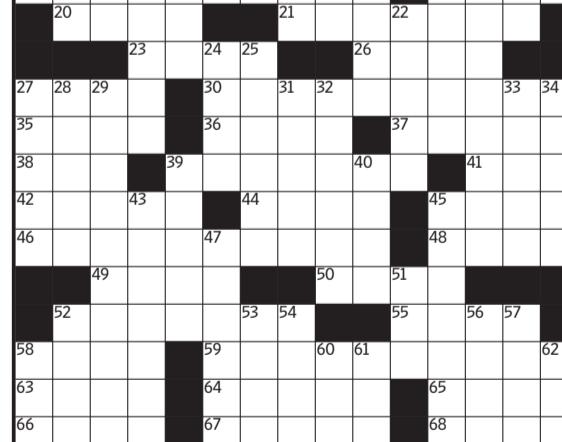
Today Tomorrow

Hi Lo W Hi Lo W

City

Hi Lo W

The WSJ Daily Crossword | Edited by Mike Shenk



OF COURSE | By Zhouqin Burnikel

Across

- 1 Farmers' market payment
- 5 Tiny country south of Sicily
- 10 Catches some rays
- 14 Puma rival
- 15 Kilt crease
- 16 Run ___ (get out of control)
- 17 Golfer's favorite lunch?
- 19 Quail flock
- 20 In need of a full recharge
- 21 Endurance
- 23 Civil rights hero Parks
- 26 Tennis match divisions
- 27 Ingredient in some pie crusts
- 30 Golfer's favorite snack?
- 35 Bird sacred in ancient Egypt
- 36 Occurring once in a blue moon
- 37 Mudville slugger of verse
- 38 Web-crawling software
- 39 Lasagna cheese
- 41 Road crew's gunk
- 42 Dodge artfully
- 43 Metric prefix for "tenth"
- 44 "Keep quiet!"
- 45 Golfer's favorite drink garnish?
- 46 Golfer's favorite drink garnish?
- 48 Region
- 49 Popular cookie

- 3 Small, medium or large
- 4 Sand traps and streams, on golf courses
- 5 AWOL chasers
- 6 The whole shebang
- 7 Waikiki welcome gifts
- 8 Diplomat's forte
- 9 Drill sergeant's order
- 10 "Bewitched" daughter
- 11 "You said it, girl!"
- 12 Scotia
- 13 Overhead expanse
- 18 Pointless fuss
- 22 Islam's spiritual center
- 24 Flowing Indian garb
- 25 Geronimo's people
- 27 Smear in print
- 28 Superior to
- 29 She played Anita in "West Side Story"
- 31 Like parents of straight-A students
- 32 "Get a move on!"
- 33 Goal of some talks
- 34 Turkey neighbor
- 39 Zellweger of "Chicago"
- 40 Those guys
- 43 Triangular snack brand
- 45 Ball participants
- 47 Hit the jackpot
- 51 Corn serving
- 52 Duffer's cry
- 53 Singer Lovato
- 54 Viewed
- 56 Lamb or ham
- 57 Covetous feeling
- 58 Buddy
- 60 Aides for univ. profs
- 61 Serengeti antelope
- 62 Study for Masters and Johnson

Previous Puzzle's Solution

COLON	A	B	B	S	KIM
OHARE	C	O	L	A	TARO
BIDEN	D	E	F	G	CHAMPION
SOY	T	O	R	E	EMPOSS
STOPRA	F	S	I	H	OHIO
SPURNS	D	I	L	A	DIALS
OASIS	H	A	R	E	QUEEN
SWAP	M	A	P	E	JARUDU
ANNOTATE	F	E	S	D	HABIT
DRAVES	G	R	A	R	FAIRADS
AGENDA	H	L	S	E	SEVEN
DOSE	I	T	B	E	IPA
EROS	J	O	P	F	FAITES
SASS	K	D	U	T	TERI
					NESTS

The contest answer is ZORRO. Seven letters in the grid can be changed to Z's to form new words in both directions (BIZET/LAZY SUSAN, CZAR/BOZO, UZIS/KAZOO, HAZEL/DAZES, DOZE/BEZOS, COZY/IZOD and FAZES/URBANIZES). Connect those Z's in the shape of a Z and you've made the mark of ZORRO.

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

Today Tomorrow

Hi Lo W Hi Lo W

City

Hi Lo W

Hi Lo W

City

Hi Lo W

Hi Lo W

City

OPINION

The Other Russian Meddling

AMERICAS
By Mary
Anastasia
O'Grady

Americans are rightly upset over President Trump's obsequiousness toward Vladimir Putin in Helsinki. The former KGB agent heads a gangster government, and Mr. Trump should have stood up to him.

On the other hand, Democrats' moralizing Helsinki hysteria is phony. They're upset with Mr. Putin's meddling in the 2016 presidential election because Hillary Clinton lost. When it comes to Russian expansionism in the Western Hemisphere and the Kremlin's abysmal human-rights record, the American left mostly looks the other way.

Democratic ballyhooing over Mr. Putin's habit of jailing and sometimes killing his political and media opponents is especially rich. Russia's long-standing ally Cuba has an even worse civil-liberties record. Yet when President Obama unconditionally reshaped U.S. policy to please Cuban dictator Raúl Castro, his party cheered. Mr. Obama even trotted off to a baseball game in Havana with the Cuban mob boss. Democrats cheered some more.

Advocates of the Obama Cuba policy argue that Havana poses no threat to U.S. interests. But if regional security, stability and economic growth matter, that is demonstrably false. Sixty years after Castro

came to power, Cuba, with strong backing from the Kremlin, still underwrites tyranny in Central and South America.

Venezuela is Exhibit A. And now there is blood-soaked Nicaragua, where Cuban Foreign Minister Bruno Rodríguez arrived on Thursday to celebrate the 39th anniversary of the Sandinista rebel victory over dictator Anastasio Somoza.

Daniel Ortega, legendary leader of the Marxist Sandinistas—longtime heroes of Democratic politicians such as former Secretary of State John Kerry, Vermont Sen. Bernie Sanders and New York Mayor Bill de Blasio, to name a few—is at war with his own people.

Since April, when university students began peacefully protesting Mr. Ortega's decade-plus consolidation of power, national police and pro-government militias have cut down some 350 Nicaraguans. Many have been murdered by sniper fire. Others have been shot at close range.

This state terrorism is copied from Venezuela's military dictatorship, which has flattened its student-led opposition. In both cases a youth movement believed that its commitment to truth and freedom gave it the undisputed moral high ground. In both cases the dictatorship unleashed paramilitary forces to crush them. In both cases students met with jackboots, nighttime raids on their homes, torture and prison.

Both authoritarian regimes are born of the same ideology, and have the same progenitors: Cuban accents in clandestine jails.

Democrats howl about Putin's offenses, but not in Latin America.

tors: Havana and Moscow. Cuba has been instrumental in suffocating dissent in Venezuela by infiltrating the military, academic institutions and media. Now Castro's regime, together with Caracas, is aiding Mr. Ortega. Students arrested and tortured in Nicaragua have reported hearing Venezuelan

ert Vickers examined Nicaragua's Cold War history and its current relationship with Russia. Mr. Vickers reminded readers of an airfield 60 kilometers north of Managua called Punta Huete. "It was constructed in the early 1980s—soon after the leftist Sandinista regime took power—with Soviet funds and Cuban technical assistance," Mr. Vickers wrote. Its exceedingly long runway was designed to accommodate heavy bombers.

The airfield wasn't finished during the Cold War, and the project sat idle after the Soviet collapse and during the eclipse of Mr. Ortega in the 1990s. But when he returned to power in 2007, the Moscow-Managua axis was restored. Punta Huete was completed in 2010 with, according to Mr. Vickers, "Russian financial assistance." Russia recently donated two Antonov military transport planes to Nicaragua. It sold Mr. Ortega 50 T-72 tanks in 2016. To what end? One wonders.

Geopolitical and defense analyst W. Alejandro Sánchez discussed the Nicaragua-Russia relationship in the Sept. 25, 2017, issue of *National Interest*, observing that today "Russia's most stable and closest friend in the region is arguably Nicaragua."

Mr. Trump should call Mr. Putin on all this. Meanwhile, if Democrats want their outrage over Russian meddling to be credible, a little concern about the mounting body count in Nicaragua is a good place to start.

Write to O'Grady@wsj.com.

Breaking Up Big Tech Is Hard to Do

By William Rinehart

"I would like Google to be broken up into eight or 10 different monopolies," declared tech investor Roger McNamee earlier this year. Machine-learning pioneer Yoshua Bengio called Big Tech's size and power "dangerous for democracy." Jonathan Taplin, former director of USC's Annenberg Innovation Lab, has called for government antitrust action. These are not dissident voices, but members of a growing chorus.

They are united in the belief that the large market shares of a few tech companies stifle competition, harming consumers and the country. What they fail to articulate is how the breakups would actually work, and how antitrust action would affect the companies and the broader tech marketplace.

Here's the problem: Breaking up tech companies means that the government would have to split up their teams and their underlying technology. It would also require a legal and regulatory system to keep each targeted company separate from the others' markets. These restrictions would pose challenges for any company. But for highly integrated tech firms, they'd be a death sentence.

Google and Facebook rely on flexible teams that cross the normal divisional boundaries to solve problems.

These multipurpose teams drive their firms' productivity; breaking them apart would risk killing the golden goose. By encouraging coordination among their internal departments, the tech titans have developed complex and constantly shifting organizational webs. This structure would frustrate any Standard Oil-style trustbusting effort because there are so few natural breaks within the companies. Splitting up these firms would require government officials to go cubicle by cubicle—a difficult and draconian move.

Trustbusting would also require breaking up the companies' technologies. Facebook has developed its own suite of software to address unique problems dealing with vast troves of data: BigPipe to load pages faster, Haystack to store photos efficiently, and Unicorn to search its social data, among others.

Google's back end is also tightly integrated. The Google File System stores massive data sets; Spanner distributes stored data across multiple servers; and Dremel enables effective queries.

Where do you cut these shared technologies when splitting up the companies? Who gets what?

Ev Ehrlich, a former undersecretary of commerce for economic affairs, has proposed breaking up big tech companies by spinning off their ad networks into a new company. But this move

would set the industry back two decades.

Tech platforms struggled to raise revenue until they developed large, national advertising networks. "We really couldn't figure out the business model," remembers early Google investor Michael Moritz in a 2005 book on the company's beginnings. Google turned its first profit only after it cultivated a dominant advertising position. Tearing apart its advertising base would destroy its value.

Innovation depends on large companies' teams and shared technologies.

Breaking up these companies would also stymie innovation. The new firms formed from the titans' components would be barred from straying into each other's services, but many would likely be unprofitable on their own.

YouTube, for example, is widely believed to be unprofitable, but it is currently supported by Google's other operations. In addition to the streaming-video service, Google sustains many other unprofitable services, such as a broadband network, self-driving cars, and artificial-intelligence research. Facebook also uses its profits to fund more-advanced technologies, such as virtual reality.

Economics professors from Stanford and MIT have shown that getting productive ideas to the market has become more expensive. So rather than limiting innovation as their critics allege, large tech companies have picked up the slack, using their size and profitability to underwrite projects that might fail on their own. Antitrust action would require government bureaucrats to decide if these services should continue to exist, and then stay abreast of nearly every decision the new companies make.

The breakup of AT&T in 1982 provides an ominous example. The split yielded a two-part system: AT&T was limited strictly to long-distance service, while seven regional "Baby Bells" covered local calls. The regional companies later expanded into the nascent cellular market, but because they couldn't operate freely between markets, cell service remained a largely local affair for years. Only after many restrictions were waived with the 1996 Telecommunications Act did cell service take off.

Breaking up Big Tech would not create more competition or better options for consumers. Instead, it would destroy value for the companies and their customers.

Mr. Rinehart is director of technology and innovation policy at the American Action Forum.

World Socialism's Anti-Israel Turn

By Elliot Kaufman

Can this marriage be saved? Israel's Labor Party suspended its membership this month in Socialist International, a global organization of leftist political parties. One might ask what took so long. Socialist International has been anti-Israel for decades, but last month it accused Israel of "apartheid" and endorsed the Boycott, Divestment, and Sanctions movement, known as BDS, that targets the Jewish state.

International socialism was not always hostile to Zionism. The labor group Poalei Zion joined the Labour and Socialist International in 1923. Stalin's Soviet Union was the first country to recognize Israel formally. And as recently as 2003, Israeli statesman Shimon Peres could still serve as the Socialist International's honorary president.

But the left turned against Israel after the 1967 Six Day

War—which, as scholar Joshua Muravchik observes,

struck a blow against pan-Arabism and "cleared the field" for particular Arab nationalisms, including the Palestinian form. For the left, that re-framed Zionism from a story of Jews fighting for a home into another Western effort to oppress a Third World people.

Shimon Peres could once be the honorary president. No more.

In the 1970s Austrian Chancellor Bruno Kreisky, then the International's vice president, worked openly to cement an anti-Israel leftist consensus. In the wake of the oil crisis, he chaired the International's fact-finding mission that blamed Israel for the lack of Middle East peace, and in 1979 he was the first Western leader to host Yasser Arafat, also includes France's Social-

ist Party, India's National Congress, Mexico's PRI, and Israel's far-left Meretz party. (Britain's Labour Party has

observer status.)

Another member is the Palestinian Fatah party, which brought a large delegation to last month's meeting. The International's "Ethical Charter" pledges "to refrain from all forms of political alliance or co-operation, at any level, with any political party inciting or trying to inflame prejudices, ethnic or racial hatred." Fatah's leader Mahmoud Abbas has said, "We welcome every drop of blood spilled in Jerusalem," and he attributed the Holocaust to Jewish "social behavior."

Not much has changed at the Socialist International since the days of Bruno Kreisky. There is one standard for Jews, and one very different standard for their enemies.

Mr. Kaufman is a Robert L. Bartley Fellow at the Journal.

BOOKSHELF | By Arthur Herman

A Bold Plan To Make Waves

Oceans Ventured

By John Lehman
(Norton, 330 pages, \$27.95)

Two major shifts in military strategy allowed the United States to win the Cold War with the Soviet Union. One was the Strategic Defense Initiative launched by President Ronald Reagan in 1983. It convinced Soviet leader Mikhail Gorbachev that the U.S.S.R. couldn't compete in a high-tech weapons race without major economic and political changes—changes that ultimately backfired and led to the Soviet Union's collapse.

The other shift, less heralded, was Sea Plan 2000, a bold new idea for reviving American sea power in the face of a Soviet bid for naval supremacy. Reagan would be the president to put the plan in motion, and his secretary of the Navy, John Lehman, would be the man to implement it. As Mr. Lehman tells us in "Oceans Ventured," the strategy was first conceived in Newport, R.I., roughly three years before Reagan's election—at a June 1977 dinner with Mr. Lehman, Graham Clayton (the Navy secretary), James Woolsey (counsel to the Senate Armed Services Committee) and the military-affairs author Bing West. Mr. West served as amanuensis, recording the gist of the plan on a napkin. Over time, it grew into a full-blown proposal and led, not long after, to the rebirth of the U.S. Navy's global dominance, often summed up as "the 600-ship Navy."

In fact, as Navy secretary Mr. Lehman never quite made it to 600 ships—594 was as far as he got. The ships that the Navy did build, however, included a new generation of warships like Aegis cruisers and destroyers with advanced antimissile systems, and Ohio-class nuclear submarines of the sort that the novelist Tom Clancy would make famous in "The Hunt for Red October" (1984). There was as well an increase in the number of Nimitz-class aircraft carriers.

Even more important than the ships was a change in how the Navy planned to use them. Mr. Lehman's "Command of the Seas" (1988) detailed the arduous process of expanding the Navy despite congressional opposition and a cumbersome Pentagon acquisition system. "Oceans Ventured" describes the men and events that enabled the Navy to snatch the strategic initiative from a Soviet navy determined to challenge the U.S. around the globe.

The Carter administration's response to the Soviet challenge was to go into a defensive crouch and deploy the Navy's dwindling assets, after years of budget cuts, to protect the Mediterranean and Atlantic approaches. Sea Plan 2000, from its conception, proposed instead an aggressive strategy. It was based, as Mr. Lehman relates, on recent naval war games in which "the Red Team [Soviets] had no credible counter to a Blue offensive"—even in places where the Blue Team was outnumbered or outclassed.

A new strategy revived American sea power in the face of a Soviet bid for supremacy—and offers lessons for confronting global rivals today.

When Reagan's election gave Sea Plan 2000 a chance to become reality, Mr. Lehman found that he had valuable helpers inside the Navy. One was Adm. Thomas Hayward, chief of Naval Operations from 1978 to 1982 and the former commander of the Seventh Fleet in the Pacific. Adm. Hayward had decided early on that the Navy's biggest problem was a lack of strategic thought. In his mind, numerical inferiority had made it all the more imperative not to cede the initiative to the Soviets or to focus on the Atlantic at the expense of the Pacific and Indian oceans. Through a changed U.S. approach, he theorized, the Soviets could be made to grasp that, in the event of war, their most valuable naval asset, their burgeoning fleet of ballistic-missile submarines, would be vulnerable to attack. Only then would they rethink their entire naval strategy.

Adm. Hayward and his team got a chance to advance their theory with Ocean Venture, a massive naval exercise in 1981 involving more than 250 ships and 1,000 aircraft from 14 countries. The goal was to demonstrate to Soviet watchers that the U.S. and its allies could secure their own sea lines of communication amid the Soviet submarine threat and also bring the war home to the Soviet Union. Ocean Venture's commanding officer, Adm. James "Ace" Lyons, was, Mr. Lehman says, as focused on achieving the operation's "effect on the global balance of power between the West and the Soviet bloc" as he was on "testing his men and their equipment."

Around the same time, Mr. Lehman notes, the U.S. fleet participated "in a sophisticated program of coordinated, calculated, forward aggressive exercises—all around the world." The Soviets would thereby see that, with any aggressive move they made, "the might of the U.S. Navy would be off their coasts in a heartbeat."

In his effort to rebuild the Navy, Mr. Lehman had two inadvertent allies. One was the actor Tom Cruise, whose 1986 movie "Top Gun" gave naval aviation a new glamour. The other was Tom Clancy, whose novel about a "lost" Soviet submarine raised the public's awareness of the Cold War at sea. By the end of the decade it was the Soviet navy—confronted by a new strategy, new ships and new advanced weaponry—that found itself in a defensive crouch. The collapse of the U.S.S.R. in 1991 merely finished the job that Mr. Lehman and his colleagues had started, making the U.S. the world's naval superpower once again.

If the Soviet Union was challenging American naval dominance back then, Mr. Lehman observes, China is doing so today. Could we build a 600-ship Navy now? With far fewer active shipyards than in 1980, and a Pentagon acquisition process even more convoluted than before, getting to the 355 ships that President Donald Trump has made a priority would seem a miracle. "Oceans Ventured," in its engrossing and illuminating narrative, reminds us that numbers are less important than strategy. Let's hope a new generation of thinkers will soon gather to determine how best to respond to China's rising challenge. Who knows? Maybe they've gathered already, and their plan is recorded on someone's napkin.

Mr. Herman is a senior fellow at the Hudson Institute and the author, most recently, of "1917: Lenin, Wilson, and the Birth of the New World Disorder."

OPINION

REVIEW & OUTLOOK

Trump and Money

Donald Trump has begun to challenge the Federal Reserve for raising interest rates, while also bashing China and Europe for their falling currencies. This could become stage two of Mr. Trump's dangerous trade war, or he could use it as an opportunity to lead the world toward a more stable monetary order. The latter is a long shot, but given the ominous trend of events we might as well suggest it.

The only surprise is that Mr. Trump waited as long as he did to criticize the Fed. As a real-estate man, the President likes low rates. We also know from our reporting at the time that he chose Jerome Powell to run the Fed largely because Treasury Secretary Steven Mnuchin said Mr. Powell was more malleable than Kevin Warsh or John Taylor.

Now Mr. Trump wants to cash that check, but he doesn't understand that his public intervention probably will have the opposite effect. The Powell Fed is undertaking the difficult task of trying to negotiate a return to normalcy after a decade of unprecedented monetary manipulations.

Despite their celebration in the press, previous Fed chairs Ben Bernanke and Janet Yellen left Mr. Powell a distended balance sheet of \$4.5 trillion in securities plus a legacy of distorted asset prices and a government-directed bond market. No one knows how this transition will turn out because no one has ever done it.

Mr. Trump's criticism means that Mr. Powell will have the added burden of operating under suspicion of political influence. He may have to maintain a steady pace of interest rates to show markets that he and the Fed are independent. But if he decides slower increases are warranted, markets will wonder if his calculations are political. By lobbying for fewer rate increases, Mr. Trump may get more and higher.

On the merits, it isn't clear that the Fed has moved too fast. Some of our friends are fretting that the yield curve is getting close to inverting—short-term yields exceeding long rates—but it's hard to know what this means given the Fed's continuing dominant role in the long-bond market.

Consumer prices in the past year have climbed 2.3% through June without including food and energy, which is higher than the Fed's target of 2%, while the economy is growing faster than it has since 2004 and maybe 1999. Negative real interest rates amid rapid growth have rarely ended well. Recall how Mr. Bernanke and Alan Greenspan kept rates too low for too long in the mid-2000s.

* * *

As for the strong dollar, the cause is less the Fed than Mr. Trump's pro-growth policies. The U.S. economy is growing faster after corporate tax reform and deregulation. This has invited a flood of capital to the U.S., which has put pressure on foreign currencies. But Mr. Trump should see this as a success. The 1980s and 1990s were fast-growing, strong-dollar eras of capital flows to the U.S.

Mr. Trump's trade policies are also becoming a currency problem. Faced with the threat of U.S. tariffs on some \$500 billion of its exports, China seems to be letting its currency depreciate to compensate. The yuan traded at 6.27 to the U.S. dollar on April 18 but fell to 6.77 on Friday. That should help the competitiveness of Chinese exports in the short term, albeit at the risk of more capital flight.

None of this helps the world or U.S. economies. Exchange-rate fluctuations add uncer-

tainty to investment decisions and lead to slower growth. If countries turn to currency devaluation as another protectionist tool, they will further distort trade and investment flows. That's what happened in the 1930s as countries indulged what became known as "beggar thy neighbor" currency devaluations for short-term competitive advantage.

"As with exchange depreciation to raise domestic prices, the gain for one country was a loss for all," wrote economic historian Charles Kindleberger in his history of the Great Depression. "With tariff retaliation and competitive depreciation, mutual losses were certain."

* * *

Which brings us to Mr. Trump's monetary opportunity, if he and his advisers have the wit to seize it. The global monetary system has operated with fiat currencies since the collapse of Bretton Woods in 1971 when Richard Nixon closed the U.S. gold window. The world's major central banks have gone their own way, often leading to sharp and destructive currency movements that in the worst case have contributed to market crashes (1987) or recessions (2008).

With the world trading regime under stress, Mr. Trump could ask his Treasury to lead the developed world's finance ministers and central bankers toward a more stable system. Mr. Mnuchin doesn't have much experience in this area, but his Under Secretary for International Affairs David Malpass does. (For the record, Mr. Malpass has not suggested this to us.)

They could put together a task force of American and foreign experts to debate and recommend how to navigate the transition from post-crisis policy and promote more currency stability. Experts who have written for us over the years include Messrs. Warsh and Taylor, economists Steve Hanke, Glenn Hubbard and Judy Shelton, former Fed Chair Paul Volcker, investor and philanthropist Sean Fielker and historian and investor Lewis Lehrman, among others.

Mr. Lehrman in particular has argued that the root cause of the large U.S. trade deficit is the dollar's role as the world's reserve currency. That has been an "exorbitant privilege," as Frenchman Valéry Giscard d'Estaing once put it, but a new monetary arrangement could reduce the burden on the U.S. to be the world's sole absorber of surplus goods.

The French have long been interested in monetary reform, and the Chinese might be as well if Mr. Trump called a tariff truce in return for their participation.

* * *

Monetary reform may seem an impossible task given Mr. Trump's lack of knowledge and desire for disruption. But then he's also the President who knows little about constitutional law but has made two excellent nominations for the Supreme Court and many more to the appellate courts.

The world's economy is growing faster again, but protectionism and devaluations are increasingly threats to sustained prosperity. Mr. Trump has shown he can shake up global institutions but so far he has failed to create anything better.

Historian Kindleberger sums up what happened in the 1930s when competitive devaluations compounded trade disputes: "When every country turned to protect its national private interest, the world public interest went down the drain, and with it the private interests of all." Without a change of direction, this is where Mr. Trump is headed.

Standing Rock Redux

Exreme environmentalists haven't been able to stop consumers from using oil, so they're now trying to disrupt the supply chain. That's the strategy behind green opposition to pipelines, and the latest target is Enbridge Energy's Line 3 in Minnesota.

The proposed Line 3 would replace a deteriorating pipeline built in the 1960s that moves Alberta crude oil through a sliver of North Dakota and across Minnesota to Wisconsin. Enbridge estimates the old pipeline would require some 900 repairs by 2025 and 6,000 over the next 15 years, and it's operating at about half capacity due to safety concerns.

The new Line 3 would benefit from more than 50 years of pipeline innovation. The old pipeline was forged using flash welding, which introduces impurities into steel that can cause cracks and corrosion.

Today's double-submerged arc welding keeps pipeline steel clean and strong. To prevent rust, the new Line 3 would be coated in fusion-bonded epoxy. That's a big improvement over the polyethylene tape twisted around the old pipeline like hockey-stick wrap. The new pipeline would also feature automated valves, sophisticated leak-detection systems and 24/7 monitoring.

Thanks to such technological advances, pipelines now deliver oil safely 99.999% of the time, according to a 2017 report by the Association of Oil Pipelines and the American Petroleum Institute. Last year 72% of spills occurred in contained units on the operators' property. And 70% of pipeline spills are less than a cubic meter, says Canada's Fraser Institute.

The \$2.9 billion proposed pipeline also carries major economic benefits. The project

would use union construction workers, and Enbridge says it would support some 8,600 jobs. The pipeline is expected to generate \$20 million in property taxes in its first year.

Trucks and trains are the alternatives to pipelines, but they're more dangerous and carbon-intensive. Between 16.5 million and 23.1 million gallons of Bakken crude pass through Minnesota by rail each day. The state's Department of Transportation has warned that this heavy train traffic routinely delays emergency-response vehicles and "poses a threat of catastrophic fire in the event of a derailment and rupture of some of the tank cars." A recent derailment 15 miles south of the Minnesota border spilled 230,000 gallons of oil, contaminating two rivers.

Yet none of this matters to opponents for whom any oil production is a crime against the Earth. They're gearing up for a repeat of the 2016 Standing Rock protests against the Dakota Access Pipeline, which also can be good business for the greens.

The Native American environmental group Honor the Earth brought in more than \$3 million last year after helping lead the opposition to Dakota Access, and it had never previously exceeded \$1 million, according to public disclosures. Honor the Earth co-founder Winona LaDuke is one of the most prominent activists opposing Line 3.

Enbridge won an initial victory in late June when North Dakota's Public Utilities Commission voted to approve Line 3. But expect a political brawl over the two dozen remaining permits the company needs before it can break ground in Minnesota. As ever, environmentalists' demands for energy perfection are the enemy of the greater green good.

Monetary reform would help to avoid 'beggar thy neighbor' currency devaluations.

ity to cut taxes by indexing capital gains for inflation. A qualification and an addition would be useful.

Capital-gains rates have been kept lower than gains on "earned income" in part because of the complexity of computing capital gains for each asset sold. This implies that the rate on gains above inflation should be significantly higher than the current rate on capital gains. Of course, you have a choice on when to take a capital gain and can defer the tax until you do.

Indexing should apply to bond and other types of interest as well, so as not to tax the return attributable to inflation. Here, too, the president would determine the cost basis for taxation.

If someone earns interest at 4% when inflation is 3% and they are in a 30% tax bracket, their after-tax rate of return is 2.8%, less than the rate of inflation. If inflation is subtracted from taxable interest, the after-tax return on the 1% gain above inflation would be 0.67% rather than negative.

If the president has the power to index capital gains, why not do even more to move toward a rational tax system?

IRV LEVESON

Jackson, N.J.

LETTERS TO THE EDITOR

Time to Index Taxes for Inflation, but Fairly

As one who has repeatedly paid taxes on illusory nominal capital gains created by inflation, I applaud Kimberly Strassel's take on indexing taxes for inflation ("Trump Alone Can Cut Taxes," Potomac Watch, July 13), although I wish she had expanded her views to the logical conclusion of indexing all taxable events. The 25-year unchanged thresholds for taxing Social Security benefits immediately comes to mind.

Notwithstanding the fact that Fed officials seek a minimum 2% (core) inflation because they think that rate is consistent with a healthy economy, it seems odd that those same officials are hesitant to set an upper limit of inflation which they think would indicate an unhealthy economy.

There is perhaps no more persuasive economic axiom than that which holds that the nominal return on capital must exceed taxes and inflation if new capital is to be created, otherwise the sole beneficiaries of inflation are the entities which can tax the nominal gains: government at all levels.

MIKE SMITH

Sugar Land, Texas

Ms. Strassel makes an important point that the president has the ability

to index capital gains for inflation. Edward Kosner wrote a good review of Monte Reel's "Brotherhood of Spies" (Books, July 14) except it is inaccurate in regard to my father Francis Gary Powers's conduct while in captivity. Mr. Kosner writes, "Ultimately, the frost thawed. In 1962, Powers was swapped for Soviet spy Rudolf Abel (who, unlike Powers, never blabbed to his captors)."

In regard to capture, the CIA's instructions were: "If capture appears imminent, pilots should surrender without resistance and adopt a cooperative attitude toward their captors." Regarding what to tell his captors, the CIA instructions were, "Pilots are perfectly free to tell the full truth about their mission with the exception of certain specifications about the aircraft."

According to the declassified history of the U-2 Program: 1954-1974, Powers's "instructions from the CIA on what to do if captured was meager, and he was told that he might as well

tell the Soviets everything they wanted to know because they could get the information from his aircraft anyway. Nevertheless, Powers tried to conceal as much classified information as possible while giving the appearance of cooperating with his captors."

During interrogations, my father would tell the full truth when he knew the KGB could find out the information. He lied to the KGB when he knew that they couldn't, and he told partial truth when he was walking a fine line in order not to divulge any secrets.

Unfortunately, despite the Senate Select Committee's exoneration of my father in March 1962 and that he was awarded the highest honor the CIA can give, and posthumously the Distinguished Flying Cross and Silver Star, my father is the spy who is still out in the cold because of persistent misinformation.

FRANCIS GARY POWERS JR.

Midlothian, Va.

Francis Gary Powers Was a Hero, Not a Rat

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SHELDON I. SAITLIN

Chicago

There Are Reasons for Full Startup Disclosure

Rep. Jeb Henslering writes "To Restore U.S. Competitiveness, Pass the JOBS Act 3.0" (op-ed, July 16) on the need to remove what he contends are overly restrictive and burdensome federal regulations for capital formation.

In many decades as a securities-law practitioner, there have been no shortage of enthusiastic sponsors and promoters seeking early stage financing for a variety of purportedly transformative investments. Potential investors are invited to rise from hardworking stiffs to those traveling first class to their vacation homes. For every offering of exploratory and early development companies, hundreds if not thousands of fledgling companies lose 100% of investor money. This is so whether the investments are registered for immediate public resale or are expected to become publicly traded.

Federal securities laws shouldn't be intended to flush the pipeline of deals with no earnings and meager hopes of any. They historically are intended to provide necessary information to investors to counter the pie-in-the-sky projections of those pitching deals.

How Did the 2% People Lay The Ground for 3% Growth?

Andy Puzder reminds me that the previous administration, its advisers and acolytes who are now laying claim to the current spurt in economic growth because policies they instituted set the fundamentals for it are also the ones who promulgated the idea of a new normal of intractable "secular stagnation" wherein growth in GDP would be stuck at 2%, as it was under their tenure, no matter what policy levers were pulled ("People Are Worrying the Labor Market Is Too Good," op-ed, July 17).

Well, one can argue persuasively that their theory was just wrong (as is often the case with macroeconomic theory), but they are the ones who have to say that and why it is so, not put out a political, revisionist history without confronting their misreading of macroeconomics or the political reasons for their somewhat bizarre theory. Larry Summers? President Obama? Anyone else?

JAMES GOTTSCHALK

Tequesta, Fla.

In earlier times, many states had separate securities laws requiring a review and permission for sale in the state. These laws were called blue sky laws. This phrase was coined to remind investors they could be purchasing a patch of the blue sky. That is in stark contrast to the perspective of Republican legislators to repudiate investor protections by passing what they call the JOBS Act, which are initials for Jump Our Business Startups Act. It has nothing to do with jobs, except to facilitate the separation of those with jobs from their savings.

Tapping the naive, nonprofessional investors for risk financing should start by advising them that they are investors of last resort and that skilled professional investors passed on the deal.

SHELDON I. SAITLIN

Chicago

International Treaty Bans Military Use of Outer Space

In his otherwise excellent summary of our nation's potential military approaches to space ("Space Force! Space Force!," op-ed, June 25), Taylor Dinerman, although noting that international law provides for peaceful uses of that realm, fails to mention that international law (via Article IV of the 1967 outer space treaty) additionally forbids the use of the moon and other celestial bodies for any military uses whatsoever.

ARTHUR H. WESTING, PH.D.

Shelburne, Vt.

Mr. Westing is former director of the U.N. Environment Programme on Peace, Security, & the Environment.

Pepper ... And Salt

THE WALL STREET JOURNAL

A cartoon illustration of a dog standing on its hind legs, looking up at a bird perched on a branch. The dog is holding a small object in its mouth. The bird says, "It helps me focus on what's important."

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OPINION

The Fed's Job Isn't to Make Trump Happy

By Peter Conti-Brown

The president probably wasn't pleased when the Fed raised interest rates. But when the press asked Dwight Eisenhower to comment in 1956, he said: "The Federal Reserve Board is set up as a separate agency of government. . . . It would be a mistake to make it definitely and directly responsible to the political head of state."

In the 1990s, President Clinton's economic advisers, led by Bob Rubin, initiated a rule that the White House would make no comment on Fed policy, even anonymously. That rule held until last week, when President Trump stated in an interview that he was "not happy" with Fed policy. On Friday he followed up with a pair of tweets. The Rubin Rule is dead.

The president crossed a line in commenting on interest rates. The central bank needs to redraw it.

Some may celebrate its demise. The Fed isn't supposed to be unaccountable: Politicians name key Fed personnel; Congress is active in its oversight; journalists and other outsiders engage and critique every aspect of Fed policy. That attention can make the job of central banking unpleasant, but it is vital to the Fed's legitimacy.

What Mr. Trump did was different. The process of pushing interest rates back to historical norms has been and will be among the most uncertain policy programs undertaken in Fed history. Mr. Trump made that fraught process more complicated in two ways. First, he showed himself ready to wage war over the Fed's decisions even without a market correction or recession—the usual times when politicians start looking for monetary scapegoats.

Second, the perception of the Fed's decision-making will change immediately. To be sure, the substance of those decisions won't be so easily swayed. The Fed won't fold after one tart presidential comment; Chairman Jay Powell and his colleagues are made of sterner stuff than that. More plausibly, the Fed could overreact and seek to assert its independence by raising rates more quickly than is warranted. That would be a mistake, and it's still unlikely.

In central banking, though, appearance matters as much as substance. How will the Fed's decisions be perceived by markets and in political campaigns, in boardrooms and in newsrooms? If the Fed slows rate increases on the merits, the public now is likely to declare a Trumpian victory. If it speeds those increases, it may invite a Trumpian war. Either result would be devastating.

The Fed's instincts will be to hide from this fight. Instead it should confront it. Central bankers should not give marble-mouthed non-responses to the inevitable questions about the Trump administration. They should instead be clear with the usual assurances that the Fed hasn't altered its course based on political pressures. And they should expand on the virtues and fragility of Fed independence and explain that these traditions are mostly for politicians, not central bankers, to honor.

Fed accountability, legitimacy and independence are fragile but valuable ideals that reinforce each other. The president crossed a line last week; the Fed should not be shy in attempting to redraw it.

Mr. Conti-Brown, an assistant professor at the University of Pennsylvania's Wharton School of Business, is author of "The Power and Independence of the Federal Reserve" (Princeton University Press, 2016).

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Trump Is Right on Nord Stream 2

By David B. Rivkin Jr.
And Miomir Zuzul

President Trump was right to criticize Chancellor Angela Merkel's plan for a new pipeline carrying Russian natural gas to Germany. This project threatens European independence and the North Atlantic Treaty Organization, and it was opposed by the Obama administration and many Senate Democrats, although not much was done to stop the pipeline's construction. Numerous European countries have also been sharply critical of Mrs. Merkel's energy plans. Mr. Trump has correctly sought to diminish Moscow's European energy footprint, belying claims he is a stooge of Vladimir Putin.

In 2015 the European Commission cited Russia's politically motivated disruptions of energy exports as one of the main causes of Europe's energy insecurity. Moscow is the largest energy exporter to Europe; Gazprom alone supplied almost 40% of Europe's natural gas in 2017. According to World Bank data, Gazprom's European gas prices last year were more than double the U.S. domestic price. Russia has also repeatedly used its gas to blackmail Europe, cutting off the supply in 2006, 2009 and 2014, and causing severe shortages in Eastern Europe.

Germany has sought for years to maintain a special energy relationship with Moscow as a means of securing its own energy-supply predominance in Europe. Once the Nord Stream expansion is completed, it will account for 80% of Russian gas imported to Europe, making Germany the Continent's major gas-distribution hub.

The Nord Stream 2 project has received particularly strong support from the center-left Social Democratic Party, a key member of Mrs. Merkel's shaky governing coalition. Gerhard Schröder, a former SPD chancellor, has served as chairman of Nord Stream 2 AG, a Gazprom-owned consortium.

Berlin signed the original Nord Stream pipeline deal with Russia dur-



Pipes for the pipeline in Sassnitz, Germany, May 8, 2017.

ing Mr. Schröder's chancellorship in 2005. In 2017 the Russian government nominated Mr. Schröder to the board of Rosneft, the Russian oil giant. German media report that Mr. Schröder was paid some €250,000 annually at Gazprom, and is expected to be paid €300,000 to €425,000 at Rosneft. But Germans have largely shrugged at the spectacle of a former chancellor on Russia's payroll.

An all-out effort to block the pipeline offers an opportunity to restore credibility after Helsinki.

Many other European countries, however, have been critical of Germany's Russian-energy romance. Thirteen EU states vehemently oppose the Nord Stream expansion. They are concerned about the loss of transit-fee revenue from existing pipelines that run mostly through Ukraine and the security risk of Russia's growing dominance over Europe's gas market. They have demanded the European Commission transfer negotiating power over the pipeline from Germany to the EU.

The new pipeline would enhance Russia's blackmail capability by en-

abling Moscow to cut off gas supplies to Eastern Europe without subjecting Western Europe to the same treatment. Not surprisingly, Eastern European states have taken the lead in trying to develop alternatives. In 2016 Croatia and Poland led the formation of the Three Seas Initiative, or 3SI, which united 12 states from the Baltics to the Balkans.

At a 3SI summit in Warsaw in June 2017, Mr. Trump pledged that the U.S. would bolster exports of liquefied natural gas to Europe so the Continent "can never be held hostage to a single supplier." That statement was anchored in the administration's broader strategy of transforming the U.S. into a pre-eminent low-cost global energy supplier.

Russia's gas stranglehold is a source of vulnerability as well as power. Europe accounts for more than 80% of Gazprom's exports. Energy accounts for almost half of Russia's exports and 40% of its national budget. The implementation of a 3SI energy plan would drain Russia's pocketbook and frustrate its geopolitical ambitions.

Moscow has recognized the challenge and done its best to block efforts to diversify European energy supplies. Russian proxies have moved to delay or stop the 3SI project. According to the Croatian media, Gasfin, a Luxembourg company acting as

Gazprom's cat's-paw in Europe, is supporting local environmentalists opposed to construction of a new LNG terminal on Croatia's Krk Island. Gasfin has even purchased land on the island so that it can hobble the project via legal challenges—while at the same time suggesting that Gazprom might support the Krk project if it receives only Russian gas. During Croatian President Kolinda Grabar-Kitarovic's visit to Russia last October, Mr. Putin publicly offered a partnership to gasify Croatia.

Mr. Trump's leadership on this issue has had tangible results. Poland has committed to buying LNG from the U.S. and has already completed a new LNG terminal. It will not renew a contract with Gazprom set to expire in 2022, ending a 74-year exclusive partnership. U.S. LNG imports to Europe rose 22% last year, and will likely keep growing.

Yet the fate of 3SI is uncertain. The Trump administration should ramp up its energy strategy in two ways. First, promote U.S. investment in all facets of 3SI projects. Second, nudge European countries to accept a long-term package of sanctions on Russian energy, patterned after Carter- and Reagan-era sanctions, including restrictions on technology transfers and financing of Russian gas production and exports. If the Europeans balk, the U.S. should impose such sanctions unilaterally.

An all-out U.S. effort to stop Nord Stream 2 would help restore credibility in the aftermath of the Helsinki summit. Over time, this strategy would reduce Moscow's European gas exports dramatically, freeing Europe from Moscow's blackmail. American energy exports to Europe would be reliable and fairly priced. More Americans would have jobs, trans-Atlantic ties would be stronger, and it would be a major blow to the Putin regime.

Mr. Rivkin, a constitutional litigator, served in the Reagan and George H.W. Bush administrations at the White House Counsel's Office and the Energy and Justice departments. Mr. Zuzul is a former Croatian foreign minister and ambassador to the U.S.

Capitalism Will Solve the Climate Problem

By Fred Krupp

Together, science and capitalism built the modern world. But across the political spectrum, both are under attack. If we are to solve our greatest challenges, including climate change, we have to deploy the power of these twin engines of civilization.

The best available research confirms the existence of human-driven climate change, including the rapid pace of global warming. Leading scientists' predictions of temperature rise have been largely accurate. In the three decades since NASA climate scientist James Hansen first warned Congress that global warming had begun, the U.S. and other nations have poured billions of tons of carbon dioxide and methane into the atmosphere, and the planet has continued to warm.

Most climate models predicted warming above the mid-20th-century average of about 1 degree Celsius by 2016. They were right. Atmospheric scientists predicted increased frequency of extreme-heat events, and they were right, too. Scientists also predicted warming would be most apparent in East Asia and the Arctic, and it is.

These results aren't surprising, given that they are based on many independent data sets. Measurements are collected by towers, buoys, aircraft, satellites and more, and are assessed by thousands of scientists world-wide.

It's a sign of the reliability of this research that the insurance industry, with trillions in liability at stake, uses it to determine financial models. Most businesses can't afford to have "political" opinions about climate change. For companies facing potential impacts from climate trends, to deny warming would be like Macy's pre-

tending online shopping isn't disrupting retail.

Unfortunately, skeptics have fostered doubt about climate change by misrepresenting the research. Some have claimed that Mr. Hansen's models failed to predict temperatures accurately, but these evaluations use measurements based on major calibration errors. Researchers critical of mainstream climate science also have expressed doubt about the growing intensity of extreme-weather events, which in fact are more intense than they were 30 years ago, due to warmer oceans and other climate-related factors. And many have suggested that the rise of global temperature has paused or plateaued recently, though reliable records show this isn't the case. One-time climate skeptic Jerry Taylor, a former vice president of the Cato Institute, changed his views when he reread Mr. Hansen's testimony and realized its predictions were "spot on."

Arguments about climate science

may be useful for politicians looking to whip up voters, but misinformation doesn't help us plan to protect future economic growth. Citigroup estimates the cost of unchecked climate change will be in the tens of trillions. The president of the Rein-

Skeptics try to deny the evidence of global warming, but businesses already are betting on clean energy.

surance Association of America says global warming could bankrupt his industry. Even fossil-fuel companies like Exxon Mobil and Shell have expressed the urgent need to manage the risks of climate change.

This brings us back to capitalism. Climate change is a byproduct of the prosperity created by the market economy, but the market similarly

can be an engine to generate cost-effective solutions. Clean-energy technologies such as wind and solar power already have developed immensely in the past two decades. Public policy that puts a price on carbon emissions would speed the adoption of clean energy by exposing the market to the costs this pollution puts on society. This will accelerate adoption of and private investment in clean-energy technologies.

Though climate change presents American industries a daunting challenge, market-based policies can unleash innovation from investors, inventors and entrepreneurs, who will work to build a more prosperous and safer future. Working with accurate scientific facts and the right incentives, the market will find winning solutions.

So let's follow the data and get this done.

Mr. Krupp is president of the Environmental Defense Fund.

A Soldier Never Forgets North Platte

By Bob Greene

We were overwhelmed," said Lt. Col. Nick Jaskolski. "I don't really have words to describe how surprised and moved we all were. I had never even heard of the town before."

Col. Jaskolski, a veteran of the Iraq war, is commander of the 142nd Field Artillery Brigade of the Arkansas Army National Guard. For three weeks earlier this summer, the 142nd had been conducting an emergency deployment readiness exercise in Wyoming, training and sleeping outdoors, subsisting on field rations. Now it was time for the 700 soldiers to return to their base.

A charter bus company had been hired for the 18-hour drive back to Arkansas. The Army had budgeted for a stop to get snacks. The bus company determined that the soldiers would reach North Platte, in western Nebraska, around the time they would likely be hungry. The company placed a call to the visitors' bureau: Was there anywhere in town that could handle a succession of 21 buses, and get 700 soldiers in and out for a quick snack?

North Platte said yes. North Platte has always said yes.

During World War II, North Platte was a geographically isolated town of 12,000. Soldiers, sailors and aviators on their way to fight the war rode troop trains across the nation, bound for Europe via the East Coast or the Pacific via the West Coast. The Union Pacific Railroad trains that transported the soldiers always

made 10-minute stops in North Platte to take on water.

The townspeople made those 10 minutes count. Starting in December 1941, they met every train: up to 23 a day, beginning at 5 a.m. and ending after midnight. Those volunteers greeted between 3,000 and 5,000 soldiers a day. They presented them with sandwiches and gifts, played music for them, danced with them, baked birthday cakes for them. Every day of the year, every day of the war, they were there at the depot. They never missed a train, never missed a soldier. They fed six million soldiers by the end of the war. Not 1 cent of government money was asked for or spent, save for a \$5 bill sent by President Franklin D. Roosevelt.

The soldiers never forgot the kindness. Most of them, and most of the townspeople who greeted them, are dead. And now, in 2018, those 21 busloads from the 142nd Field Artillery were on their way, expecting to stop at some fast-food joint.

"We couldn't believe what we saw when we pulled up," Col. Jaskolski said. As each bus arrived over a two-day period, the soldiers stepped out to be greeted by lines of cheering people holding signs of thanks. They weren't at a fast-food restaurant: They were at North Platte's events center, which had been opened and decorated especially for them.

"People just started calling our office when they heard the soldiers were on their way," said Lisa Burke, the director of the visitors' bureau. "Hundreds of people, who wanted to help."

The soldiers entered the events center to the aroma of steaks grilling and the sound of recorded music: current songs by Luke Bryan, Justin Timberlake, Florida Georgia Line; World War II songs by Glenn Miller, the Andrews Sisters, Jimmy Dorsey. They were served steak sandwiches, ham sandwiches, turkey sandwiches, deviled eggs, salads and fruit; local church groups baked pies, brownies and cookies.

Mayor Dwight Livingston stood at the door for two days and shook every soldier's hand. Mr. Livingston served in the Air Force in Vietnam and came home to no words of thanks. Now, he said, as he shook the hands and welcomed the soldiers, "I don't know whether those moments were more important for them, or for me. I knew I had to be there."

"It was one soldier's 21st birthday," Lisa Burke said. "When I gave him his cake, he told me it was the first birthday cake he'd ever had in his life." Not wanting to pry, she didn't ask him how that could possibly be. "I was able to hold my emotions together," she said. "Until later."

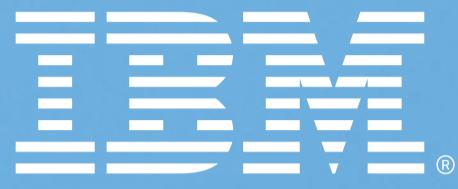
When it became time to settle up—the Army, after all, had that money budgeted for snacks—the 142nd Field Artillery was told: Nope. You're not spending a penny here. This is on us.

This is on North Platte.

Mr. Greene's books include "Once Upon a Town: The Miracle of the North Platte Canteen."

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THE WALL STREET JOURNAL.

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Tesla Asks Suppliers for Cash Back

Request suggests auto maker's urgency during a crucial production period

By TIM HIGGINS

Tesla Inc. has asked some suppliers to refund a portion of what the electric-car company has spent previously, an appeal that reflects the auto maker's urgency to sustain operations during a critical production period.

The Silicon Valley electric-car company said it is asking its suppliers for cash back to help it become profitable, according to a memo reviewed by The Wall Street Journal that was sent to a supplier last week. Tesla requested the supplier return what it calls a meaningful amount of money of its payments since 2016, according to the memo.

The auto maker's memo, sent by a global supply manager, described the request as essential to Tesla's continued operation and characterized it

as an investment in the car company to continue the long-term growth between both players.

While Tesla said in the memo that all suppliers were being asked to help it become profitable, it is unclear how many were asked for a discount on contracted spending amounts retroactively. Some suppliers contacted about the request said they were unaware of such a demand.

Tesla declined to comment on the specific memo. But it confirmed it is seeking price

reductions from suppliers for projects, some of which date back to 2016, and some of which haven't been completed. The company called such requests a standard part of procurement negotiations to improve its competitive advantage, especially as it ramps up Model 3 production.

The surprising requests raise further questions about Tesla's cash position, which has dwindled after it struggled to boost production of its first car designed for mainstream buyers, the Model 3. After

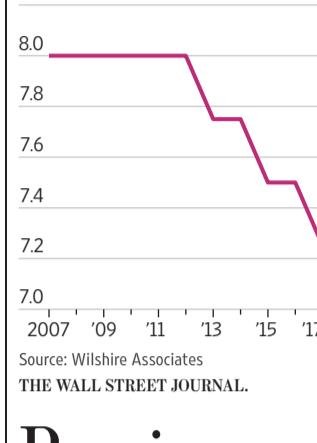
months of delays, Tesla last quarter reached its longstanding goal of making 5,000 Model 3s in a single week, which, if sustained, will help it generate cash.

Auto makers and suppliers have complicated relationships, each fighting for the best deal under immense pricing pressure. Supply-chain consultants say sometimes auto makers will demand a reduction in price for a current contract going forward or use leverage of awarding a new

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Lower Expectations

The rates of return that states assume they will earn on their pension investments have fallen over the past five years.



Source: Wilshire Associates

THE WALL STREET JOURNAL.

Pensions Dial Back Targeted Returns

By HEATHER GILLERS

The nation's two biggest public pension funds are doing better in 2018. The problem is they don't think it will last.

The California State Teachers' Retirement System and California Public Employees' Retirement System both earned more than 8% for the second fiscal year in a row, thanks to a robust performance by stocks and private equity. Together they manage \$575 billion for 2.8 million public workers and retirees.

But the systems, known as Calstrs and Calpers, respectively, aren't counting on that type of performance over the long term. Both rolled back their investment targets this year in an effort to be more realistic about what they can earn in the future. Calstrs dropped its future goal to 7%. Calpers initiated a multistep drop this year that will end at 7% in 2021.

Many other public pensions around the country are turning more cautious about future results following a nine-year bull market for U.S. stocks, which

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Firms are under pressure from tariffs and a tight labor market. Caterpillar stock is off 13% this year.

slightly over the past week as initial earnings reports beat analysts' expectations. **Fastenal** Co. and **W.W. Grainger** Inc., which supply factories with everything from bolts to cleaning supplies, both signaled strong demand.

Honeywell International Inc. on Friday reported higher sales and profit margins at all four of its divisions and said the trend is continuing in the third quarter.

But that good news has done little to offset investors' preoc-

cupation with the effects of the Trump administration's import tariffs on manufacturers. Shares in aluminum producer **Alcoa** Corp. have fallen nearly 16% since Wednesday, when the Pittsburgh-based company said the 10% tariff on aluminum was

driving up costs of the metal it imports to the U.S. from its smelters in Canada.

Investors' dissatisfaction stands in contrast to bulging order books and rising industrial output, buoyed by a re-

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INSIDE

PERSONAL TECHNOLOGY | By David Pierce

Apple's MacBook Pro Keyboard Strikes Better Chord

A fast computer with a crummy keyboard is like a Les Paul with broken strings, or a Ferrari with a busted gearshift. They aren't any good if you can't use them right.

Think about it: Have you ever had to essentially re-learn to type because of a clunky or unfamiliar key-

board? A good keyboard somehow disappears, as if you carried out a mind meld with your PC.

That's why the keyboard is what matters most to me about the new MacBook Pro. The five rows of keys look virtually identical to last year's model, but Apple is calling this its third-generation "butterfly" keyboard. Apple says the big difference is that it's quieter.

Anyone who uses a MacBook in a meeting can tell you that's good...and necessary. But my testing shows Apple likely fixed a bigger problem than noise.

In case you're curious, here's the skinny on the rest of the expensive new MacBook Pro, which comes in 13- and 15-inch models. They aren't for everyday users. Pros are for people who care about graphics' rendering

times—or just really want to play "Fortnite" at work. They're for those who don't blanch at the idea of paying between \$2,400 and \$6,700 for a laptop. Which is to say, not most people. (For normal humans, Apple offers a choice of trade-offs: the iPad Pro with a keyboard case, the ultrathin but underpowered 12-inch MacBook and the ancient MacBook Air.)

Luckily, the Pro's most

significant upgrades will likely come to other devices. The performance boost thanks to Intel's latest chips, the TrueTone display that looks good in any lighting, the special secondary chip that enables Siri to be always listening—I expect them to percolate to more affordable MacBooks.

In the past three years, one MacBook feature in par-

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Source: Morningstar as of 3/31/18. Based on funds in the Morningstar Mid-Cap Blend Category (oldest share class). Rankings are based on returns after taxes that are net of all fees, maximum federal tax rate (39.6%) and applicable sales loads. Rankings reflecting lower tax rates may have resulted in less favorable results for exchange traded funds due to their tax efficiency. Universe: 111 funds for 10 years, 131 funds for 5 years, and 145 funds for 3 years. MDY's 1-year peer group percentile is 32% (54 of 177 funds). Past performance is no guarantee of future results. ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETF's net asset value. ETF shares may not readily trade in all market conditions. Brokerage commissions and ETF expenses will reduce returns. Investments in mid-sized companies may involve greater risks than those in larger, better known companies, but may be less volatile than investments in smaller companies. ©2018 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. SPDR® S&P MidCap 400® ETF Trust, a unit investment trust, is listed on NYSE Arca, Inc. SPDR®, S&P and S&P MidCap 400 are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P") and have been licensed for use by State Street Corporation. No financial product offered by State Street or its affiliates is sponsored, endorsed, sold or promoted by S&P. ALPS Distributors, Inc. (fund distributor); State Street Global Advisors Funds Distributors, LLC (marketing agent). State Street Global Advisors and its affiliates have not taken into consideration the circumstances of any particular investor in producing this material and are not making an investment recommendation or acting in fiduciary capacity in connection with the provision of the information contained herein.

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Factories Face High Expenses

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bound in oil prices that has spurred more domestic drilling. U.S. aerospace and auto manufacturers have also reported strong orders.

But near-record-low unemployment of about 4% is driving up wage bills and leaving some companies short of workers, holding back production.

The labor market is particularly tight for experienced workers in cities such as Charlotte, N.C., and Houston, where steel mills are expanding production of pipe and tubing used in oil and natural-gas wells.

Tariffs on imported pipe are helping to boost drilling companies' demand for those products made in the U.S.

"To make those products, they have to hire more people," said Kirk Murray, vice president of SeAH Steel America Inc. "From experience, I can say it's not easy." SeAH is expanding a tubing mill in Houston that had been dormant before the South Korean steelmaker bought it in 2016.

Other companies are scrounging for everything from low-skilled line workers to software engineers who can operate robots. The worker shortage threatens an upturn that is in its sixth month, measured by industrial output. Previous cycles have typically lasted about four years.

Manufacturing unemployment is at its lowest level in 15 years, according to the Labor Department. Companies surveyed for the closely watched Chicago Business Barometer said production fell in June from a year earlier, the fourth monthly drop since December. More than one-third of companies said they had boosted salaries.

The heavy-truck market highlights the gap between strong growth signals and investor anxiety. North American orders are at a nearly 20-year high, but production hasn't kept pace, in part because of labor shortages, supply-chain disruptions and some concern that orders could be canceled.

Shares in Paccar Inc., the maker of Kenworth and Peterbilt trucks, are down nearly 12% this year. Orders for heavy-duty trucks have surged since last fall to an annualized rate of about 430,000 vehicles. But manufacturers have been building trucks at a much slower rate.

Tesla Asks Suppliers For Cash

Continued from page B1

deal to get upfront savings on a contract. But they say it is unusual for an auto maker to ask for a refund for past work.

Dennis Virag, a manufacturing consultant who has worked in the automotive industry for 40 years, said a solicitation like Tesla's could put suppliers in financial peril and jeopardize its future supply of car parts.

"It's simply ludicrous and it just shows that Tesla is desperate right now," he said. "They're worried about their profitability but they don't care about their suppliers' profitability."

Tesla has sought to balance its desire for rapid growth with paying for the expensive launch of new vehicles and building out infrastructure to compete against much larger auto makers.

Chief Executive Elon Musk has said he wants to avoid raising additional cash, promising the company can become cash-flow positive with the continued Model 3 build rate and turn a profit in the second half of the year. Many

analysts expect Tesla eventually will need to raise more money.

Tesla has been burning cash at a rate of about \$1 billion a quarter, and finished the first quarter with \$2.7 billion in cash on hand. Tesla pledged to pare back planned capital expenditures this year to less than \$3 billion from \$3.4 billion last year. Its loss attributable to common shareholders in the first quarter was \$710 million, the fifth consecutive quarter of record losses.

Tesla will need to pay down a \$230 million convertible bond this November if its stock doesn't reach a conversion price of \$560.64, and a \$920 million convertible note next March if the stock doesn't reach \$359.87. Shares closed Friday at \$313.58, and are down about 4.5% over the past 12 months.

As part of Tesla's bid to become profitable, Mr. Musk cut Tesla's workforce by 9% in June and promised to slow other spending as well. He's become focused intently on becoming cash-flow positive, a person familiar with his thinking said.

Last month, he told employees in an email: "What drives us is our mission to accelerate the world's transition to sustainable, clean energy, but we will never achieve that mission unless we eventually demonstrate that we can be

next 20 years once the system's assumed rate of return drops to 7%.

Pension-fund officials in other parts of the country are making the same decision to drop their future targets even as they report strong results for fiscal 2018. The Maine Public Employees Retirement System earned 10.3% for the year ended June 30 but this year dropped its long-term goal to 6.75%. It has now reduced its rate-of-return assumption four times since 2009.

The moves mean the system now has more work to do if it hopes to fund all future benefits. Had the fund maintained its precrisis 7.75% goal, it could today report having enough assets to cover 91% of its liabilities according to executive director Sandy Matheson. Instead it has 81%, she said.

The Illinois State Board of Investment for years relied on an 8.5% assumed return rate for its state-employee retirement plan. In 2016 it dropped to 7%, one of many reasons it now has just 35% of what it needs to pay for future benefits. "If we were still 8.5% it might be 50% or 60%—it would appear to be a lot better," said Illinois State Board of Investment Chair Marc Levine. But it would be total nonsense because you still owe the same amount of money."



Calpers expects to earn 7% in 2021, off from 8% most recently.

criticized for using unrealistic investment assumptions, which proved costly during the last financial crisis. Many funds recorded big losses in 2008 and 2009, pulling their long-term returns well below the 8% barrier. As of June 2017 the 10-year annualized median return for all public pensions tracked by Wilshire Trust Universal Comparison Service was 5.57%.

"Over 10 years, we struggled," Calstrs Chief Investment Officer Christopher Ailman said at a public meeting on Friday. Calstrs has returned an average annualized 6.3% over 10 years as of June 30.

But moving expectations below 8% isn't just an account-

BUSINESS & FINANCE

Trucking Firms Barrel On

BY JENNIFER SMITH

Trucking companies are hoping to turn the most robust freight market in a generation into stronger long-term financial footing.

Carriers are raising rates and investing in new equipment as a months-long rally in transportation demand gives them the upper hand in setting prices with shippers. Analysts expect strong results across the sector over the next two weeks as fleets report earnings.

Capacity remains tight this summer, normally a slack time for freight, and some trucking companies are turning down loads for lack of available trucks.

"We should still see good margin performance from truckers," said Brad Delco, a transportation analyst with Stephens Inc. "Supply-demand dynamics remain tight, and as a result pricing has been strong, partially offset by the need to raise driver wages."

June marked the 16th straight month in which prices increased on an annual basis on trucking's spot market, where shippers book last-minute transportation. That is the longest sustained period of pricing power for truckers since the industry was deregulated in 1980, according to online freight marketplace DAT Solutions LLC.



Some companies are turning down loads this summer for lack of available trucks.

Yet trucking stocks haven't risen as much as freight demand in recent months, reflecting investor caution that the current cycle might have peaked. Some analysts are concerned about carriers' ability to recruit additional drivers in a tight labor market.

J.B. Hunt Transport Services Inc., one of the nation's largest transportation providers and the first to release

second-quarter results, set the stage last week with a 55% gain in earnings and a 24% increase in revenue compared with the same period in 2017.

Knight-Swift Transportation Holdings Inc., the largest U.S. truckload carrier, and **Werner Enterprises** Inc., one of the largest such companies, reported a 15% rise in daily tonnage in May from the same month a year earlier.

Strong demand also is expected to buoy freight brokers such as **C.H. Robinson Worldwide** Inc., set to report results July 31, and less-than-truckload carriers, which combine multiple shipments on each truck. **Old Dominion Freight Line** Inc.,

one of the largest such companies, reported a 15% rise in daily tonnage in May from the same month a year earlier.

to help preserve its cash position.

In August, Mr. Musk told analysts Tesla was able to negotiate longer payment terms to about 60 days for Model 3 parts, in what he described as "the nirvana" that would allow the auto maker to make the car and get paid for it before the bill is due to suppliers.

"Obviously, that's like the promised land right there," he said.

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Pensions Dial Back Targets

Continued from page B1

remain the single largest holding for most retirement systems. The funds rely on a combination of investment income and contributions from employees, states and cities to fund their mounting obligations to retirees.

For many decades these funds clung to a belief that stocks, bonds and other holdings could earn at least 8% and that those gains would fund hundreds of billions in liabilities. But many are trimming those assumptions to 7% and lower. The median assumed rate of return held by 130 public pension funds tracked by Wilshire Consulting dropped in 2017 to 7.25%. That rate was still 8% as recently as 2012.

"We probably want to temper our enthusiasm when we have a year or two years of strong returns because one thing we know for certain is that there will be challenging years," said Wilshire Consulting Chief Investment Officer Steve Foresti.

Pensions have long been

criticized for using unrealistic investment assumptions, which proved costly during the last financial crisis. Many funds recorded big losses in 2008 and 2009, pulling their long-term returns well below the 8% barrier. As of June 2017 the 10-year annualized median return for all public pensions tracked by Wilshire Trust Universal Comparison Service was 5.57%.

"Over 10 years, we struggled," Calstrs Chief Investment Officer Christopher Ailman said at a public meeting on Friday. Calstrs has returned an average annualized 6.3% over 10 years as of June 30.

But moving expectations below 8% isn't just an account-

ing move; it has real-life consequences for systems that use those predictions to calculate the present value of obligations owed to retirees. Even slight cutbacks in return targets often mean budget-strained governments or workers are asked to pay significantly more to account for liabilities that are expected to rise as life spans increase and more Americans retire.

In California, some local-government officials are concerned their costs will rise aggressively as Calpers lowers its expected return rate. Calpers has said the state and school districts participating in its system would have to pay at least \$15 billion more over the

next 20 years once the system's assumed rate of return drops to 7%.

Pension-fund officials in other parts of the country are making the same decision to drop their future targets even as they report strong results for fiscal 2018. The Maine Public Employees Retirement System earned 10.3% for the year ended June 30 but this year dropped its long-term goal to 6.75%. It has now reduced its rate-of-return assumption four times since 2009.

BUSINESS NEWS

Papa John's Adopts Defense To Thwart Founder

By JULIE JARGON

Papa John's International Inc.'s board members voted to adopt a "poison pill" on Sunday to prevent its controversial founder from gaining a controlling interest in the pizza chain, according to people familiar with the matter.

The board, which is expected to announce the poison pill Monday morning, has been trying to sever ties with John Schnatter, who founded Papa John's 34 years ago, following revelations that he used a racial slur during a recent conference call.

Mr. Schnatter owns 29% of Papa John's shares and has indicated that he won't cede control of the company without a fight.

Boards can adopt shareholder-rights plans, commonly known as poison pills, to block an investor from accumulating a majority stake in a company—a defensive move intended to thwart a hostile takeover. They are usually employed to block activist shareholders from gaining more control.

Mr. Schnatter used the N-word in May during a conference call with his marketing agency that was intended to prepare him for his return as company spokesman.

He publicly apologized for his use of the word and agreed to step down as board chairman earlier this month but said he has since second-guessed his decision.

Boards adopt 'poison pills' to block an investor from gaining a majority stake.

He explained in a letter to the board last week that he wasn't a racist and didn't use the word as a racial epithet.

Papa John's board last Sunday voted to terminate some of its ties with Mr. Schnatter, including one that allows him use of an office at the company's headquarters in Louisville, Ky. Mr. Schnatter's attorneys are challenging the termination of those agreements.

The company also has suggested Mr. Schnatter resign from the board, according to people familiar with the matter.

Avis Budget Group Inc. last year adopted a poison pill to block its largest shareholder, a hedge fund, from potentially increasing its influence over the company. Other companies that have adopted poison pills in recent years include J.C. Penney Co., Tribune Publishing Co. and Pier 1 Imports Inc.

—Annie Gasparro contributed to this article.

French IT Firm Expands in U.S.

Atos to acquire Syntel for \$3.4 billion, gaining a link to providers of financial services

BY BEN DUMMETT AND NICK KOSTOV

Atos SE of France has struck a \$3.4 billion deal to buy **Syntel Inc.**, a U.S.-based information-technology company, in a move that would give it access to some of the biggest U.S. financial-services companies.

The French company said late Sunday it plans to pay \$41 a share in cash for Michigan-based Syntel. Shares in Syntel closed at \$39.13 Friday, having more than doubled over the past 12 months. Including assumed net debt, the deal values Syntel at \$3.57 billion. The Wall Street Journal reported the deal earlier Sunday.

Atos Chief Executive



Atos CEO Thierry Breton said the firm sought digital know-how.

Thierry Breton said Sunday that an incentive for a deal was Syntel's strong know-how in digital fields, including cloud services, social media, mobile, analytics and automation. All are important areas

for companies' IT operations.

The acquisition would boost Atos's presence in North America, where the company's revenue fell in the first three months of the year. In particular, Syntel has strong relation-

ships with financial-services firms, as well as companies in the health-care and retail sectors. American Express, State Street Bank and FedEx Corp. were Syntel's three largest customers in 2017, accounting for about 45% of the company's annual revenue.

Atos has been seeking significant acquisitions. Last year, the IT and payments-technology company lost out to French rival Thales SA in an effort to acquire smart-card maker and digital security company Gemalto NV for €4.8 billion (\$5.6 billion).

Atos is about five times the size of Syntel, with a market value of roughly €13 billion. The companies serve some of the same industries, including life sciences, financial services, manufacturing, retail and telecommunications, and both target markets in North America and Europe.

Adding Syntel's 23,000 engineers would give Atos the

added flexibility to pursue shorter-term projects, rather than the five- to seven-year projects it has traditionally coveted, Mr. Breton said.

Syntel Chief Executive Rakesh Khanna, who is based in India, would stay with the company and join Atos's executive committee.

The transaction, which is expected to close by year-end, would be accretive to Atos shareholders, with earnings per share expected to grow by a double-digit percentage from 2019, Mr. Breton said. It is subject to the customary regulatory approvals.

Syntel swung to a profit of \$166.3 million in 2017 from a loss of \$57.4 million in the prior year, though revenue fell 4.4% to \$923.8 million. Atos generated revenue of €12.7 billion in 2017, up 2.3% from the prior year, excluding the impact of acquisitions and currency swings. Net profit rose 11% to €601 million.

Fox Assets Would Bolster Disney's Franchises

BY ERICH SCHWARTZEL AND JOE FLINT

Once **Walt Disney Co.** completes its \$71 billion deal to buy most of **21st Century Fox**, where do Homer and Marge Simpson fit in with Mickey Mouse and Luke Skywalker?

Disney has become the most powerful content creator of the modern era, thanks to its control of some of the world's most popular franchises, including Frozen, Avengers, Star Wars and Toy Story. They typically start on film and are made into consumer products, theme-park rides—and now a soon-to-launch streaming service.

Fox, in comparison, has fewer top franchises, but it does have several key properties and brands that Disney can milk, assuming both companies' shareholders approve the deal on Friday and foreign regulators give their blessing.

Here is a look at Fox's marquee properties and what Disney might do with them.



Among Fox's marquee properties are the 2009 movie 'Avatar' and the TV series 'The Simpsons,' which enters its 30th season this September.

The Simpsons'

The longest-running scripted series ever on prime-time television enters its 30th season this September and has generated billions of dollars in revenue from reruns and consumer products for Fox.

It has even become a theme-park ride at **Comcast Corp.'s** Universal theme parks and the unlikely inspiration for golf wear in China, where Simpsons-themed clothing stores have popped up.

Disney is acquiring the Fox television studio, which makes "The Simpsons," but not the Fox network, where it airs.

(21st Century Fox and News Corp., parent company of The Wall Street Journal, share common ownership.)

In 2013, Fox's FXX cable channel, which Disney also is buying, acquired exclusive cable and online rights to reruns in a deal valued around \$400 million.

Disney can sit back and count the money the show still generates or further integrate it. The theme-park deal with Universal, for instance, is

locked up for several years but will eventually come up for renewal. The show also could move to Disney-owned ABC or the Disney Channel.

'Avatar'

James Cameron's 2009 3-D environmental parable remains the top-grossing movie of all time, with \$2.8 billion worldwide. Fox and Mr. Cameron are betting on a continued public appetite more than a decade later with four planned sequels between 2020 and 2025, at an estimated total cost of more than \$1 billion.

"Avatar" is the kind of big-budget spectacle that Disney excels at releasing, but the studio will have to gauge how much moviegoers want of the property, which largely disappeared from public view between its release and the theme-park opening.

"Avatar" is already part of Disney's theme-park business from a global licensing deal with Fox. The first use came at Orlando's Animal Kingdom theme park, where a \$500 mil-

lion Avatar-themed land helped to boost attendance 15%, according to the Themed Entertainment Association.

'X-Men'

While Disney owns the bulk of Marvel Comics characters, Fox has the big-screen rights to a few, including the X-Men and Fantastic Four teams. The studio has had moderate success making movies of those characters, most notably when it has opted for R-rated, adult-only treatments in "Logan" or "Deadpool" that contrast with Disney's PG-13 approach.

Disney has turned its \$4 billion acquisition of Marvel Entertainment into a hitmaker with "Black Panther" and "Avengers: Infinity War."

The company will likely look to unite all its Marvel characters in cinemas, though it remains to be seen if Disney will continue Fox's edgier approach.

Fox Searchlight

In five years, the company's Fox Searchlight art-house division won three best-picture

Academy Awards for "12 Years a Slave," "Birdman" and "The Shape of Water"—the most impressive record in Hollywood in recent history. Disney stopped making such mature movies for adults when it sold its Miramax unit in 2010.

Disney CEO Robert Iger has repeatedly talked up Searchlight, which will become a supplier to the Hulu streaming service that Disney plans to steer more toward adults after the acquisition, said people close to the company. Some Searchlight films will likely still be released in theaters, if only to qualify for awards like the Oscars.

FX

Fox's FX cable channel has launched many critical and commercial successes. It is home to "American Horror Story" and "Atlanta," neither of which fit Disney's family-friendly programming, as well as the long-running comedy "It's Always Sunny in Philadelphia," which has been immensely popular and profitable for Fox. The network will give Disney its first

presence in adult-targeted programming and likely be another supplier for Hulu.

Fox Library

In its 83-year history, Fox has produced some of Hollywood's most memorable movies, from "The Sound of Music" to "There's Something About Mary," and television shows including "Prison Break" and "The X-Files."

Disney will inherit this library of thousands of titles, an automatic boon to its streaming efforts.

Fox has already turned these older titles into unusual revenue opportunities. Fox's consumer-products division took a sentence from the 1993 baseball movie "The Sandlot"—"You're killin' me, Smalls!"—and pasted it on mugs, T-shirts and posters sold in stores today. Disney will have seemingly limitless opportunities to do the same with Fox's library, and, at a time when "Full House" and "Murphy Brown" are being brought back to life, it is conceivable that shows such as "Glee" or "In Living Color" could get rebooted.

Theranos Settles Investor Suit As Firm Runs Low on Funds

BY CHRISTOPHER WEAVER

Theranos Inc., running on financial fumes, settled a suit filed by investors who had alleged they were defrauded by the blood-testing firm.

The pact ends a civil case brought by Robert Colman, a former Silicon Valley investment banker, and other plaintiffs who made indirect investments in Theranos, court records filed Friday show.

They alleged that Theranos made false and misleading statements about its technology.

The company previously reached costly settlements with a major investor and its former retail partner Walgreens Co., and settled civil fraud allegations by the Securities and Exchange Commission in March without admitting or denying wrongdoing.

Last month, federal prosecutors filed criminal charges against founder and CEO Elizabeth Holmes and former President Sunny Balwani, alleging that they defrauded investors, doctors and patients. Ms. Holmes—who stepped down as CEO ahead of the charges—and Mr. Balwani pleaded not guilty.

In the wake of these legal costs, Theranos has been subsisting on a loan backed by its patent portfolio since late last year. The terms of Friday's settlement weren't disclosed in the court filings.

Reed Kathrein, an attorney representing Mr. Colman and the other plaintiffs, declined to comment. David Taylor, Theranos's new CEO, declined to comment.

Meantime, the **Walgreens Boots Alliance Inc.** unit filed a second suit this month, alleging Theranos had failed to

make good on a payment related to its earlier settlement.

A Walgreens spokesman didn't respond to a request for comment.

Theranos had claimed it had developed technology that could deliver dozens of lab results using just a few drops of blood.

A series of Wall Street Journal articles beginning in October 2015 revealed that the company's technology fell far short of its claims.

Mr. Colman's lawsuit, in federal court in northern California, could continue to have implications for the Theranos saga. Documentary filmmaker Alex Gibney asked the judge in the case to make public video depositions from two court cases, including of Theranos insiders.

Mr. Gibney said in court filings that he is making an HBO documentary about Theranos.

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TECHNOLOGY

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China Focuses on Apple Ambitions

Push to supply advanced screens for iPhones part of technology campaign

By YOKO KUBOTA

CHENGDU, China—China's campaign to become a global power in advanced manufacturing is playing out at a high-tech factory in Sichuan province, where engineers are aiming to supply display screens for Apple Inc.'s top-tier iPhones.

BOE Technology Group Co. plants already make display screens for Apple's iPads and MacBook computers, and the company is also the world's top producer of large liquid crystal screens. Now it is seeking to supply Apple with advanced organic light-emitting diode, or OLED, smartphone screens, according to people familiar with the plans.

If it succeeds, BOE wouldn't only prove its manufacturing prowess with a technically challenging product but also score a big win for China in its race to catch up to South Korea and Japan in advanced display-screen manufacturing.

"Many years ago, people were saying that no, the China guys can't do it. But I think BOE makes a good example," said David Hsieh, senior director of display research at IHS Markit, a data-analytics company.

BOE has advanced quickly in the display industry. It became the No. 1 supplier of large LCD screens last year, up from No. 5 in 2014, according to IHS Markit.

It is the only Chinese dis-



BOE Technology Group is seeking to supply advanced OLED screens for Apple's high-end iPhones. A BOE factory in Chongqing.

play company that supplies Apple, which is notoriously finicky in its demands for top-quality components.

But LCD screens are easier to mass-produce than flexible OLED displays, which involve applying tiny organic materials. Even Samsung Electronics Co., an OLED pioneer and Apple's primary display provider, has struggled with a high rate of castoffs.

For Apple, landing BOE as an OLED display supplier provides it with an alternative to Samsung, which Apple competes with in smartphones but relies on for the OLED screens.

Buying display screens from BOE, which is controlled by the Beijing city government

and whose biggest shareholders are state-linked companies, could help Apple stay in China's good graces—as long as BOE can meet Apple's high bar for quality.

"It would be seen favorably by Chinese policy makers if Apple puts a stamp of good quality for China's own technology of suppliers," said Dan Wang, a technology analyst at Gavekal Dragonomics.

Apple declined to comment.

BOE's rapid rise partly reflects government financial support for favored industries.

At four out of five factories that BOE has recently built or is currently building in China, local governments contributed

most of the initial phase of in-

vestment, company filings showed.

IHS's Mr. Hsieh said government backing helps, but BOE also has talented engineers, with a type of commitment he said he has found increasingly difficult to find in the more mature industries of South Korea, Taiwan and Japan.

A case in point is BOE's approach to Apple. BOE first knocked on Apple's doors in about 2011 with hopes of supplying the tech giant with screens, a person familiar with the matter said. It has provided Apple with MacBook displays since 2015 and iPad displays since 2016, the person said.

—Yang Jie

contributed to this article.

Helping Hand

BOE Technology has relied heavily on government backing to build display plants

Initial investment for display plants, in billions of yuan



Note: As of July 19; 10 billion yuan=\$1.48 billion

Source: the company

THE WALL STREET JOURNAL.

A Laptop Keyboard Gets Fixes

Continued from page B1
ticular created controversy. Apple showed off a new typing mechanism in 2015 when it introduced the waif 12-inch MacBook with the butterfly keyboard, named for the two small wings on either side of a key that flap up and down as it moves. The butterfly keys allowed Apple to put incredibly thin keyboards into incredibly thin laptops.

To make the whole part thinner requires reducing "travel," the distance a key moves up and down when you press it. Designers also have to balance features such as peak force (do you have to slam it down to get anything done?), the size of the keys and the distance between them.

"It's a mixture of art and science," said Art O'Grimm, head of core keyboards and mice at Logitech.

I've never cared for the butterfly keyboard. It feels too shallow, too close to tapping on glass rather than pressing a key. But some users had bigger issues.

Since each key moves so little to begin with, anything in its way—even a speck of dust—could render its useless. Apple says very few people have had problems but still offers free repairs. (Note: If you get your older keyboard serviced, Apple won't replace it with the new version.) Three complaints seeking class-action status in California allege Apple knew the keyboard was faulty and continued to sell it anyway.

This brings us back to the new MacBook Pro keyboard. Apple's most substantive change is a thin silicone

A membrane acts as a bellows, blowing dust out every time you press a key.

membrane attached underneath the keys. It does dampen sound, at least a little. I've found the new Pro's keyboard to be quieter, without some of the high-end thwacking of the old model. It seems likely, though, that the purpose of the membrane isn't about decibels. It's about dust.

A 2016 Apple patent filing describes a keyboard mechanism similar to the one implemented on the Pro, describing it as a way to "prevent and/or alleviate contaminant ingress." The new silicone membrane appears to do just that. "It's pretty obvious that it's a cover, a raincoat," says Samantha Lionheart, a technical writer at iFixit, a website dedicated to helping people repair their own tech. It acts as a shield for the tiny butterfly wings and as a bellows blowing dust out every time you press a key.

If Apple were to acknowledge the membrane's dust benefits, that would require admitting there was a dust problem with a keyboard it continues to sell on less costly MacBooks.

The new design does make a difference, though. In my testing, which largely involved pouring Cheetos dust all over my keyboard (by accident, of course), the new Pro did a pretty good job of keeping crud out. Some remnants still made it under the keys, but nothing stopped my keys from working. Ms. Lionheart came to the same conclusion in her tests, which were decidedly more scientific.

It's an improvement. But it's still far from my favorite laptop keyboard. I much prefer typing on Microsoft's Surface Laptop or the Google Pixelbook. If you do buy a MacBook Pro, I recommend looking at Logitech's \$200 Craft keyboard, which is a joy to type on. It can simultaneously control other devices, so you can use type on your phone, iPad and laptop without moving your hands off the keyboard.

Futuristic Travel Ideas Find Platform at Air Show

By ANDY PASZTOR
AND ROBERT WALL

FARNBOROUGH, England—Traditional plane deals grabbed headlines at the Farnborough International Airshow this past week. But a handful of futuristic air-travel concepts signaled a new excitement coursing through the industry.

Global aerospace companies are grappling with new technology from self-flying planes to electrically powered aerial taxis, perhaps the industry's biggest tech surge since the dawn of the jet age in the late 1950s.

Much of the attention at the biennial aerospace jamboree was on still-developing forms of air transport that were

widely dismissed as science fiction barely a few years ago.

Such next-generation projects are a contrast with the industry's recent fixation on designing and building more fuel-efficient planes, such as Boeing Co.'s 787 Dreamliner and Airbus SE's A350 long-range jet. Fast-selling single-aisle jets, variants of the Boeing 737 and Airbus's A320 and the industry's workhorses, have been the stars of recent shows.

Those new planes were dreamed up when the industry's future seemed focused in kerosene-burning, tube-and-wing shaped aircraft; the recent technological wizardry of such planes is in their fuel conservation, range and quiet engines.

But a look at what generated the most excitement in Farnborough indicates another future for the industry is coming into view.

At a Boeing briefing on the future of next-generation air transportation, Chief Technology Officer Greg Hyslop predicted urban flying vehicles would be able to transport passengers and goods relatively soon. Although it isn't clear whether they would be fully autonomous, or how regulators would manage air traffic, Mr. Hyslop boldly called it a "new era of transportation and mobility."

Such craft "are going to start flying around in the next few years" without requiring

airports, at least in a testing capacity, he said. "I don't think we're talking decades."

Mitch Snyder, president of **Textron** Inc.'s Bell helicopter unit, told reporters he expected several of the company's fully autonomous models would serve military and commercial customers within a few years.

Skeptics emphasize that some of these high-profile concepts have been touted before, only to fail. More than a decade ago, various companies promised fleets of small passenger planes to serve as air taxis buzzing between cities. That still hasn't happened.

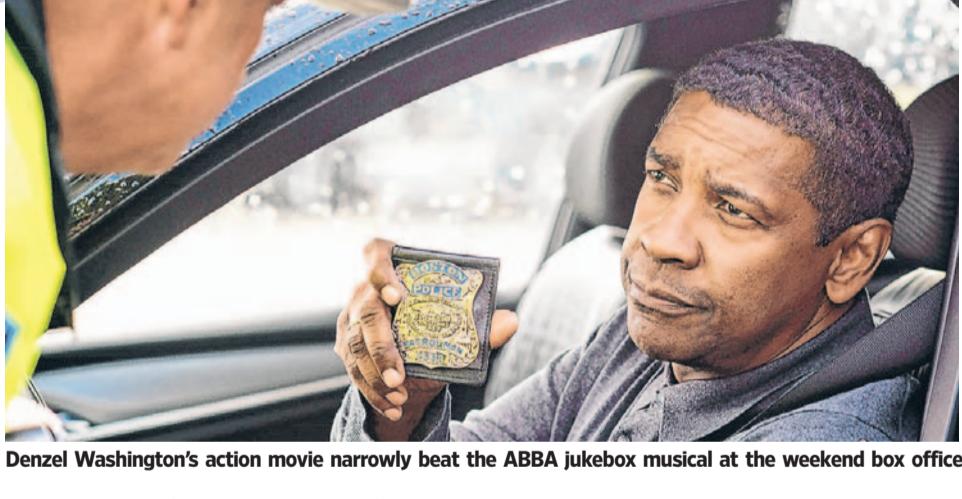
Now, though, the biggest, most-respected names in the industry are piling into some

of these unconventional projects. Since 2003, closely held **Aerion** Corp. has been marketing its concept of the fastest business jet ever. This year, **General Electric** Co. and **Lockheed Martin** are part of the project.

Executives at Boeing and Airbus have watched entrepreneur Elon Musk upset the car business and, much closer to home, the traditional rocket business with the success of his Space Exploration Technologies Corp., or SpaceX.

SpaceX's example resonates for startups such as Boom Technology Inc., which is developing an entirely business-class supersonic airliner.

—Andrew Tangel
contributed to this article.



Denzel Washington's action movie narrowly beat the ABBA jukebox musical at the weekend box office.

'Equalizer' Edges Out 'Mamma Mia'

Associated Press

In the battle of two very different sequels at the box office over the weekend, Denzel Washington's action movie "The Equalizer 2" narrowly won out over the ABBA jukebox musical "Mamma Mia! Here We Go Again."

Studios on Sunday estimated that the R-rated Denzel Washington film grossed \$35.8 million from North American theaters for the weekend. It was the biggest opening of director Antoine Fuqua's career. The first "Equalizer," from 2014, opened similarly and went on to earn over \$190 million worldwide.

Second place went to Universal Pictures' "Mamma Mia 2," which took in \$34.4 million, a sum that was driven by an audience that was 83% female and 64% over the age of 25. The film brought back much of the original cast, including Meryl Streep, Amanda Seyfried and Pierce Brosnan, and added

Cher, Andy Garcia and Lily James to the mix. Critics overall gave the sequel better marks than the first, which still went on to gross over \$600 million worldwide 10 years ago.

It is also a rare showdown of two star-driven films that succeeded in targeting two very different audiences.

Sequels powered the top six spots at the domestic box office and eight out of the top 10 overall. "Hotel Transylvania 3: Summer Vacation" came in third with \$23.2 million in its second weekend, "Ant-Man and the Wasp" took fourth place with \$16.1 million in its third weekend, "Incredibles 2" landed in fifth with \$11.5 million, and "Jurassic World: Fallen Kingdom" came in sixth with \$11 million.

The other big opener, "Unfriended: Dark Web," also a sequel, scared up \$3.5 million for ninth. The only two originals in the top 10 were "Skyscraper" and "Sorry to Bother You." Cher, Andy Garcia and Lily James to the mix. Critics overall gave the sequel better marks than the first, which still went on to gross over \$600 million worldwide 10 years ago.

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CLOSED-END FUNDS

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Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **NA** signifies fund not in existence, available or not applicable. **NS** signifies fund not in existence, not available or not applicable. **Yld** indicates yield, calculated by dividing income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, July 20, 2018

52 wk
Fund (SYM) NAV Close/Disc Ret

General Equity Funds

Adams Divers Equity Fd **ADX** 18.53 15.94 -14.0 19.0Boulder Growth & Income **BIF** 12.69 10.68 -15.8 11.8Central Securities **CET** 34.16 28.35 -17.0 14.4CohSteer Opprtnity Fd **FOF** 13.59 12.93 -4.9 5.6EtnVnc TaxAdvDiv **EVT** 23.59 23.50 -0.4 13.9Gabelli Dividend & Incm **GDV** 24.59 23.31 -5.2 11.0Gabelli Equity Trust **GAB** 6.46 6.39 -1.1 12.5Gen American Investors **GAM** 42.34 35.40 -16.4 11.8Hnck John TxAdv **HTD** 24.81 23.16 -6.7 -1.1Liberty All-Star Equity **USA** 6.97 6.70 -3.9 27.5Source Capital **SOR** 45.33 40.45 -10.8 5.1Tri-Continental **TY** 30.61 27.02 -11.7 14.7

Specialized Equity Funds

Aberdeen Gbll Prem Prop **AWP** 6.79 6.25 -8.0 4.7Adams Natural Rsrcs Fd **PEO** 23.51 19.84 -15.6 12.6AllnzGlf NFJ Div Interest **NFJ** 14.54 12.80 -12.0 3.4BirkRk Enh Cap Incm **CHI** 17.49 16.68 -4.6 16.4BirkRk Engy Res Tr **BGR** 15.79 15.32 -3.0 26.0BlackRock Enh Epq Div **BDI** 9.11 9.24 -5.8 10.3BlackRock Enh Gbl Div Tr **BDE** 12.07 11.12 -7.9 -1.9BirkRk Int'l Grwth & Incm **BGY** 6.43 5.79 -10.0 8.3Reaves Utility Fund **UTG** 31.70 29.56 -6.8 -10.2Switzerland **0.50** 0.50 0.50 0.50Britain **0.50** 0.50 0.50 0.25Australia **1.50** 1.50 1.50 1.50

U.S. consumer price index

All items **251.989** 0.16 2.9Core **257.697** 0.09 2.3

International rates

Latest Week -52-Week-

ago High Low

Prime rates

U.S. **5.00** 5.00 5.00 4.25Canada **3.70** 3.70 3.70 2.95Japan **1.475** 1.475 1.475 1.475

Policy Rates

Euro zone **0.00** 0.00 0.00 0.00Offer **1.9100** 1.9100 2.1500 1.0700

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective June 14, 2018. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective June 14, 2018. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Life US.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; Tullett Prebon Information, Ltd.

INSIDER TRADING, COMMODITIES & STOCKS

wsj.com/marketsdata

Insider-Trading Spotlight

Trading by 'insiders' of a corporation, such as a company's CEO, vice president or director, potentially conveys new information about the prospects of a company. Insiders are required to report large trades to the SEC within two business days. Here's a look at the biggest individual trades by insiders, based on data received by Thomson Financial on July 20, and year-to-date stock performance of the company

KEY: B: beneficial owner of more than 10% of a security class C: chairman CEO: chief executive officer CFO: chief financial officer CO: chief operating officer D: director DO: director and beneficial owner GC: general counsel H: officer, director and beneficial owner I: indirect transaction filed through a trust, insider spouse, minor child or other O: officer OD: officer and director P: president UT: unknown VP: vice president Excludes pure options transactions

Biggest weekly individual trades

Based on reports filed with regulators this past week

Date(s)	Company	Symbol	Insider	Title	No. of shrs in trans (000s)	Price range (\$ in transaction	\$ Value (000s)	Close (\$) Ytd (%)
---------	---------	--------	---------	-------	-----------------------------	--------------------------------	-----------------	--------------------

Buyers

July 16	Walgreens Boots Alliance	WBA	O. Barra S. Pessina	COI CEOI	1,700 1,697	65.15 63.92	110,755 108,500	64.98 -10.5
July 13-17	Energen	EGN	C. Icahn	BI	50	72.78-74.88	3,733	74.47 29.4
July 18	BlackRock	BLK	W. Ford	D	1	507.98	508	502.78 -2.1
July 11-13	ONE Group Hospitality	STKS	D. Kanan D. Kanan	UT BI	182* 40	2.25-2.43 2.55-2.58	422 103	2.57 7.5
July 16	DISH Network	DISH	J. Defranco J. Defranco	OD OD	5 5	32.99 32.99	165 165	30.91 -35.3
July 12	Pershing Gold	PGLC	B. Honig	DOI	83	1.60-1.62	133	1.72 -28.3
July 18	PNC Financial Services Group	PNC	M. Pfinsgraff	D	x	142.15	100	142.50 -1.2
July 12	Investors Real Estate Trust	IRET	J. Kirchmann	CFO	18	5.49	99	5.36 -5.6
July 12	Medical Properties Trust	MPW	G. Dawson	DI	6	14.41	82	14.18 2.9
July 3-12	Century Bancorp	CNBKA	J. Filler	B	1	75.89-77.50	81	77.90 -0.4
July 16	General Finance	GFN	R. Havner L. Havner	BI BI	5 5	13.37 13.37	70 70	13.85 103.7
July 13			R. Havner	BI	5	13.88	69	
July 13			L. Havner	BI	5	13.88	69	
July 11-13	Christopher & Banks	CBK	J. Duskin	DOI	64	.98-1.02	64	1.04 -18.1

Sellers

July 16-18	Facebook	FB	M. Zuckerberg M. Zuckerberg	CEOI CEOI	720 480	205.15-210.71 203.88-207.75	150,166 99,124	209.94 19.0
July 12-13	Walgreens Boots Alliance	WBA	O. Barra	CO	1,697	63.92	108,500	64.98 -10.5
July 16	Twitter	TWTR	E. Williams	D	682*	42.87-45.02	30,248	43.42 80.8
July 11-12	Ollie's Bargain Outlet Holdings	OLLI	M. Butler	CEO	375*	72.34-72.35	27,129	73.60 38.2
July 16	Pfizer	PFE	I. Read	CEO	487	37.30-37.54	18,186	37.33 3.1
July 16-17	Trade Desk	TTD	T. Falk	DI	162	93.18-93.97	15,187	97.30 112.8
July 11	Walt Disney	DIS	A. Braverman	GC	141	107.00	15,048	111.48 3.7
July 12-16	Garmin	GRMN	M. Kao M. Kao	H H	236 112	62.79-63.39 63.91-64.23	14,863 7,132	64.55 8.4
July 17-18	Factset Research Systems	FDS	P. Hadley	CB	70	201.85-206.04	14,254	205.51 6.6
July 16-18	Roku	ROKU	A. Wood	CEO	248	48.11-50.96	12,248	49.77 -3.9
July 18	Alphabet	GOOG	S. Pichai	OD	10,119	21.18-20.53	11,592	118.94 13.2
July 17-18	TPI Composites	TPIC	P. Deutch	DI	347	29.86-30.26	10,430	29.56 44.5
July 11-12	Andeavor	ANDV	P. Foster	D	59*	132.38-134.92	7,836	136.94 19.8
July 16	Sarepta Therapeutics	SRPT	D. Howton	GC	50	136.46	6,823	133.31 139.6
July 16-18	Stitch Fix	SFIX	K. Lake	CEOI	200	32.34-35.30	6,637	34.38 33.1
July 12	Proofpoint	PFPT	G. Steele	CEO	50	123.50-126.17	6,254	125.68 41.5

* Half the transactions were indirect ** Two day transaction

p - Pink Sheets

Buying and selling by sector

Based on actual transaction dates in reports received this past week

Sector	Buying	Selling	Sector	Buying	Selling
Basic Industries	9,900	78,895	Finance	565,816	20,225,939
Business services	0	1,143,881	Health care	46,356	66,320,133
Capital goods	0	0	Industrial	3,875	13,470,358
Consumer durables	28,230	268,726	Media	329,900	31,922,652
Consumer nondurables	0	5,602,336	Technology	2,987	36,332,344
Consumer services	21,726	15,524,549	Transportation	0	4,421,916
Energy	18,329	8,527,221	Utilities	115,791	0

Sources: Thomson Financial; WSJ Market Data Group

Cash Prices | WSJ.com/commodities

Friday, July 20, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

		Friday	Friday	Friday
Energy				
Propane,tet,Mont Belvieu-g	0.9050	Engelhard fabricated	1325.20	LBMA spot price (U.S.\$ equivalent)
Butane,normal,Mont Belvieu-g	1.1613	Handy & Harman base	1228.75	^\$15.2600
NaturalGas,HenryHub-i	2.760	Handy & Harman fabricated	1363.91	11463
NaturalGas,TranscoZone3-i	2.700	LBMA Gold Price AM	*1217.40	
NaturalGas,TranscoZone6NY-i	2.710	Kruegerand,wholesale-e	*1217.35	
NaturalGas,PanhandleEast-i	2.430	American Eagle-e	1280.60	
NaturalGas,Opal-i	2.470	Mexican peso-e	1292.92	
NaturalGas,MarcellusNE PA-i	2.290	Austria crown-e	1292.92	
NaturalGas,HaynesvilleNLA-i	2.670	Austria phil-e	1292.92	
Coal,Caplc,12500Btu1.2502-r,w	69.150	Engelhard industrial	15.4500	LBMA Platinum Price PM
Coal,PwdrRvrBsn,8800Btu0.8502-r,w	13.050	Engelhard fabricated	18.5400	Platinum,Engelhard industrial
Metals				
Gold, per troy oz		1232.74	Handy & Harman base	15.5000
Engelhard industrial			Handy & Harman fabricated	19.3750

A Week in the Life of the DJIA

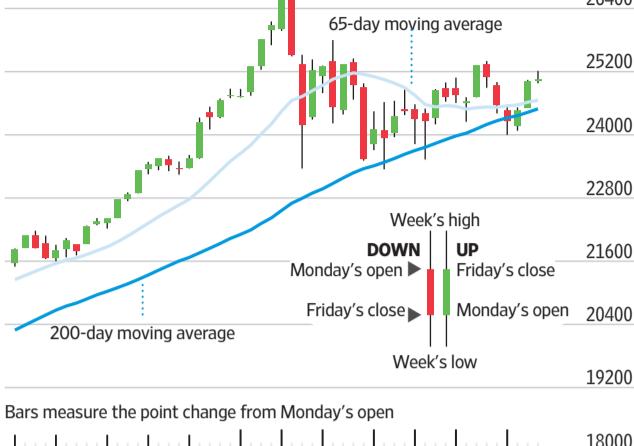
A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA gained 38.71 points, or 0.15%, on the week. A \$1 change in the price of any DJIA stock = 6.78-point change in the average. To date, a \$1,000 investment on Dec. 31 in each current DJIA stock component would have returned \$30,938, or a gain of 3.13%, on the \$30,000 investment, including reinvested dividends.

The Week's Action		Symbol	Close	\$1,000 Invested (year-end '17)
Pct chg (% change in average)	Stockprice	Point chg	Symbol	\$1,000
4.63	4.92	33.36	JPMorgan Chase	JPM \$111.28
2.33	5.28	35.80	Goldman Sachs	GS 231.69
1.89	3.76	25.49	Home Depot	HD 202.45
1.35	1.48	10.04	Walt Disney	DIS 111.48
1.21	0.54	3.66	Coca-Cola	KO 45.28
1.17	4.11	27.87	Boeing	BA 345.90
1.13	1.57	10.65	Visa	V 140.99
0.80	0.84	5.70	Microsoft</b	

MARKETS DIGEST

Dow Jones Industrial Average

25058.12  38.71, or 0.15% last week
High, low, open and close for each of the past 52 weeks



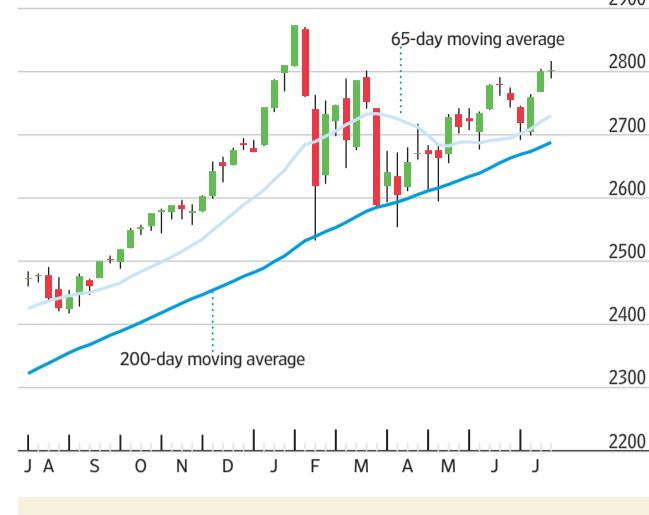
Bars measure the point change from Monday's open



*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2801.83  0.52, or 0.02% last week
High, low, open and close for each of the past 52 weeks



New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date Filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range(\$) Low/High	Bookrunner(s)
7/24 6/27	Aqueous Therapeutics Drug delivery company developing oral film formulations.	AQST 4.0 Nq	14.00/ 16.00 RBC Cptl Mkts, Wedbush Secs, JMP Secs		
7/24 6/12	Bloom Energy Bio and hydrogen fuel cells manufacturer.	BE 18.0 N	13.00/ 15.00 JPM, MS, Credit Suisse, KeyBanc, BofA ML		
7/25 6/29	Berry Petroleum Oil and natural gas exploration and production company.	BRY 18.8 Nq	15.00/ 17.00 GS, WFS, BMO Cptl Mkts, Evercore, UBS		
7/25 6/22	Cango Automotive transaction service platform.	CANG 25.0 N	10.00/ 12.00 MS, BofA ML, GS		
7/25 5/24	Focus Financial Partners Partnership of independent fiduciary wealth management firms.	FOCS 16.2 Nq	35.00/ 39.00 BMO Cptl Mkts, SunTrust		
7/25 6/28	Liquidia Technologies Developer of nanotechnology-based healthcare products.	LQDA 4.6 Nq	10.00/ 12.00 Jefferies, Cowen & Co		
7/25 6/29	Pinduoduo Operates an e-commerce mobile app centered on group buying.	PDD 342.4 Nq	16.00/ 19.00 Credit Suisse, GS, China Int'l		
7/25 6/29	Tenable Holdings Software company providing network security technologies.	TENB 9.2 Nq	17.00/ 19.00 MS, JPM, Allen & Co, DB		
7/26 6/29	Endava Provides outsourced information technology development services.	DAVA 5.6 N	17.00/ 19.00 MS, Citi, Credit Suisse, DB		
7/26 6/29	Opera Provider of internet browser.	OPRA 19.2 Nq	10.00/ 12.00 China Int'l, Citi		

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Offer price(\$)	Offer amt. (\$ mil.)	Through Friday (%)	Lockup provision
July 23	Jan. 24, '18	Gates Industrial	GTES 19.00	841.2	-18.7	180 days
	Jan. 24, '18	Menlo Therapeutics	MNLO 17.00	136.9	-56.2	180 days
July 24	Jan. 25, '18	ARMO BioSciences	ARMO 17.00	147.2	-194.0	180 days
	Jan. 25, '18	PlayAGS	AGS 16.00	188.6	81.3	180 days
	Jan. 25, '18	resTORbio	TORC 15.00	97.8	-41.9	180 days
	Jan. 25, '18	Solid Biosciences	SLDB 16.00	143.6	169.4	180 days

Sources: Dealogic; WSJ Market Data Group

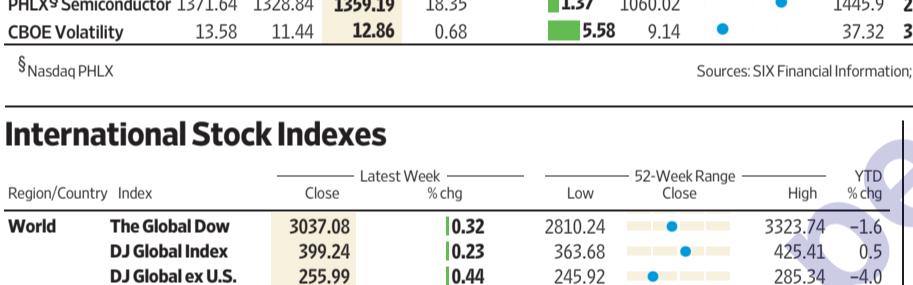
IPO Scorecard

Performance of IPOs, most-recent listed first

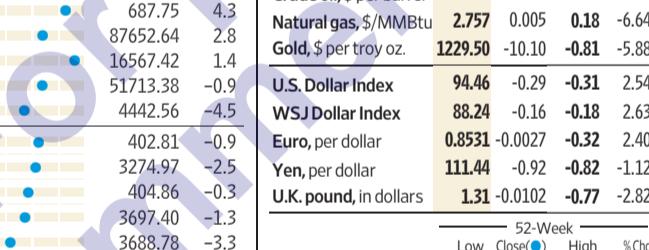
Company SYMBOL	Offer date/Offer price	Friday's close	% Chg From 1st-day close	Symbol SYMBOL	Offer date/Offer price	Friday's close	% Chg From 1st-day close	
Replimune Grp	REPL July 20/\$15.00	15.16	1.1	Tilray	TLRY July 19/\$17.00	29.77	75.1	
Altakos	ALLK July 19/\$18.00	35.05	94.7	Coastal Financial	CCB July 18/\$14.50	15.78	8.8	
Constellation Pharmaceuticals	CNST July 19/\$15.00	11.89	-20.7	Crinetics Pharmaceuticals	CRNX July 18/\$17.00	23.00	35.3	
Establish Labs Hldgs	ESTA July 19/\$18.00	26.39	46.6	Rubius Thera	RUBY July 18/\$23.00	26.54	15.4	
First Western Financial	MYFW July 19/\$19.00	19.10	0.5	-3.0	Allegro Merger	ALGRU July 3/\$10.00	10.17	1.7

Sources: WSJ Market Data Group; FactSet Research Systems

International Stock Indexes



Commodities and Currencies



Company SYMBOL	Offer date/Offer price	Friday's close	% Chg From 1st-day close	Company SYMBOL	Offer date/Offer price	Friday's close	% Chg From 1st-day close	
Replimune Grp	REPL July 20/\$15.00	15.16	1.1	Tilray	TLRY July 19/\$17.00	29.77	75.1	
Altakos	ALLK July 19/\$18.00	35.05	94.7	Coastal Financial	CCB July 18/\$14.50	15.78	8.8	
Constellation Pharmaceuticals	CNST July 19/\$15.00	11.89	-20.7	Crinetics Pharmaceuticals	CRNX July 18/\$17.00	23.00	35.3	
Establish Labs Hldgs	ESTA July 19/\$18.00	26.39	46.6	Rubius Thera	RUBY July 18/\$23.00	26.54	15.4	
First Western Financial	MYFW July 19/\$19.00	19.10	0.5	-3.0	Allegro Merger	ALGRU July 3/\$10.00	10.17	1.7

Sources: WSJ Market Data Group; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Symbol/ Primary exchange	Offer date/ Offer price	Amount (\$ mil.)	Friday's price (\$)	Bookrunner(s)
MTLS Nq	37.8	13.85	Piper Jaffray, KeyBanc, Bryan Garnier & Co	

Sources: Dealogic; WSJ Market Data Group

Off the Shelf

None expected this week

Public and Private Borrowing

Treasurys

Monday, July 23 Tuesday, July 24

Auction of 13 week bill; announced on July 19; settles on July 26	Auction of 2 year note; announced on July 19; settles on July 31
Auction of 26 week bill; announced on July 19; settles on July 26	Auction of 4 week bill; announced on July 23; settles on July 26
Wednesday, July 25	Thursday, July 26
Auction of 2 year FRN; announced on July 19; settles on July 31	Auction of 7 year note; announced on July 19; settles on July 31
Auction of 5 year note; announced on July 19; settles on July 31	Auction of 10 year note; announced on July 19; settles on July 31

announced on July 19; settles on July 31

Public and Municipal Finance

Deals of \$150 million or more expected this week

Final maturity	Issue date	Total (\$ mil.)	Rating Fitch Moody's S&P	Bookrunner/Bond Counsel(s)
July 25 Sept. 1, 2040	Johnson Co-Kansas	246.2	N.R. N.R. N.R.	Preliminary/Gilmore & Bell
July 25 Aug. 1, 2032	NYC Transitional Finance Auth	300.0	N.R. N.R. N.R.	Preliminary/Norton Rose Fulbright
July 25 Aug. 1, 2043	NYC Transitional Finance Auth	850.0	N.R. N.R. N.R.	J.P. Morgan Securities LLC/Norton Rose Fulbright
July 27 prelim.	NYS Dorm Authority	264.7	N.R. N.R. N.R.	BoA Merrill/—
July 27 prelim.	NYS Dorm Authority	294.3	N.R. N.R. N.R.	BoA Merrill/—

Source: Thomson Reuters/Ipreo

Closed-End Funds | WSJ.com/funds

Contin

MONEY & INVESTING

Pimco Official Quits Following Inquiry

An internal review into allegations of inappropriate behavior spurs resignation

By JUSTIN BAER

A senior Pacific Investment Management Co. executive resigned on Friday after facing allegations he acted inappropriately toward a colleague, people familiar with the matter said.

Bill De Leon, head of portfolio risk management and a managing director at the Newport Beach, Calif., bond

manager, stepped down following a weeklong internal investigation into his alleged behavior at a May 2017 charity event in New York, the people said. While the gathering wasn't a Pimco event, it was attended by several employees of the firm.

At the event, Mr. De Leon allegedly touched inappropriately a lower-ranking Pimco employee, one person said. Investigators didn't present Mr. De Leon on Friday with any other allegations of improper behavior, the person said.

It is unclear if he denied the allegations to the firm on Friday.

Mr. De Leon held a critical position at Pimco, overseeing risk controls at a firm with more than \$1.7 trillion in assets.

The team he led has a window into nearly every investment the firm makes. They monitor portfolio managers' trades, ensuring they stayed within the risk parameters set by each fund and safeguarding investors' money from potential losses.

Mr. De Leon had served in that senior role since 2009, outlasting many of the executives to whom he once reported, including former investment chief Bill Gross.

A wave of allegations of misconduct by high-powered executives and politicians has pushed companies large and small to act more decisively to root out instances where their own are accused of misbehavior.

Reached on Sunday, Mr. De Leon said: "I resigned from the firm to spend more time with my family." He declined to comment on the details of the allegations.

Pimco moved quickly to replace Mr. De Leon, appointing portfolio manager Sudi Mariappa as the firm's top risk manager on Friday.

Mr. Mariappa has spent nearly half of his 31-year ca-

reer at Pimco, overseeing teams that manage about \$80 billion in assets.

He also logged stints at Salomon Brothers, Long-Term Capital Management and GLG Partners, where he overlapped with Pimco's current chief executive, Emmanuel Roman.

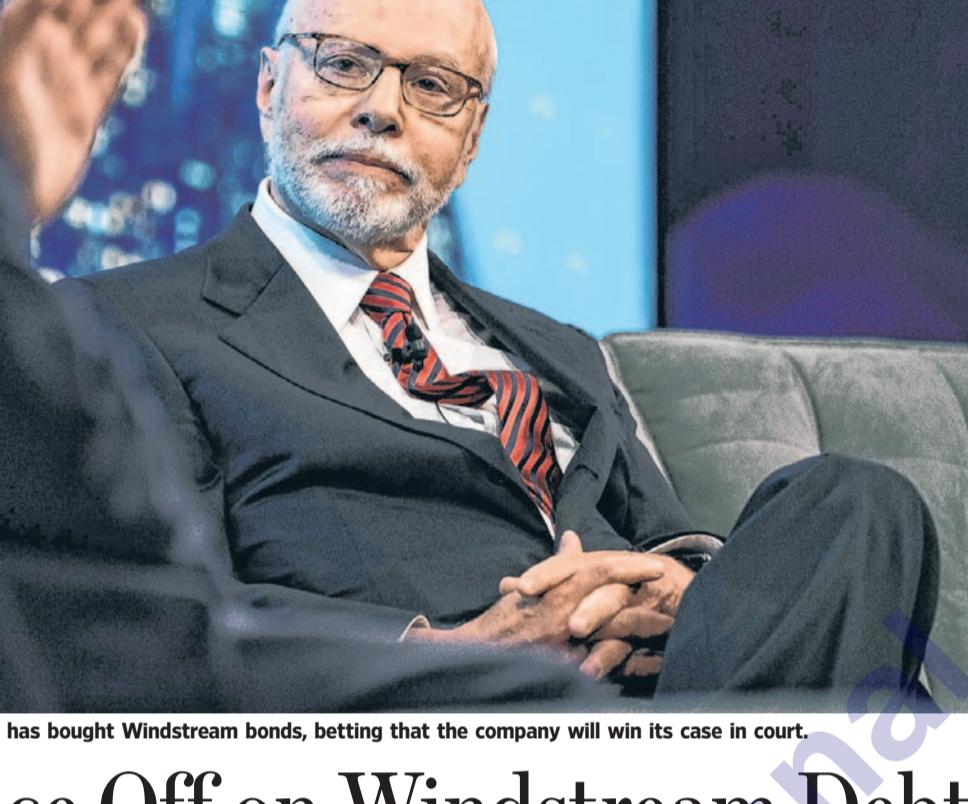
"Sudi has served in a wide range of risks seats globally and managed teams and processes during some of the financial industry's most-challenging periods," Mr. Roman and investment chief Dan Ivascyn wrote Friday in a memorandum to employees.

Messrs. Roman and Ivascyn

wrote in the same memo that Mr. De Leon was resigning "to spend more time with his family."

Mr. De Leon joined Pimco in 2007, serving as a portfolio manager focusing on derivatives and absolute-return investments before heading up risk management.

Pimco's human-resources department, led by co-Chief Operating Officer Robin Shanahan, opened the investigation into Mr. De Leon's behavior about a week ago after Messrs. Roman and Ivascyn learned of the allegations, according to the people familiar with the matter.



Paul Singer's Elliott Management has bought Windstream bonds, betting that the company will win its case in court.

Funds Face Off on Windstream Debt

By SOMA BISWAS

Two heavyweights of distressed-debt investing will face off this week over Windstream Holdings Inc. Hedge fund Aurelius Capital Management is looking to profit from the internet provider's precarious financial position, while Elliott Management Corp. is betting it will stay afloat.

Aurelius Capital Management, founded by former bankruptcy lawyer Mark Brodsky, is known for winning big bets on distressed corporate bonds and sovereign debt. This time, Aurelius is betting against Windstream, people familiar with the matter said.

Aurelius in September sent Windstream a letter accusing the company of defaulting on a bond when it spun off its fiber-optic cable business. The move violated a provision in the company's bond documents, Aurelius said.

A default on one bond could potentially trigger defaults on \$6 billion of debt.

A default on one bond could potentially trigger defaults on \$6 billion of debt.

to get Argentina to pay them back in full on defaulted bonds. But Aurelius' push for a Windstream default means Mr. Brodsky is now on the opposite side from Elliott, the firm where he got his start.

The legal fight will come to a head Monday, when a trial kicks off before Judge Jesse M. Furman in U.S. District Court in New York. Windstream is asking the court to void Aurelius's declaration of default.

Windstream spun off its fi-

ber-optic cable network into a separate company called Uniti Group Inc. in 2015. Aurelius claims that, as a result, it is owed full repayment on its bonds plus interest—a sum of \$371 million. Windstream has said such an adverse ruling will push it into bankruptcy.

Windstream's lawyers claim that Aurelius has a position in Windstream bond insurance and is pushing for a default just so it can collect on instruments known as credit-default swaps, according to court documents.

In its own filings, Aurelius hasn't said whether it has a position in Windstream bond insurance and has stuck to its arguments about the company's spinoff violating bond covenants.

Elliott and BlueMountain have made various bets that Windstream will win its case. The funds have bought Windstream bonds as well as debt and equity stakes in Uniti, say people familiar with the matter. Keeping Windstream out of bankruptcy is key to protecting those investments.

J.P. Morgan Asset Management is also a large holder of

Windstream bonds, according to public documents.

Windstream, based in Little Rock, Ark., has been losing residential and business customers to cable and wireless companies for years and has slowly been replacing its copper network with faster fiber-optic cables.

Aurelius says Windstream's spinoff is really a sale-leaseback agreement that is prohibited by the company's bond covenants. Uniti's cable network remains essential to Windstream's business, and, under a 15-year lease, Windstream pays \$650 million a year to Uniti.

Windstream's lawyers, in defense of the deal, rely on the fine print of the bond covenants.

The company says Windstream Services, the subsidiary that issued the bonds, isn't party to the lease with Uniti. It is the parent company, Windstream Holdings, that signed the lease and pays the rent to Uniti. Nothing in the Windstream Services bond documents forbids Windstream Holdings, the parent, from entering into a sale-leaseback deal with Uniti, the company says.

The Blind Spot in Financial Reports

By MICHAEL RAPORT

There is a blind spot in U.S. regulators' oversight of audit firms—and it could mean investors in companies such as Walmart Inc., Pfizer Inc. and 3M Co. are vulnerable.

Big Four accounting firms use their Chinese and Hong Kong affiliates to do significant work on the yearly audits of dozens of U.S. companies doing business in China, including Walmart, Pfizer and 3M, according to regulatory disclosures the auditors recently made for the first time.

That is a potential problem because the Chinese government has for years blocked U.S. regulators from inspecting the Chinese and Hong Kong firms, which are separate entities from their U.S. counterparts—even though the regulators routinely inspect U.S. audit firms and others involved in auditing U.S.-traded companies.

The arrangement could leave investors in some of the world's largest multinationals feeling like they can't have full confidence that the auditors who scrutinize the companies' finances have themselves been fully vetted by U.S. regulators. And the regulators have no way of knowing whether those companies' tens of billions of dollars of Chinese business has been subjected to outside scrutiny to help prevent errors or fraud.

Walmart, which has over 400 stores in China, is primarily audited by the U.S. arm of Ernst & Young, but EY's Chinese affiliate did 10% to 20% of the work on the company's latest audit, according to an EY filing with regulators. Pfizer, which got 7% of 2017 revenue from China, is primarily audited by KPMG's U.S. firm, but KPMG China did 5% to 10% of the work. Walmart declined to comment; a Pfizer spokeswoman wasn't available to comment.

The issue could grow more topical now that investors are homing in on companies' efforts in China due to the escalation of trade tensions.

Concerns about the lack of China audit inspections have previously arisen regarding U.S.-traded Chinese companies that employ Chinese and Hong Kong firms, including affiliates of the Big Four, as primary auditors. The audits of those companies, including Alibaba Group Holding Ltd., aren't subject to U.S. inspection, either; Alibaba's primary auditor is PricewaterhouseCoopers' Hong Kong affiliate. Alibaba declined to comment.

He has also made himself available to policy makers of both parties as they grapple with how to regulate cryptocurrencies.

Earlier this month he testified before a House committee full of members who worked with him during the financial crisis, but also others who, seemingly unaware of his work in Washington, called him "professor."

Regardless of whether he re-enters the policy or political arenas again, it will be hard to top the thrill and responsibility of running a major regulator during the first half of the Obama administration.

"I don't think I'll ever get to do something as meaningful as coming in after a crisis and helping to clean it up," Mr. Gensler said. "But guess what, it did.

Group Effort

Walmart's primary auditor is the U.S. firm of Ernst & Young, but many other EY country affiliates, including China's, helped with the audit work.

Percentage range of audit work performed by each firm



*Total work on the audit done by 15 other unnamed audit firms.

Source: Ernst & Young filing with Public Company Accounting Oversight Board

THE WALL STREET JOURNAL.

said Paul Gillis, a professor at Peking University's Guanhu School of Management in Beijing.

KPMG said it remains hopeful discussions between U.S. and Chinese regulators will result in an agreement to allow inspections of Chinese firms. EY, PwC and the fourth Big Four firm, Deloitte Touche Tohmatsu, declined to comment.

The U.S. Public Company Accounting Oversight Board regularly inspects firms that audit U.S.-traded companies to assess their performance. The Big Four audit networks are comprised of separate member firms in each country, which the PCAOB separately inspects.

But China won't allow inspections of firms there because of what U.S. regulators say are China's sovereignty concerns and a view that audit firms hold sensitive financial information about Chinese business akin to state secrets.

A spokeswoman for the PCAOB, which has tried unsuccessfully to get China to allow inspections, said it is "considering how best to ensure that the audits of U.S.-traded companies are subject to a consistent level of oversight."

Regulators want to monitor Chinese audit firms partly because of concerns several years ago about the accounting and transparency of U.S.-listed Chinese companies they audit. The SEC barred more than 180 companies from U.S. trading and filed dozens of enforcement cases against the companies, their auditors and other gatekeepers.

The Chinese Big Four were long believed to be helping U.S. firms in auditing U.S. multinationals. But that wasn't confirmed until a new PCAOB rule last year required auditors to disclose other contributors to an audit.



Gary Gensler helped craft a new oversight regime for swaps. Today, he has shifted attention to blockchain technology.

Ex-CFTC Chief Sizes Up New Risks

By GABRIEL T. RUBIN

A decade after the financial crisis, The Wall Street Journal has checked in on dozens of the bankers, government officials, chief executives, hedge-fund managers and others who left a mark on that period to find out what they are doing now. We spotlight the former chairman of the Commodity Futures Trading Commission, Gary Gensler.

In the past few years, Gary Gensler went from cleaning up the fallout from the financial crisis to grappling with the challenge of cryptocurrencies.

Mr. Gensler, a former Goldman Sachs Group Inc. partner, became chairman of the Commodity Futures Trading Commission in 2009, one of the most difficult moments for the U.S. economy in decades. At the CFTC, he helped craft a new oversight regime for the swaps market, which was largely unregulated before playing a central role in the crisis.

The Baltimorean developed a reputation among his colleagues for bare-knuckle tactics as he drove to create a regulatory framework for swaps. By

the time he left the CFTC in 2014, the rule set was largely complete, years before other regulators wrapped up their postcrisis work.

Now, Mr. Gensler has shifted to thinking about new frontiers of potential systemic risk and financial innovation by lecturing about blockchain technology and cryptocurrencies at the Massachusetts Institute of Technology's Sloan School of Management.

In general, Mr. Gensler is bullish on blockchain, which he says mimics the distributed nature of society. But he says he can't look at a fast-growing financial technology phenomenon without a sober assessment of its risks.

"In the late '90s, I was part of the broad consensus saying certain things, like derivatives markets, wouldn't undermine financial stability," Mr. Gensler said. "But guess what, it did.

Eventually we addressed that as a nation and brought it into the public-policy envelope."

Mr. Gensler, 60 years old, says he has no plans to get involved in the 2020 presidential campaign or the 2018 midterms, other than serving as an informal adviser to Democrats who want to pick his brain on various issues.

He has also made himself available to policy makers of both parties as they grapple with how to regulate cryptocurrencies.

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PHILIP TOSCANO/DPA/WIRE/ZUMA PRESS

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Fed Shouldn't Ignore Yield Curve

The Federal Reserve isn't worried about the yield curve, and it has reason why. The problem: It is pretty much the same reason it wasn't worried about the yield curve before the financial crisis.

The yield curve—the difference between shorter- and longer-term Treasury yields—is important for the signals it sends about the future of the economy. The curve has gotten awfully flat lately, not a good sign.

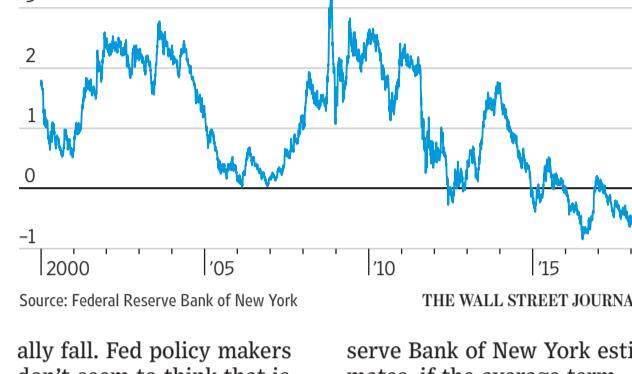
The 10-year Treasury yield, at 2.89%, is just 0.3 percentage point higher than the yield on the two-year Treasury. With the Fed on course to keep raising short-term rates, it is easy to imagine the two-year yield rising above the 10-year yield. That is a worrisome, since such yield-curve inversions have been a reliable indicator of coming recession.

An inverted curve is a signal investors believe that the Fed's current rate-raising efforts are going beyond what the economy can handle and overnight rates will eventually

Terming Out

Term premium on the 10-year Treasury

4 percentage points



Source: Federal Reserve Bank of New York

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ally fall. Fed policy makers don't seem to think that is the risk now.

Rather, they think longer-term yields are lower than they should be because of all the bonds purchased by the Fed and other central banks to prop up their economies. They believe that has driven term premia—the extra yield investors demand for the risk of lending over a long period—negative.

According to Federal Re-

serve Bank of New York estimates, if the average term premia that prevailed over the past 25 years were in effect today, the 10-year Treasury yield would be about 1.4 percentage points higher than the two-year yield.

In 2006, the Fed's view of the inverted yield curve was that a global savings glut had pushed down long-term interest rates. Meeting transcripts show policy makers believed this had driven

down term premia, just as they see the glut of central bank holdings driving down term premia now. As a result, they weren't all that worried about the inverted yield curve. By the end of 2007, the economy had entered a recession and they were frantically cutting rates.

In the Fed's defense, it probably was right in 2006 about the cause of low long-term rates. What it missed was that those low rates drove investors to take on more risk—in many cases risks they didn't understand—to boost yields.

Today, evidence abounds—from supertight spreads to negative yields to high stock valuations to the popularity of structured products—that investors are willing to take risks to capture yield. Since the financial crisis, the Fed has paid more attention to such dangers. But it appears to have a blind spot when it comes to the cause of the flattening yield curve. Ignoring the market's message seems reckless.

—Justin Lahart

OVERHEARD

Build-a-Bear Workshop's chief executive officer probably felt like hibernating after the company's disastrous "Pay Your Age" promotion. Customers created dangerous crowds in shopping malls nationwide and were forced to leave mostly empty-handed. Instead, she is trying again—sort of.

The company tweaked the program, limiting it to "Bonus Club" members during their child's birthday month, thus spreading bargain-hunting visits throughout the year. People left bearless in the initial July 12 rush were given \$15 coupons.

The fiasco hasn't dented the company's share price, perhaps because the huge crowds show that the chain has plenty of young fans. It also could be because the stock isn't what it once was. A few years ago, parents could have paid their age for a share of the company's stock. After a three-year bear market, you now only have to be old enough to tie your own shoelaces.

Casinos in Japan Are a Winning Bet

Japanese lawmakers last week tightened the country's rules on smoking in restaurants. On Friday they removed the final hurdle toward legalizing casino gambling in the country, opening up a potentially massive market. Investors still have to wait to show their hand, though.

Global casino operators are excited about the prospect of three new casino resorts in Japan. The region hasn't seen an opening up this big since Macau in 2002. The Japanese market could generate \$15 billion in annual revenue by 2025, Morgan Stanley estimates, more than twice the Las Vegas Strip's 2017 earnings.

Unlike regional locations catering mainly to Chinese high rollers, Japanese casinos have a big domestic base. Pachinko outlets generated revenue of around \$30 billion last year, similar to Macau's total gambling revenue. Goldman Sachs reckons locals will generate half of revenue.

But Japan's first casino likely won't open for another five years. Who will run them and where are undecided. Operators with experience running casino-resorts both in the U.S. and Macau, like **Las Vegas Sands** and **MGM Resorts**, may hope for an edge. Firms like **Sega Sammy** and **Konami**, which make pachinko and slot machines, are local favorites.

Such uncertainties make it hard for investors to back a winner now. In time, though, Japan could prove a more reliable earnings machine than Macau, whose fortunes have been subject to Beijing's political whims. That ought to cheer even the unluckiest of gamblers.

—Jacky Wong

Luxury Stocks Look Pricey Even Without a Trade Fight

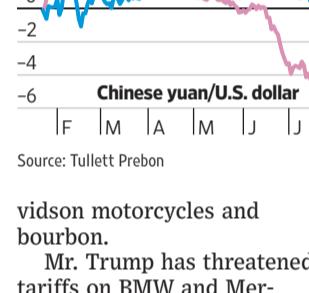
"I cannot produce cognac in Texas," Luca Marotta, chief financial officer of **Rémy Cointreau**, told investors on a Friday call to discuss the latest quarter's sales.

President Donald Trump's trade threats are on the minds of every exporter, but the more worrisome trend for French luxury groups is the falling Chinese currency.

For the maker of Rémy Martin cognac, the tariff question has arisen because the European Union last month retaliated against Mr. Trump's tariffs on steel and aluminum with taxes on imports of iconic American products: jeans, Harley-Da-

Sinking Feeling

Currency performance



Source: Tullett Prebon



BALINT PORNECZI/BLOOMBERG NEWS

prices, damping demand in what has been an extremely strong market. Cognac is by definition produced near the town of Cognac in southwest France, so shifting production isn't an option.

Still, tariffs seem an outside bet. A more concrete risk for Rémy Cointreau and other high-end European brands is the depreciating yuan. The Chinese currency devaluation in 2015 had a major impact on luxury sales.

The yuan is down almost 8% against the dollar since the end of March, as trade concerns have mounted, and over the past month it has also plunged against the euro. The Chinese property

market also is looking shaky.

For now, sales of cognac and expensive handbags remain very buoyant, in large part thanks to China. Rémy reported "strong double-digit" growth in the country.

Handbag maker Hermès said Friday that first-half sales in Asia excluding Japan were up 15% at constant exchange rates.

Rémy Cointreau stock trades hands for 35 times prospective earnings and Hermès stock for 42 times. If China wobbles, investors may struggle to justify these kinds of heady valuations—even without Mr. Trump's trade fight.

—Stephen Wilmot

MARKETS

Chicago's CME Strains to Reflect Shifts in Global Grains

By BENJAMIN PARKIN

CME contracts tied to American beans a less useful global gauge, analysts say.

And Russia has surpassed the U.S. as the world's top wheat exporter, which can make CME contracts for Midwestern wheat harder to use.

CME needs to keep up with agricultural trade patterns to retain customers such as **Bunge** Ltd. and other commodities merchants, whose businesses increasingly span the globe.

"You've got to go where the grain flows are," said Bobby Pelz, a partner at McDonald Pelz Global Commodities LLC.

Using crops grown near Chicago to set prices for those grown near the Black Sea in Russia and Ukraine, for instance, can expose traders to discrepancies in weather and crop quality. Grain trader **Archer Daniels Midland** Co. said it lost more than \$20 million trying to hedge Black Sea grain using North American prices in 2017's third quarter.

"It's a growing problem for the CME," said Dan Basse, president of AgResource Co., a research firm.

Trade fights are hastening the shift. China, one of the world's largest crop buyers, has switched much of its soybean purchases from the U.S. to Brazil. As a result, soybean prices have surged in Brazil and fallen in the U.S., making

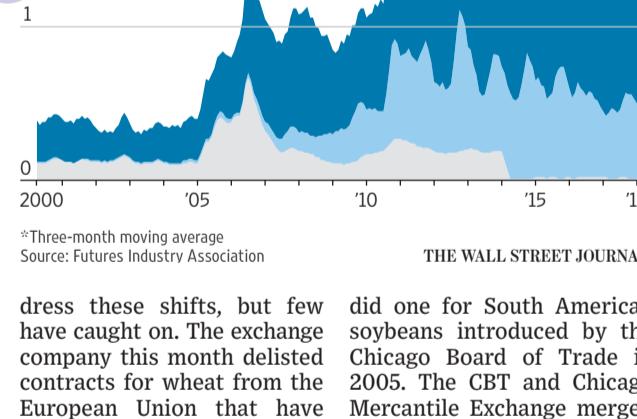
dress these shifts, but few have caught on. The exchange company this month delisted contracts for wheat from the European Union that have failed to attract participants.

A contract for Black Sea wheat from 2012 also petered out, as

Black Sea Bound

Euronext's EU wheat futures emerged as an alternative contract closer to Russia and Ukraine.

Open interest in wheat contracts*



Source: Futures Industry Association

did one for South American soybeans introduced by the Chicago Board of Trade in 2005. The CBT and Chicago Mercantile Exchange merged to form CME Group in 2007.

Futures introduced by CME in December for Black Sea

wheat have grown to about 20,000 contracts, compared with almost half a million in CME's main Chicago contract. Another introduced last year for Australian wheat has attracted some trading.

CME Chairman Emeritus Leo Melamed traveled to Ukraine around 2010 to attempt to launch wheat contracts there. That didn't work, but he said CME has to keep trying.

Exchanges in other parts of the world have gained ground. In China, the world's top soybean buyer, soybean-oil futures at the **Dalian Commodity Exchange** regularly trade at higher volumes than CME's, though the contract size is smaller. **Euronext** NV's futures for EU wheat have also become an alternative to CME.

"There is a clear shift," said Nicholas Kennedy, head of commodities at Euronext, which has considered introducing its own Black Sea contracts. "The Black Sea, Ukraine and Russia are playing a greater role on the trading floors."

Still, CME's agricultural contracts are the world's most popular by far. Open interest at CME, a measure of participation, rose to a record of over 10 million contracts in June. Trading volumes also are up, including outside the U.S.

The contracts remain "the global benchmarks for price discovery and risk management," said Tim Andriesen, CME's managing director of agricultural products. "While import and export patterns may shift, the need for managing price risk has never been more important." CME derived just 11% of first-quarter revenue from agricultural commodities but still counts crops as an important business line.

CME's other businesses have thrived lately. Interest rates and market volatility have perked up, which boosts traders' need for CME's financial products. Shares of CME are up 16% this year, while the S&P 500 is up about 5%.

—Alexander Osipovich contributed to this article.

THE TICKER | Market events coming this week

Monday

Existing-home sales
May, previous 5.43 mil.
June, expected 5.45 mil.

Earnings expected*

Estimate/Year Ago(\$)

Alphabet 9.66/5.01

Cadence Design Systems 0.40/0.34

Halliburton 0.58/0.23

Hasbro 0.29/0.53

Illinois Tool Works 1.97/1.69

TD Ameritrade 0.79/0.44

AT&T 0.87/0.79

Eli Lilly 1.30/1.11

Lockheed Martin 3.92/3.23

United Technologies 1.86/1.85

Verizon 1.14/0.96

EIA status report

Previous change in stocks in millions of barrels

Crude oil up 5.8

Gasoline down 3.2

Distillates down 0.4

New-home sales May, previous 689,000

June, expected 670,000

Earnings expected*

Estimate/Year Ago(\$)

3M 2.58/2.58

Boeing 3.31/2.55



MARK LENNIHAN/ASSOCIATED PRESS

Hasbro's **Infinity Gauntlet**. Firm reports results Monday.

Mastercard 1.53/1.10

McDonald's 1.93/1.70

Friday

GDP Deflator

1st qtr., final up 2.2%

2nd qtr. adv. est. up 2.0%

Gross domestic product:

Percentage change, annual rate

1st qtr., final up 2.0%

2nd qtr. adv. est. up 4.2%

U.Mich. consumer index

July, prelim. 97.1

July, final 97.1

Earnings expected*

Estimate/Year Ago(\$)

AbbVie 1.97/1.42

Chevron 2.10/0.91

Colgate-Palmolive 0.77/0.72

Exxon Mobil 1.27/0.78

Merck & Co. 1.03/1.01

MARKETS

The Next Test for Stocks: Tech Earnings

With about 35% of the companies in the S&P 500 set to report quarterly results this week, investors will get a fresh look at whether companies ranging from automobile makers to technology giants have remained on strong footing. Google parent Alphabet Inc., Facebook Inc. and Amazon.com Inc. are among the most high-profile names on tap.

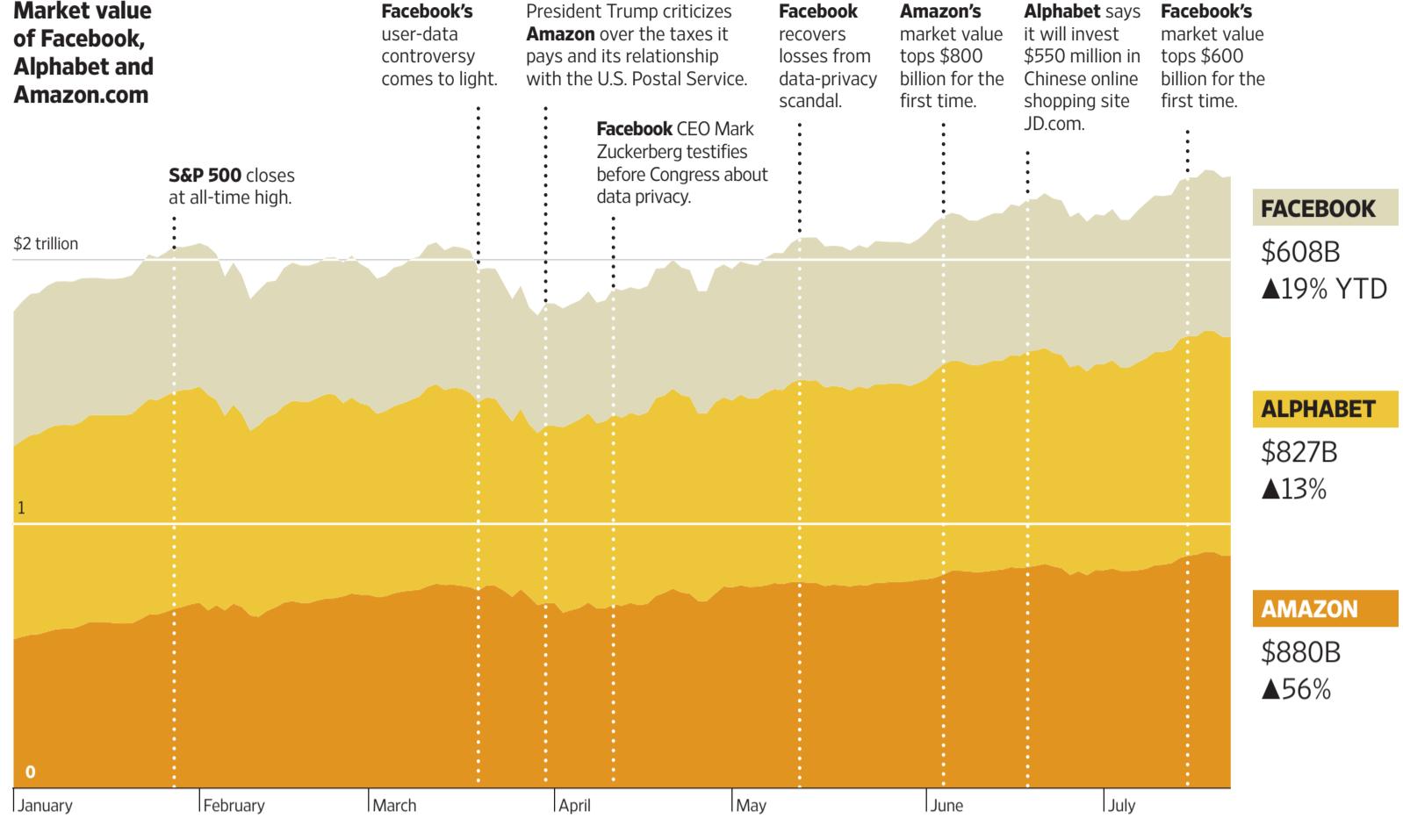
Investors will be watching to see whether those companies can maintain their surging pace of earnings and revenue growth. All three are projected to post double-digit increases for both metrics.

The companies, though, have drawn attention from regulators for their growing dominance in their respective industries. Alphabet and Facebook are facing scrutiny over their vast reach and access to personal data, while President Donald Trump has lashed out at Amazon's business practices and economic impact.

But those concerns have yet to dent the companies' share prices. All three stocks have hit a series of all-time highs in recent weeks, closing at new highs most recently on Tuesday. The S&P 500, meanwhile, is 2.5% below its all-time high, and a blowout quarter from the tech giants—which have been some of the best performers in the S&P 500 this year—could help propel the index to its first record since January.

Of the companies in the S&P that have already reported results, 87% have posted stronger-than-expected earnings and 77% have beat revenue expectations. Earnings are up 21% from the year-earlier period, which would mark the second-highest growth rate since the third quarter of 2010, according to FactSet.

Market value of Facebook, Alphabet and Amazon.com



S&P 500 closes at all-time high.

Facebook's user-data controversy comes to light.

President Trump criticizes Amazon over the taxes it pays and its relationship with the U.S. Postal Service.

Facebook recovers losses from data-privacy scandal.

Amazon's market value tops \$800 billion for the first time.

Alphabet says it will invest \$550 million in Chinese online shopping site JD.com.

Facebook's market value tops \$600 billion for the first time.

FACEBOOK

\$608B

▲19% YTD

ALPHABET

\$827B

▲13%

AMAZON

\$880B

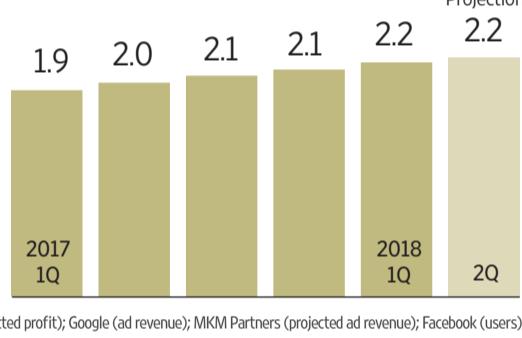
▲56%

Facebook is projected to log another slight uptick in monthly active users when it reports results Wednesday. After facing a number of crises since the 2016 election, including widespread data-privacy concerns, the social-media company has sought to repair its image among users and advertisers as well as stave off further regulation.

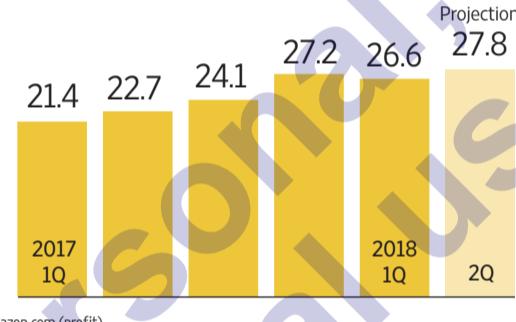
Google's advertising revenue, which accounts for nearly all of Alphabet's top line, is expected to climb again when the company reports results Monday. Google has maintained its lead in the global market for online ads despite its massive size and growing competition from rapidly expanding challengers.

Amazon's profit is seen topping \$1 billion for the third straight quarter when it posts results Thursday. The online retail giant, which has a reputation for plowing nearly every dollar it earns into investments, has credited its strong results to its cloud-services and advertising businesses.

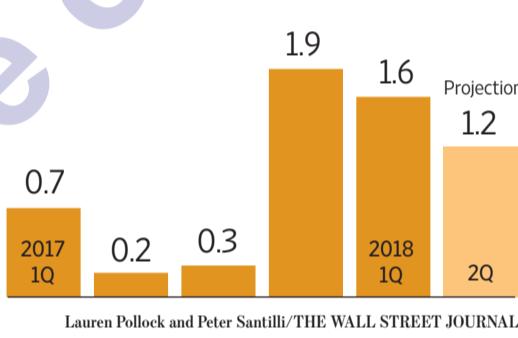
Facebook's monthly active users world-wide



Google advertising revenue, quarterly

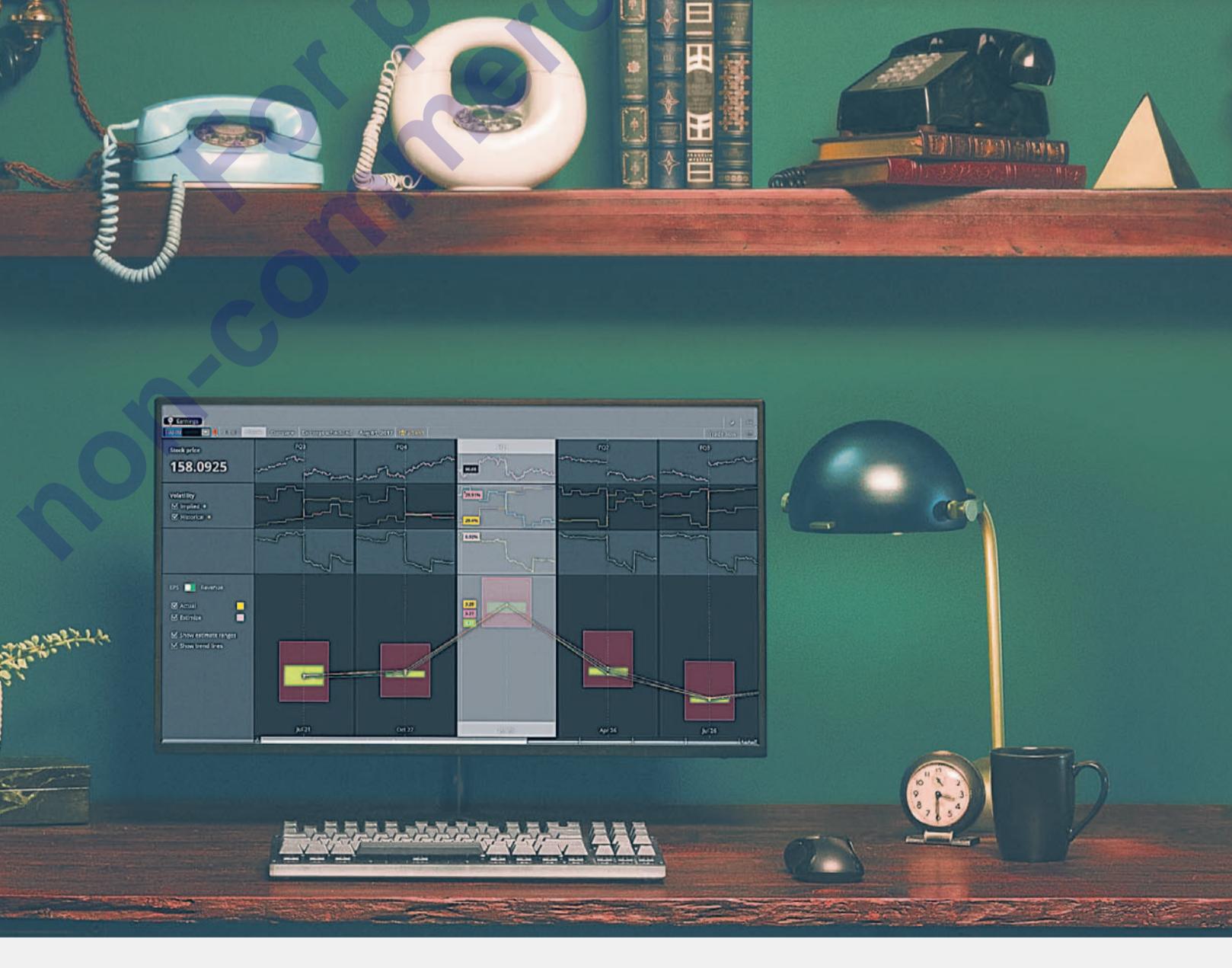


Amazon profit, quarterly



Sources: FactSet (market value, projected users, projected profit); Google (ad revenue); MKM Partners (projected ad revenue); Facebook (users); Amazon.com (profit)

Lauren Pollock and Peter Santilli/THE WALL STREET JOURNAL.



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