

THE WALL STREET JOURNAL.

DOW JONES | News Corp ****

MONDAY, JULY 30, 2018 ~ VOL. CCLXXII NO. 24

WSJ.com

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Last week: DJIA 25451.06 ▲ 392.94 1.6% NASDAQ 7737.42 ▼ 1.1% STOXX 600 392.08 ▲ 1.7%

10-YR. TREASURY ▼ 18/32, yield 2.962%

OIL \$68.69 ▲ \$0.43

EURO \$1.1656 YEN 111.04

What's News

Business & Finance

Some CBS directors discussed over the weekend whether CEO Moonves should step aside from the company pending its investigation into allegations that he sexually harassed women. A1

The broad U.S. stock market is within 2% of a new high despite big drops by some of the tech giants that have powered recent gains, reassuring investors. B1

The Fed is wrestling with what to do once interest rates it is lifting reach a setting that neither slows nor spurs growth. A2

Crude across the globe is being used faster than it is being replaced, raising the prospect of even higher oil prices in the coming years. B1

Investors shut out of some of the highest-return hedge funds are turning to the same managers' open funds, whose results are generally not as good. B1

Startup stock exchange IEX has failed to attract any company listings despite wooing prospects for several years. B1

EuroChem is mining potash in Russia, in a move that could shake up a market in the fertilizer dominated by a handful of producers. B3

Chinese regulators disclaimed responsibility for Qualcomm's abandoning its acquisition of NXP, saying the proposal failed to address competition concerns. B4

Walmart is exploring a subscription video-streaming service that would seek to challenge Netflix and Amazon. B4

World-Wide

Consumers are starting to see higher prices for recreational vehicles, soda, beer and other goods that now cost more to make as a result of recent tariffs on metals and parts. A1

U.S. employers are abandoning jobs criteria put in place after the recession when applicants were plentiful to speed hiring now that the market is tight. A1

Trump renewed a threat to shut down the government unless Congress provides money for a southern-border wall and enacts new immigration curbs. A4

Wildfires spread across California, with the northern Carr blaze expanding to more than 90,000 acres and killing at least six. A3

Pope Francis accepted McCarrick's resignation after allegations of sexual abuse were made against the U.S. cardinal. A3

Hun Sen claimed victory in a Cambodian election widely seen as rigged, after the arrest last year of the prime minister's chief political rival. A9

Zimbabweans were set to go to the polls Monday in the first election since the ouster in November of long-time strongman Mugabe. A8

A recent cease-fire and other developments in Afghanistan are raising hopes for the prospect of talks to end the war there. A7

Geraint Thomas won the Tour de France for Team Sky, in the Welshman's first Grand Tour victory. A14

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JEKESAI NIKITZANA/AGENCE FRANCE PRESSE/GETTY IMAGES

Ousted Leader Casts a Shadow on Zimbabwe's Election



A STRONGMAN SPEAKS: Robert Mugabe on Sunday weighed in on the eve of Zimbabwe's first vote since his ouster last year, saying he would back the opposition in an election being monitored by international observers for signs of irregularities. A8

CBS to Weigh CEO's Fate

Some board members discuss whether CEO Moonves should step aside pending probe

By KEACH HAGEY
AND JOE FLINT

Some CBS Corp. directors discussed over the weekend whether Chief Executive Leslie Moonves should step aside from the company pending its investigation into allegations

he sexually harassed women, according to people familiar with the matter.

The board of CBS, which is scheduled to meet via conference call Monday in advance of its second-quarter earnings announcement Thursday, is expected to select a special committee to oversee the investigation, the people said. The board intends to make a broad inquiry into CBS's workplace culture, not just the alleged behavior of Mr. Moonves, they said.

The investigation is in response to a New Yorker article published Friday, in which six women who had professional dealings with Mr. Moonves between the 1980s and late 2000s claimed he sexually harassed them. The story carried accusations that CBS tolerates systemic harassment against women.

"I think the board realizes as a whole that this is a very, very, very serious situation. While there is an important Les piece to this, really, more

important to the company as a whole is that this raises serious issues with regard to culture and harassment throughout the company," said one person familiar with the matter.

The Wall Street Journal reported Friday that the CBS board planned to hire an outside law firm to conduct the probe.

Mr. Moonves expressed regret in the New Yorker article for any behavior that made

Please turn to page A8

Oil Supply Gets Pinched

Approvals of new crude-oil projects have slipped in recent years as producers spend less, raising the specter of a supply crunch. B1

Global production ■ Total approvals



A Living-Room Accent With Bite: The Personal Shark Tank

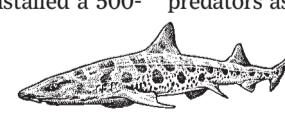
* * *

Aquariums with pet predators are the rage in upscale homes; pity the other fish

By CANDACE TAYLOR

After buying a palatial home outside Los Angeles, Elise Ingram and her husband debated what to do with a "very 70s" built-in circular seating area in the living room. They considered turning it into a wine cellar.

Instead, they opted to fill it with sharks. The couple installed a 500-



Not so cuddly

gallon aquarium, where they put a leopard shark and a houndshark, both about two feet long, three sting rays and a few yellow tangs.

It didn't go swimmingly. The houndshark immediately began "frantically trying to get out of the tank," Ms. Ingram said. She called the aquarium company to remove it. "He was messing with the vibe of the tank."

One of the other fish in the tank fared even worse. It was

chomped during a shark feeding frenzy and left "twitching in the corner."

For some reason, sharks have become a new must-have accessory for luxury homes.

Real-estate developers and high-end buyers—including celebrities like Lil' Wayne and Tracy Morgan—are installing elaborate aquariums so they can keep the ocean's most feared predators as pets.

They are also finding that keeping predators with multiple rows of knife-sharp teeth is often, well, complicated. Sharks are expensive to maintain and surprisingly finicky about water conditions.

The tank alone can cost from \$15,000 up to \$1 million, said Brett Raymer, co-founder of Acrylic Tank Manufacturing, based in Las Vegas. The company builds about 20 shark tanks a year in private

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Jack Ma Is Rattling The Chinese Banking System

Financial-technology giant Ant draws warning shots from regulators

By STELLA YIFAN XIE

It handled more payments last year than Mastercard, controls the world's largest money-market fund and has made loans to tens of millions of people. Its online payments platform completed more than \$8 trillion of transactions last year—the equivalent of more than twice Germany's gross domestic product.

Ant Financial Services Group, founded by Chinese billionaire Jack Ma, has become the world's biggest financial-technology firm, driving innovations that let people use their phones for buying insurance as easily as groceries, enabling millions to go weeks at a time without using physical cash.

That success is also putting a target on the company's back. China, even more than the U.S., is now under pressure to reckon with the disruptive power of a financial-technology giant.

China's banks complain Ant siphons away their deposits, causing them to pay higher interest rates, and is a factor leading them to close branches and ATMs. One commentator at a state-owned television channel described Ant's huge money-market fund as "a vampire sucking blood from banks."

Chinese authorities, clearly increasingly uncomfortable about Ant's scale, have started to put limits on the activities it can pursue. Early

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Help Wanted, Degree Not Needed

By KELSEY GEE

Employers are abandoning preferences for college degrees and specific skill sets in a bid to fill jobs faster, providing Americans looking for a new career with their best chance of success in years.

Many companies raised education and experience requirements for job applicants after the recession, when millions were out of work and human-resources departments

were stacked with résumés.

Now employers want to broaden the pool of job candidates, leading many to reverse those minimum qualifications.

Across incomes and industries, the lower bar to getting hired is helping self-taught programmers attain software-engineering jobs at Intel Corp., and improving the odds for high-school graduates who aspire to be branch managers at Terminix pest control.

"Candidates have so many

options today," said Amy Glaser, senior vice president of Adecco Group, a staffing agency with about 10,000 company clients in search of employees.

If a company requires a degree, two rounds of interviews and a test for hard skills, candidates can go down the street to another employer who will make them an offer

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Midwest rushes to keep laid-off workers..... A6

U.S. NEWS

THE OUTLOOK | Lingling Wei

Beyond U.S., China Trade Has Turned



For years, China has sold much more to the world than it has bought.

Now, that imbalance is shrinking, helping Chinese leadership argue it no longer pursues a mercantilist policy.

Economists say that official data set to be released Aug. 6 likely will show China's current account, which measures its transactions with the rest of the world, was in deficit for the six months ended in June, essentially meaning it imported more than it exported. Macquarie Capital Ltd. economist Larry Hu estimates the deficit was \$24 billion. It would be the first half-yearly deficit since the country joined the global trading system in 2001.

Increased imports of oil, iron ore and other commodities, along with more spending by Chinese firms on foreign financial and software services, drove the turn.

For the year overall, economists still expect China to run a current-account surplus, to the tune of \$100 billion, as weakening growth leads to reduced Chinese purchases from abroad. But that surplus would represent less than 1% of China's gross economic product, its smallest surplus since 1995.

By comparison, China's current-account surplus reached nearly 10% of GDP

Balancing Act

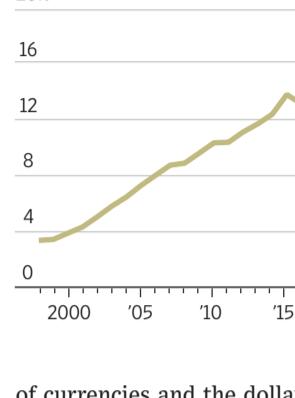
China's overall trade imbalances are shrinking, but its surplus with the U.S. remains large.

China's current-account surplus as a percentage of GDP



Source: Macquarie Capital

China's exports as a share of global exports



Source: Macquarie Capital

China's trade balance



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historical range, calculates Robin Brooks, chief economist at the Washington-based Institute of International Finance. "That shows little rebalancing," Mr. Brooks says.

China runs big deficits with commodity producers such as Russia, Saudi Arabia and Brazil, and with countries including South Korea and Japan, where it purchases electronic components like displays and memory chips to put together smartphones. Its surplus with the U.S. continues to widen, fueled by strong American demand and Chinese exporters accelerating deliveries to avoid U.S. tariffs.

China's merchandise surplus with the U.S. almost doubled to \$276 billion in 2017 from the height of the financial crisis in 2009, according to Chinese statistics. (U.S. data show its goods deficit with China was \$375 billion last year. The discrepancy is because U.S. data include Chinese products shipped via Hong Kong, while Chinese data don't.)

Brad Setser, a senior fellow at the Council on Foreign Relations and a former U.S. Treasury official, said China's shifting current account fails to capture the pressure Beijing places on global manufacturers through subsidies to state firms and what he calls the overall "buy China" policy.

ECONOMIC CALENDAR

Central banks including the U.S. Federal Reserve, Bank of Japan and Brazil's central bank are holding policy meetings this week. On the data front, the eurozone will report second-quarter gross-domestic-product figures, while the U.S. will show figures on jobs.

TUESDAY: The Bank of Japan concludes its regular policy meeting. After nearly two years of stasis, market watchers are curious whether the BOJ will back away from its monetary-easing policy.

The eurozone economy slowed at the start of 2018, and second-quarter GDP figures aren't expected to rebound.

The Fed begins a two-day policy meeting. It is widely expected to leave its benchmark rate unchanged now and then increase it in September by a quarter of a percentage point to a range between 2% and 2.25%.

The U.S. Commerce Department releases the June report on personal income and spending. Economists surveyed by The Wall Street Journal expect personal income to have risen 0.3% in June, with 0.4% growth for consumer spending.

WEDNESDAY: Brazil's central bank is expected to keep rates steady at a historic low of 6.5%.

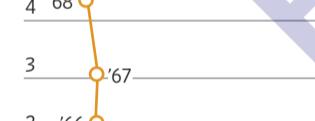
FRIDAY: The U.S. Labor Department releases the July jobs report. In June, the economy added 213,000 jobs, while hundreds of thousands of Americans started looking for jobs, helping push the unemployment rate up to 4%. Economists surveyed by the Journal forecast that employers added 188,000 to nonfarm payrolls in July, while the unemployment rate ticked down to 3.9%.

Fed Examines Scenarios On Inflation, Jobless Rate

By NICK TIMIRAO

Flatlining

In a concept called the Phillips curve, falling unemployment is expected to push inflation higher, as it did in the 1960s. But since 2010, lower unemployment hasn't had that effect.



Source: Commerce Dept.; Labor Dept.

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employment rate would reach 3.75%. "Now we're kind of at that point," he said.

In the late 1960s, the last time unemployment fell below 4% for a sustained period, inflation steadily accelerated. By the 1970s, if inflation rose one year, consumers expected it to rise at least as much the following year—and it did. Fed officials believe expectations can be self-fulfilling as workers demand pay increases and businesses raise prices.

Separate Fed research published in 2016 used data from the 1960s to measure the level at which inflation pressures begin to harm the economy. The researchers concluded this happens when core consumer prices rise by 3% on a sustained basis, according to the Fed's preferred gauge.

Economists say inflation accelerates when unemployment falls below a so-called natural level, which Fed officials estimate at 4.1% to 4.7%.

The "point at which you can get a large inflation overshoot" approaching 3% is when the jobless rate falls 1.5 percentage points below the natural level, said Jeremy Nalewaik, the study's author, who now works at Morgan Stanley.

Fed officials are also eager to know how much workers might benefit when unemployment is low. The policy makers wonder whether people at the margins might more easily find jobs and become more productive—permanently improving their chances of employment. This would lower the natural unemployment rate and reduce the prospect of the economy overheating.

Researchers at the Cleveland Fed, using state-level data, looked for signs that low joblessness delivered lasting benefits to less-educated, working-age men. Their conclusion: "Once the labor market returns to a sort of normal state, the benefits from a tight labor market to these disadvantaged groups don't last very long," said Bruce Fallick, a co-author of the study.

Mr. Powell has signaled he is looking carefully at data to discern which of the two scenarios looks more likely.

"It's difficult to forecast the economy and these concepts that we have," Mr. Powell said in July. "It's not like the fact that water boils at 212 degrees. The economy doesn't boil at 4% unemployment."

One of the researchers, Alan Detmeister, who now works at UBS Group AG, said that when the Fed began the study in 2016, he considered it "highly unlikely" the U.S. un-

employment rate would rise to 3.75%.

Fed officials want to raise rates enough to prevent the rapidly expanding economy from overheating, but not so much that they choke off healthy growth prematurely.

So far, they are succeeding. The central bank is closer to meeting its two congressional mandates to maximize employment and maintain stable prices than at any time in the past decade.

Unemployment rose to 4% in June from 3.8% in May for

the second consecutive month.

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U.S. NEWS

Deadly Fires Scorch Areas of California

State extends closure of Yosemite Valley; at least six people have died in Redding

BY JIM CARMON

SAN FRANCISCO—Wildfires spread across California on Sunday, forcing officials to extend closure of the famed Yosemite Valley and maintain evacuations for thousands of people further north around Redding, where the death toll climbed to at least six.

By far the most destructive inferno so far has been the Carr Fire, which has exploded to more than 90,000 acres after igniting from a vehicle spark July 23 in the tinder dry brush outside Redding.

A firestorm Thursday sent residents of Redding and other smaller communities in its path fleeing for their lives, leaving at least 500 homes and other structures destroyed. A state fire official estimated the tally could be several hundred higher.

The huge blaze—already one of the top 20 in California history—has claimed at least six lives: Redding fire inspector Jeremy Stoke; 81-year-old Don Ray Smith, a civilian bulldozer operator; and 70-year-old Melody Bledsoe and her two great-grandchildren, James Roberts, 5, and Emily Roberts, 4. The family's bodies were discovered in their home in Redding that was overcome by fire Thursday night, when the two men also died. Officials said they had found another victim on Sunday, but they had no further details.

Over the weekend, the Carr Fire remained active but pushed mostly into rural areas south and north of Redding, a city 200 miles north of San Francisco. But much of Redding, with its 92,000 residents, remained on evacuation notice as fire officials warned that the flames—fueled by gusty evening winds and relentless triple-digit heat—



Capt. Scott Fisher, with the San Bernardino County Fire Department, surveying a wildfire-damaged neighborhood in Keswick, Calif., on Sunday.

could shift back at any time.

"For Redding right now, it's a pretty hopeless feeling," said Easton Waterman, a 19-year-old college student who helped his family pack possessions into a vehicle.

On Saturday, President Trump signed an emergency declaration request by Gov. Jerry Brown for federal assistance in the Redding-area firefighting efforts.

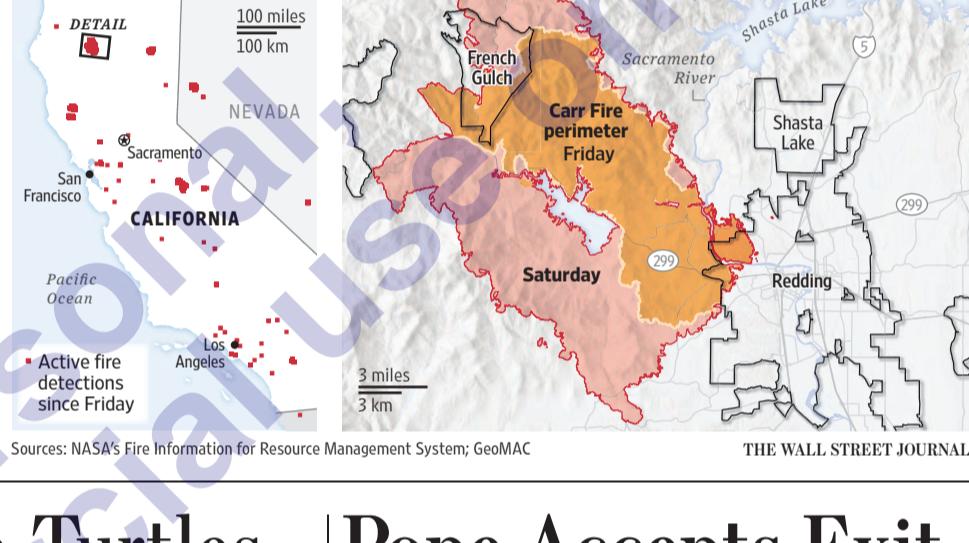
Hundreds of miles to the south, the 54,025-acre Ferguson Fire, which broke out July 13 outside Yosemite National Park, continued to expand, as a firefighter was killed battling it Sunday. Another firefighter died in the blaze shortly after it broke out. Meanwhile, firefighters made progress encircling the blaze with containment lines.

Still, National Park Service officials extended a closure that began July 25 for the Yosemite Valley to Aug. 3 from a planned reopening of Sunday. Although the valley wasn't directly threatened, they said the closure was needed because of heavy smoke and to give firefighters more room to work.

The infernos were just two of 17 major wildfires that 12,000 firefighters are attacking across the Golden State, where a fire season that once began in late summer now extends for much of the year because of a combination of drought, warmer temperatures and accumulation of dead trees and other fuel, said Scott McLean, deputy chief of the California Department of Forestry and Fire Protection.

Wind-Swept Blazes Keep Communities on Edge

The Carr Fire, one of multiple wildfires California is working to contain, continued to grow over the weekend



Sources: NASA's Fire Information for Resource Management System; GeoMAC

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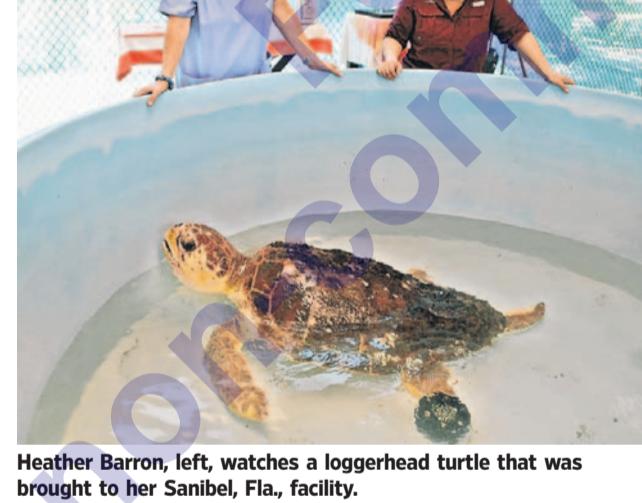
Red Tide Killing Florida's Sea Turtles

BY ARIAN CAMPO-FLORES

The number of dead or ailing sea turtles washing up on Florida's southwestern coast has soared due to a prolonged algae bloom, raising concerns about the long-term impact on endangered turtle species.

Since the start of the year, 287 turtles—dead, sick or injured—have been stranded in the counties of Sarasota, Charlotte, Lee and Collier, said Allen Foley, a wildlife biologist at the Florida Fish and Wildlife Conservation Commission. That is double the five-year average for the same period and the highest toll since 2005 and 2006, when a similar algae bloom erupted.

The phenomenon is coinciding with sea turtles' breeding season, which runs from April to October, said Heather Barron, medical and research director at the Clinic for the Rehabilitation of Wildlife in Sanibel, Fla. Many of the stranded turtles are sexually mature adults of vulnerable species, including the Kemp's ridley, which is classified as endangered, and the loggerhead, which is classified as threatened.



Heather Barron, left, watches a loggerhead turtle that was brought to her Sanibel, Fla., facility.

"To have so many adults that are dying in their prime years of breeding is going to have repercussions for decades to come," Dr. Barron said.

Known as a red tide, the algae bloom produces toxic chemicals that can affect the central nervous systems of fish and other animals, killing or impairing them. Exposed

sea turtles may swim in circles and exhibit jerky body movements and lethargy. Though some sea turtles have died from boat strikes or predators, the main culprit for the increased mortality is the red tide, Mr. Foley said.

Red tides occur naturally in the Gulf of Mexico, and their duration depends on several factors, including sunlight and

wind currents. But if they move toward shore, they can be prolonged and intensified by runoff of nutrients like farm fertilizer and treated sewage released into waterways, said Richard Bartleson, research scientist at the Sanibel-Captiva Conservation Foundation, a marine laboratory.

Last year's Hurricane Irma, which swept across Florida, may have exacerbated the current red tide by sending a surge of nutrients into the Gulf of Mexico, he said.

Normally, red-tide season ends around April, just as sea turtles' nesting season starts up. But the current red tide began in October 2017 and shows little sign of subsiding. That is the longest stretch since the red tide that ran for about a year and a half in 2005 and 2006, scientists say.

The Sanibel-Captiva Conservation Foundation has found 91 stranded sea turtles since the start of the red tide, compared with about 30 in a typical year, Mr. Bartleson said. Of those, 58 were dead and 33 were alive and taken to the Clinic for the Rehabilitation of Wildlife.

Pope Accepts Exit Of U.S. Cardinal

BY FRANCIS X. ROCCA

him dating nearly half a century.

The former cardinal has previously said he didn't remember the incident and that he believes he is innocent.

Since then, others have come forward to accuse the archbishop of other instances



Cardinal Theodore McCarrick was once the archbishop of Washington.

of sex abuse and harassment.

Resignation from the cardinate is extremely rare. In 2015, Scottish Cardinal Keith O'Brien renounced the "rights and privileges of a cardinal," especially that of voting in a future papal election, after admitting to inappropriate sexual conduct with seminarians under his authority in the 1980s. He retained the title of cardinal. He died in March.

For Education Official, Defending Religious Freedom Is Personal

BY MICHELLE HACKMAN

WASHINGTON—As an elementary-school student, Ken Marcus once wandered down a street just outside his predominantly Jewish hometown of Sharon, Mass., when a group of children spotted him.

"They started throwing rocks and yelled for me to go back to my 'Jew town,'" he recalled in a recent interview. The episode, Mr. Marcus said, shaped his view on the need for greater civil-rights protections—and particularly for a more vigorous battle against anti-Semitism in the U.S.

That led him to found the Louis D. Brandeis Center for Human Rights Under Law, which pursues legal avenues to fight discrimination against Jews, especially on college campuses. It has now brought

him to the Education Department, where he was confirmed last month as head of the civil-rights division.

In Mr. Marcus, the Trump administration has chosen an outspoken activist against faith-based discrimination, in line with its agenda to elevate religious freedom as a civil-rights concern.

Critics say his focus is too narrow, and elevates the rights of students who haven't traditionally faced the most ostracism in schools. In previous government service, "Mr. Marcus expressed significant concern for a student who might be subject to harassment based on religion, but expressed no similar concern about a student's right to be free from harassment based on their sexual orientation or gender identity," the Leader-

ship Conference on Civil and Human Rights, an umbrella group, wrote in a letter opposing his nomination.

Mr. Marcus said his long career as a civil-rights lawyer demonstrated concern for groups beyond Jews, pointing to his government work on housing discrimination and the overrepresentation of minorities in special education.

The Education Department doesn't have the legal authority to adjudicate religious bias in the nation's public schools and colleges, as it does discrimination based on race, sex or disability. Granting jurisdiction over religious discrimination, which is now left to the Justice Department, would require new legislation.

Mr. Marcus vowed to work within civil-rights law to protect religious minorities.



Ken Marcus heads the Education Department's civil-rights unit.

The job isn't new to Mr. Marcus, who led the same office on an acting basis under President George W. Bush.

In his work at the Brandeis Center, Mr. Marcus filed civil-

rights complaints with the Education Department against universities with prominent Palestinian-solidarity organizations. Those groups, the complaints alleged, promoted

activities that amounted to "harassment" or "intimidation" of Jewish students.

Mr. Marcus withdrew one of the complaints, and the others were dismissed without findings.

Mr. Marcus has urged Congress to expand the Education Department's authority over religious discrimination. "I haven't changed my mind," he said. That puts him in line with other administration officials who have sought to elevate the rights of religious Americans as an oppressed class in need of protection.

In coming months, Mr. Marcus plans to hire 65 civil-rights staffers, he said, about the number the department has shed since the Trump administration began. He also plans to review more policies for possible withdrawal.

U.S. NEWS

President Threatens Shutdown

BY SIOBHAN HUGHES
AND PETER NICHOLAS

WASHINGTON—President Trump renewed a threat to shut down the government unless Congress provides money for a wall at the southern border and enacts new curbs on immigration, reviving a battle he said last month should wait until Republicans gained more solid majorities after the November elections.

"I would be willing to 'shut down' government if the Democrats do not give us the votes for Border Security, which includes the Wall!" Mr. Trump wrote on Twitter on Sunday. "Must get rid of Lottery, Catch & Release etc. and finally go to system of Immigration based on MERIT! We need great people coming into our Country!"

The threat adds a new headache for congressional Republicans who lead two months before government funding expires on Sept. 30. It also stands as a rebuff to Republicans who have privately pleaded with the president to avoid triggering a shutdown before the midterm

elections. Republican leaders fear their party would be blamed for shutting down the government, costing them votes during a year in which the party risks losing control of the House and is defending a narrow majority of 51 out of 100 seats in the Senate.

"I don't think it will be helpful" for the GOP in the November elections, Sen. Ron Johnson (R., Wis.), chairman of the Senate Homeland Security committee, said on CBS.

"I don't think we're going to shut down the government," Rep. Steve Stivers (R., Ohio), who heads the House Republicans' campaign arm, said on ABC. "We're going to get better policies on immigration. We need border security."

A White House official expressed surprise at the president's shutdown threat. The timing would be damaging, this person said, coming shortly before midterm elections in which Republicans are vying to retain control of the House. House Speaker Paul Ryan (R., Wis.) and Senate Majority Leader Mitch McConnell (R.,



President Trump said in his shutdown threat Sunday that he was willing to do it if he didn't get the votes for border security and a wall.

Ky.) have been working to pass spending bills for months in a concerted effort to avoid a government shutdown just weeks before the midterm election.

By contrast, were the Democrats to take the position that they wouldn't vote for a spending bill unless funding for the U.S. Immigration and Customs Enforcement Agency were eliminated, Republicans would be well positioned to blame them for a shutdown, the official said.

Sen. Tim Kaine (D., Va.) tweeted Sunday, "President Shutdown is at it again - how many times will he threaten to shut down the government—putting Virginia's and our nation's economy at risk, as well as the livelihoods of thousands of federal workers—before he realizes this is not a game?"

Andy Surabian, a Republican strategist and former White House official, said in an interview Sunday that Mr. Trump's tweet, underscoring his focus

on immigration, will strike a chord with the die-hard voters whom Republicans need to retain control of Congress.

"The midterms are going to come down to turnout," Mr. Surabian said. "It's going to be which base is more energized to turn out and vote. And there's not an issue that touches the president's base more strongly than immigration."

The threat on Sunday wasn't the first time that the presi-

dent has warned he might spark a government shutdown in a bid to force through his immigration agenda. Last August at a rally in Phoenix, he threatened to shut down the government over border-wall funding. He issued the same ultimatum in April, warning that he would have no choice but to "close down the country" unless Congress gave him more money for the border wall.

—Kristina Peterson contributed to this article.

Kudlow Expects EU Farm Talks Soon

BY YUKA HAYASHI

WASHINGTON—A top Trump administration official said Sunday the U.S. will "immediately" start negotiating with the European Union to forge trade agreements on farm and energy products, promising "an actual transaction" right away to sell more soybeans, beef and liquefied natural gas to European countries.

Larry Kudlow, President Trump's chief economic adviser, said he would be involved in the negotiations, to be led by U.S. Trade Representative Robert Lighthizer.

"We will be starting immediately," Mr. Kudlow said in an interview with CBS's "Face the Nation." "We'll be setting up a layered process to examine all the different areas."

Mr. Kudlow stressed that broad discussions on agriculture will be part of the bilateral talks, underscoring a gap with Brussels, which has vowed to keep the sector off the table.

Mr. Trump agreed with European Commission President Jean-Claude Juncker on Wednesday to bring a truce to a trade dispute that had



The U.S. is set to start negotiating with the EU on trade agreements over products like soybeans.

erupted after Mr. Trump imposed tariffs on steel and aluminum imports. Europe had retaliated, drawing threats from Mr. Trump to impose even bigger restrictions on imports of European cars.

European officials said they were already engaged in talks with the U.S. to boost beef imports and promised to seek

buying more American soybeans following China's decision to cut imports of the crop in a separate trade dispute. European officials have said beyond those specific areas, they made clear to Washington they wouldn't include broader discussion of agriculture in the talks. "If ag [agriculture] is not part of it, what are soybeans

doing and what's beef doing?" Mr. Kudlow said on "Face the Nation." "In the final document that was signed by both, we talked about opening markets for farmers and for workers."

The joint statement put out after the meeting mentioned only soybeans, not agriculture more generally, as a subject for coming discussions.

and aluminum.

"Clearly it's disruptive for us. It's disruptive for our customers," CEO James Quincey said on a call with analysts. He said he expected distributors and retailers to pass along the increases to consumers starting in the third quarter.

Executives at Sam Adams brewer Boston Beer Co. said they would raise prices up to 2% in the second half of the year. "At some point, increased commodity costs have to be passed through to some extent," Chief Executive Jim Koch said on an earnings call Thursday.

Manufacturers have some room to increase prices as the U.S. economy continues to grow at a robust pace, driven by strong consumer spending and exports. Gross domestic product rose at a 4.1% rate in the second quarter, the Commerce Department said Friday.

Strong demand for heating and ventilation equipment is helping manufacturers recoup most of the added costs that have resulted from steel and aluminum tariffs. Manufacturers of such equipment have succeeded before at raising prices to cover—and even profit from—higher commodity costs, said Stephen Volkman, an analyst at Jefferies & Co.

Office furniture maker Steelcase Inc. also raised prices in June for the second time in four months as steel prices climbed. "It's been a long time, if ever, that we've done two price increases back to back as quickly as we did," Chief Executive James P. Keane said.

—Doug Cameron and Jennifer Maloney contributed to this article.

Consumers Feel Effect Of Tariffs

Continued from Page One
made changes such as modifying RV floor plans to trim costs.

The Forest City, Iowa-based company has benefited from a surge in RV sales in recent years, driven by demand from younger customers, and is spending at least \$25 million to expand production.

But Mr. Happe said the tariffs, broader trade tensions and rising inflation are clouding the outlook for Winnebago. "Uncertainty is never a great thing for the economy and the more noise there is there's a risk that consumers will press pause," he said.

U.S. manufacturers have been on a tear. Factory output is up 22% since a recession low in June 2009. Industrial stocks have climbed this month as companies including 3M Co. and Honeywell International Inc. reported higher-than-expected sales and profits. Some of those companies said tariffs were less of a concern than rising labor and shipping costs, and that they would make production changes before raising prices.

And some companies say they believe a strong economy will support higher prices.

"We haven't seen any push-back on the price," Todd Bluedorn, chief executive of heating-and-cooling-systems maker Lennox International Inc., said on an investor call



Coke is raising soda prices amid rising freight rates and other costs.

last week. "We've seen all our competitors announce similar price increases."

Consumer prices rose 2.9% in June from a year earlier, the Labor Department said, the highest rate in more than six years. Producer prices, a measure of what businesses are paid for goods and services, have also climbed to the highest level in years. The producer-price index rose 3.4% in June from a year earlier as energy and shipping costs climbed along with metal prices.

Polaris is raising prices on boats, motorcycles, snowmobiles and other recreational vehicles to cover \$15 million of the \$40 million in tariff-related costs the Minnesota-based manufacturer expects to pay for foreign-made steel, aluminum and components from China this year. Polaris is also facing retaliatory tariffs from other countries on products it exports from the U.S., including the Indian-brand motorcycles it ships to Europe.

Chief Executive Scott Wine said Polaris would accelerate plans to move production of motorcycles that it sells in Europe to Poland from Iowa to avoid rising European Union tariffs on U.S. motorcycles.

Harley-Davidson Inc. announced a similar plan in June, drawing condemnation from unions representing its U.S. workers and from President Trump. Mr. Trump said Harley was undermining its Made-in-America legacy.

Harley's Chief Executive Matt Levatich last Tuesday said the move would keep down the cost of its motorcycles in Europe. "We made the best decision given the circumstances," he said.

Tariff costs are starting to hit consumers at the grocery store as well. Coke on Wednesday said it was taking the unusual step of raising soda prices midyear in North America because of rising costs, including freight rates as well as prices for plastic

and aluminum.

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conduct" by the Donald J. Trump Foundation, including self-dealing transactions to benefit Mr. Trump's personal and business interests and improper coordination with his presidential campaign.

Leading up to the 2016 election, the foundation was "co-opted" by the Trump campaign, the suit alleged, violating laws governing charities' engagements in political activity and related transactions.

A Trump Organization spokeswoman has called the suit "politics at its very worst." The organization didn't respond to a request for comment. Mr. Weisselberg hasn't commented publicly on the suit.

Meantime, Mr. Weisselberg arranged for the Trump Organization to pay Mr. Cohen after Mr. Cohen made an October 2016 payment of \$130,000 to former adult-film star who had alleged that she had a sexual encounter with Mr. Trump.

A person familiar with Mr. Weisselberg's thinking said he didn't know about the payment when he agreed to a \$35,000 monthly retainer for Mr. Cohen in January 2017.

CFO Allen Weisselberg has been a central figure in Trump's foundation work.

For decades, Allen Weisselberg operated in the shadows of the **Trump Organization**, a trusted executive so hidden from public view that one former colleague described him as a "ghost man."

Now the 71-year-old chief financial officer and loyal confidant of President Trump has been thrust into the spotlight, drawn into legal matters swirling around Mr. Trump. As treasurer of the Trump Foundation, Mr. Weisselberg was cited in a civil suit filed in June by the New York Attorney General's office, alleging that the charity engaged in self-dealing, though he wasn't a defendant and hasn't been accused of wrongdoing. The foundation is fighting the lawsuit, saying it is without merit.

Mr. Weisselberg has been subpoenaed to testify as a witness before a federal grand jury as part of an investigation into the activities of Mr. Trump's former personal lawyer Michael Cohen, people familiar with the matter say. Mr. Cohen hasn't been charged, and has denied wrongdoing.

Mr. Weisselberg also has been linked to hush payments to two women who allegedly had sex with Mr. Trump, deals that are under scrutiny in that investigation. Mr. Trump has denied having sex with the women.

With his deep knowledge of Mr. Trump's personal finance and business dealings, including throughout his presidential campaign, Mr. Weisselberg could be a critical resource for investigators in these legal matters, people familiar with the matter say.

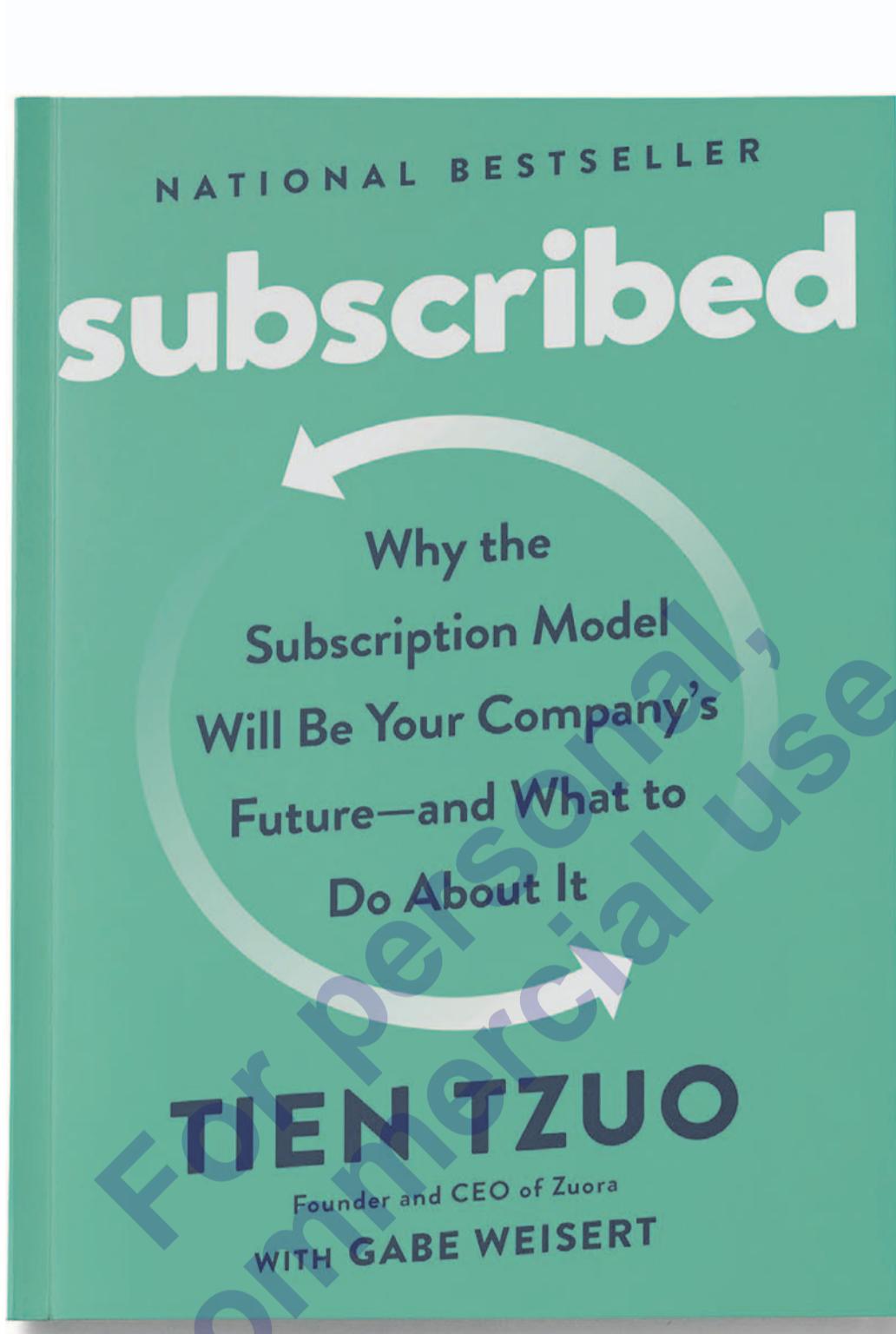
Mr. Weisselberg didn't respond to repeated requests for comment on this article. A lawyer representing him didn't respond to a request for comment. The Trump Organization didn't respond to requests for comment.

Mr. Weisselberg has been little known outside of Mr. Trump's core inner circle at the Trump Organization. But within that circle, he has long been a central figure in Mr. Trump's business and foundation work. That role expanded after the election, when Mr. Trump handed him, alongside Mr. Trump's adult sons, control of his financial interests.

Mr. Weisselberg also had involvement in Mr. Trump's political life, such as fielding questions from Trump administration officials about the status of surplus inaugural funds, according to people familiar with the matter.

—B. MILLER/TRUMP ORGANIZATION

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U.S. NEWS

Trump Allies Take Aim at Cohen After Fallout

BY BRETT FORREST
AND PETER NICHOLAS

President Trump's allies sought to discredit his former attorney, Michael Cohen, after a week of escalating clashes that raised the question of how much Mr. Cohen may be prepared to divulge about his former boss.

Rudy Giuliani, Mr. Trump's lawyer, called Mr. Cohen a "pathological manipulator" and a "liar" on Fox News following reports Mr. Cohen is prepared to allege Mr. Trump knew about a meeting during the 2016 campaign in which his eldest son sought damaging information about Democratic opponent Hillary Clinton.

Last week, Mr. Trump said that he had no prior knowledge of the meeting at Trump Tower with a Russian lawyer, which Donald Trump Jr. had attended in the hope of col-

lecting negative information about Mrs. Clinton.

Mr. Cohen's reported willingness to contradict the president widens a growing rift between the two men and suggests he is prepared to cooperate with the government and share details about Mr. Trump's personal and professional dealings. Faced with this prospect, Mr. Trump's attorneys and associates have sought to depict Mr. Cohen as a flawed witness whose word can't be trusted.

Mr. Cohen joined the Trump Organization as a lawyer in 2006 and transitioned into his self-described role as Mr. Trump's fixer, a position that gave him a unique window onto Mr. Trump's practices.

The falling out comes as Mr. Cohen faces an investigation for bank fraud and possible campaign-finance violations by

federal prosecutors in New York City. Federal investigators are also probing his efforts to quash negative publicity for Mr. Trump during the 2016 campaign. Mr. Cohen has denied wrongdoing and hasn't

Michael Cohen joined the Trump Organization as a lawyer in 2006.

been charged with any crimes.

Last Monday, a former federal judge overseeing a review of materials seized in an April raid of Mr. Cohen's premises released 12 audio recordings to federal investigators, after Mr. Trump withdrew objections.

The following day, CNN ob-

tained one of these audio recordings, in which Messrs. Cohen and Trump appear to discuss a payment to a former Playboy model who alleged she had an affair with Mr. Trump. Representatives of Mr. Trump have denied the affair took place.

Mr. Cohen made a practice over the years of recording private meetings in lieu of taking notes, according to his attorney, Lanny Davis. "He had no intention of ever publicizing such tapes nor any intention to ever deceive anyone," Mr. Davis said last week.

Mr. Davis on Sunday declined to comment on the criticism aimed at Mr. Cohen.

Appearing on news shows Sunday morning, Mr. Giuliani worked to undercut Mr. Cohen and the impact of the recordings. He told Fox News that Mr. Cohen is "capable, I think,

unfortunately, of doctoring tapes."

In May, Mr. Giuliani said in an interview with ABC News that Mr. Cohen was an "honest, honorable lawyer."

"The president feels disappointed," Mr. Giuliani said on Fox News. "We have assured him in a very strange way. This is a very good development, because we do have all these tapes and these tapes will completely demonstrate the president did nothing wrong."

Appearing Sunday on ABC, Chris Christie, a former New Jersey governor and a former adviser to the Trump campaign, admonished Mr. Cohen and his advisers of the apparent leak about the recording of the payment.

"It is not in Michael Cohen's best interests when he does not have a deal yet," Mr. Christie said.

Manafort Trial to Focus on Finances

BY ARUNA VISWANATHA

Special counsel Robert Mueller's team will take President Trump's former campaign chairman Paul Manafort to court in Alexandria, Va., on Tuesday, in a trial with implications reaching far beyond the immediate charges ranging from tax evasion to bank fraud.

The outcome of the trial, which is expected to last three weeks, will help determine how the public perceives Mr. Mueller's 14-month-long investigation into interference in the 2016 election. A conviction would provide the special prosecutor with momentum as he pushes to complete the investigation amid criticism from some Republicans that he is leading a partisan inquiry. An acquittal would give Mr. Mueller's critics ammunition to push for a quick end to the special counsel's operation.

Much is at stake for the president as well, since he has repeatedly dismissed the Russia probe as a "witch hunt." A successful jury trial could blunt such characterizations.

While Mr. Mueller's investigation has resulted in charges against 25 Russians and four former advisers to Mr. Trump, the case against Mr. Manafort will delve into his personal finances largely before his work on the campaign.

Mr. Manafort also faces a second, related criminal trial in Washington, D.C., after this one, and could face pressure to cooperate with Mr. Mueller, depending on the outcome of the first trial.

Mr. Manafort has pleaded not guilty and denies all of the charges, which include tax fraud, bank fraud and failing to file reports on foreign bank accounts.

The trial will delve into Paul Manafort's finances largely before the campaign.

Mr. Manafort has argued that he talked to the Federal Bureau of Investigation about many of the allegations in 2014, and believed prosecutors weren't interested in pursuing the case at the time.

Prosecutors have accused Mr. Manafort of not paying taxes on \$30 million in income from his work for pro-Russian politicians in Ukraine in the early 2010s. Mr. Manafort also is accused of misleading banks to obtain millions in loans in 2015 and 2016 as his Ukraine income dried up.

A spokesman for Mr. Manafort declined to comment.

Mr. Manafort, who has been in prison since mid-June after prosecutors accused him of trying to influence witness testimony, appeared briefly in court last week.

In its list of exhibits, Mr. Mueller's team has identified 436 pieces of evidence they plan to introduce, including the defendant's emails, his company's financial statements, bank records and photos of purchases he allegedly made with the income at issue.

Prosecutor Greg Andres said last week that his team wouldn't mention during trial the question of whether Trump associates colluded with Russia to interfere in the 2016 election. But they would need to briefly address Mr. Manafort's role with the Trump campaign, Mr. Andres told the judge, because it is relevant to one of the alleged bank fraud schemes.

Moscow has denied election interference.

Mr. Manafort joined the Trump campaign in March 2016 and had departed by August.

His longtime business deputy, Richard Gates, pleaded guilty earlier this year to charges related to the Ukraine work and is cooperating with Mr. Mueller. Mr. Gates is expected to testify against Mr. Manafort in what could be one of the more consequential moments of the trial.

Midwest Rushes to Keep Laid-Off Workers

BY SHAYNDI RAICE

When DST Systems Inc. laid off workers in Kansas City last month after an acquisition, a local economic-development group had an online job site up within 24 hours to help workers connect directly with employers.

The group was worried workers would leave for other opportunities if it didn't move fast. "Talent is perishable," said Tim Cowden, president of the Kansas City Area Development Council, which created the site. Some 125 resumes were uploaded to the site.

Cities across the Midwest are rushing to keep workers from leaving after layoffs, opening a new front in the nationwide scramble for labor. Although workforce cuts generally are declining in sectors like manufacturing, some businesses are still eliminating jobs—for example, after an acquisition. Yet with unemployment at historically low levels, the overall pool of available workers remains small.

Compounding the Midwest's particularly tight job market is weak labor-force growth and an aging population.

Those demographic trends are leaving many cities desperate to hold onto their working-age populations, or risk losing companies that can't find enough people to keep business humming.

Some cities in the South, like Austin, Texas, and in the West, like Denver, have seen their working-age populations explode.



With unemployment at historically low levels, the overall pool of available workers remains small. Above, a job fair in Milwaukee.

Growth in Kansas City's population of 25-to-54-year-olds has been flat since 2010, according to the most recent Census Bureau data, while unemployment fell to 3.6% in May.

Workers tend to become more mobile in a tight labor market. The mean period of time it took employers to fill a vacancy in April was 31.1 working days, the longest on record, according to the DHI hiring indicators report.

"The risk of losing people to better locations with better job opportunities is probably

more acute now than any time since before the financial crisis," said Steven Davis, an economist at the University of Chicago.

Sidney, Neb., a remote rural town of 6,500, was home to Cabela's Inc., an outdoor-gear retailer, for over 50 years; the chain employed as many as 2,000 people in the town at one point.

Springfield, Mo.-based Bass Pro Shops in 2016 bought Cabela's and started downsizing its headquarters staff in Sidney. Earlier this year, Bass Pro took out an ad in The Wall

Street Journal offering to rent out the former Cabela's offices for \$1 to a company who could come to Sidney and hire the workers it had laid off.

A spokesman said Bass Pro has had promising conversations with potential renters.

Melissa Norgard, director of economic development in Sidney, said the town's challenge is to get other employers moving to snap up the laid-off talent and keep them local. "The problem is some people and companies just can't move fast enough," she said.

In Milwaukee, a workforce

development group called Employ Milwaukee set up an on-site job fair in May with four days' notice for workers laid off from the corporate offices of department-store chain Bon-Ton Stores Inc.

Even with the short notice, 12 local employers showed up from industries like manufacturing, finance and health care.

Unemployment in the Milwaukee region was 2.8% in May. The city's working-age population has declined 4% since 2010, according to the most recent census data.

Employers Lower Bar To Fill Jobs

Continued from Page One

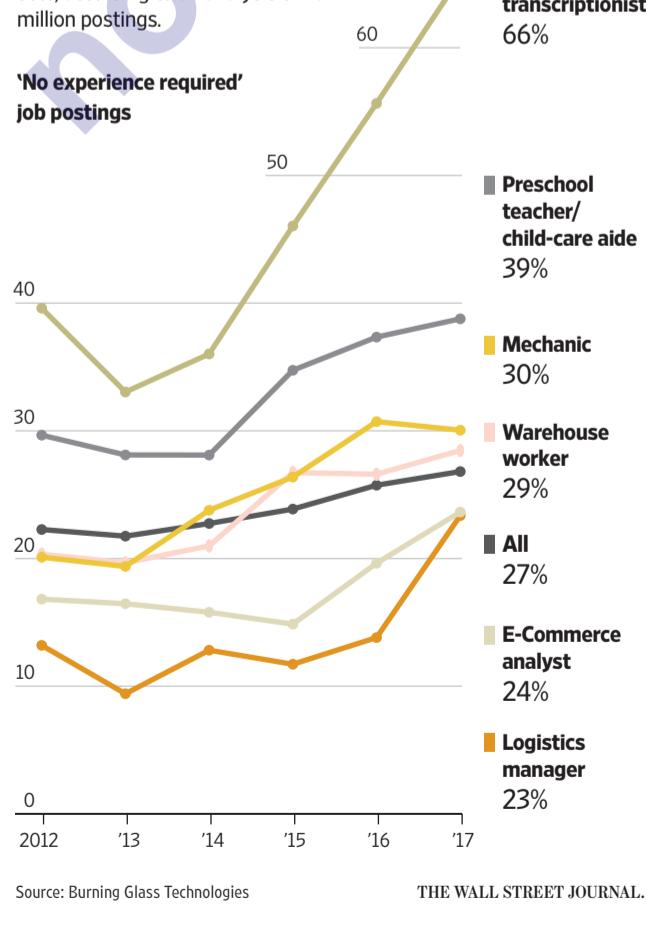
that day."

Ms. Glaser estimates 1 in 4 of the agency's employer clients have made significant changes to their recruiting process since the start of the year, such as skipping drug tests or criminal background checks, or removing preferences for a higher degree or high-school diploma.

Cutting job-credential requirements is more common in cities such as Dallas and Louisville, Ky., where unemployment is lowest, Ms. Glaser said, as well as in recruiting for roles at call centers and warehouses within the logistics operations of retailers such as Walmart Inc. and Amazon.com Inc.

The share of job postings requesting a college degree fell to 30% in the first half of 2018 from 32% for all of 2017, according to an analysis by labor-market research firm Burning Glass Technologies of 15 million ads on websites such as Indeed and Craigslist. Minimum qualifications have been drifting lower since 2012, when companies sought college graduates for 34% of those positions.

Long work-history requirements have also relaxed: Only 23% of entry-level jobs now ask applicants for three or more years of experience, compared with 29% back in 2012, putting an additional 1.2 million jobs in closer reach of



more applicants, Burning Glass data show. Through the end of last year, a further one million new jobs were opened up to candidates with "no experience necessary," making occupations such as preschool teacher available to novices and those without a degree.

The new shift, called "down skilling," marks a sharp reversal from the immediate after-

has left employers looking to tamp down hiring costs with three options: offer more money upfront, lower their standards or retrain current staff in coding, procurement or other necessary skills.

Rodney Apple, president of SCM Talent Group LLC in Asheville, N.C., said if companies won't budge on compensation, experience or education requirements, he walks away. "We tell them, 'I'm sorry, but we can't help you fish for the few underpaid or unaware applicants left out there,'" he said.

SCM finds workers for dozens of small and midsize companies seeking supply-chain managers and logistics and warehouse operators across the U.S. Mr. Apple said talent shortages are more extreme than he has seen in nearly 20 years of recruiting.

Average wages have climbed in the past year, but rising prices of household goods have made those pay raises less valuable to workers, keeping pressure on employers to increase salaries or re-evaluate their target hire.

To attract more entry-level employees, toy maker Hasbro Inc. divided four marketing jobs, which it previously designed for business-school graduates with M.B.A.s, into eight lower-level positions.

Hasbro hiring managers originally sought candidates with a two-year degree for the jobs but ultimately dropped any college requirement, a spokeswoman said. The Pawtucket, R.I., company received more than 100 applications and hired nine people.

As college graduates and midcareer professionals sought jobs as hotel managers

and bookkeepers after the recession, hires with more qualifications took a larger share of positions normally filled by the 75 million U.S. workers who lack a college degree. Positions needing technical expertise, like information security, might still require candidates with advanced knowledge, but many employers are now more flexible with requirements like critical thinking, which candidates can hone at work or in school.

After the recession, Terminix raised the bar for over 1,000 pest-control branch- and service-manager positions to require a two-year degree or a bachelor's degree. In January, it made degrees "preferred" but not mandatory, said Betsy Vincent, senior director of talent acquisition.

Anthony Whitehead worked for five years as a Terminix branch manager in Florida before he was promoted to regional director in early July. That position now accepts candidates with college degrees or equivalent experience, helping Mr. Whitehead clinch the role despite his earlier decision to enter the military instead of college.

Mr. Whitehead, 35 years old, said his approach to jobs requiring a degree has been "apply anyways if I have the right experience, and then have the education conversation if I need to."

Degrees are optional for many "experienced hire" positions at chip maker Intel, which also has a "tech grad" job category the company describes as fitting candidates with relevant classroom or work experience from technical programs, such as coding boot camps.

WORLD NEWS

In Afghanistan, U.S. Sees Signs of Peace

U.S. officials, hoping to capitalize on cease-fire, say hard numbers don't tell the full story

By DION NISSENBAUM

KANDAHAR, Afghanistan—By most objective measures, President Trump's year-old strategy for ending the war in Afghanistan has produced few positive results.

Afghanistan's beleaguered soldiers have failed to recapture significant new ground from the Taliban. Civilian deaths have hit historic highs. The Afghan military is struggling to build a reliable air force and expand the number of elite fighters.

Efforts to cripple lucrative insurgent drug-smuggling operations have fallen short of expectations. And U.S. intelligence officials say the president's strategy has halted Taliban gains but not reversed their momentum, according to people familiar with the latest assessments.

American officials say, though, that the hard numbers don't tell the full story: After 17 years of fighting, a window of opportunity has opened for historic peace talks that could bring the war to an end.

Top U.S. and Afghan officials don't focus solely on the grim statistics, but also on the more implicit signs of optimism—especially what they consider a surprising three-day cease-fire last month, when Taliban fighters took selfie photos with Afghan soldiers across the country.

"I believe our assessment has to account for both an objective and subjective evaluation of the situation," said Gen. Joseph Votel, who oversees the war in Afghanistan as head of U.S. Central Command. "If we only focus on objective aspects, you will miss something. There is something to the fact that people are tired



In Afghanistan, civilian deaths have hit historic highs. Above, people gathered at the site of a suicide attack in Kabul last week.

say the Taliban are showing a new willingness to talk, something they credit to Mr. Trump's decision to send more troops to Afghanistan, with an open-ended commitment to prevent the Taliban from re-capturing power in Kabul.

American officials are trying to test the Taliban's sincerity. The top U.S. diplomat for South Asia met Taliban political leaders in Qatar in an effort to lay the groundwork for peace talks. The optimism about potential talks is tempered by a recognition that any number of unexpected developments could quickly derail any proposed talks.

And Gen. Votel got a sense of other challenges facing Afghanistan during his visit. A few hours before he landed in Kabul, a suicide bomber killed at least 20 people at the airport entrance in an attack apparently aimed at one of the country's most polarizing political leaders, Vice President Abdul Rashid Dostum.

In western Afghanistan, local officials warned the American commander that the Taliban were making gains with the help of neighboring Iran. U.S. officials in southern Afghanistan said they needed more time to prop up an Afghan military capable of securing the country without American help. North Atlantic Treaty Organization allies in the north warned that internal Afghan political divisions posed as big a risk to stability as the Taliban.

A new cease-fire, perhaps combined with an agreement by the Afghan government to release Taliban prisoners, could create new momentum for substantive peace talks.

Reaching that point won't be easy. The U.S. and Afghanistan have repeatedly tried and failed to jump-start negotiations with the Taliban. One of the most serious efforts came in 2013, when Washington and Kabul paved the way for the Taliban to open a political office in Doha, Qatar. But the initiative fell apart in what seemed like a minor dispute over a sign at the office and what kind of flag the Taliban raised outside.

U.S. and Afghan officials

Halting Progress

Airstrikes by the U.S.-led coalition are up in Afghanistan, as are civilian fatalities. But progress has been slow in wresting land from the Taliban.

Weapons released by aircraft under allied control*

July through December

January through June

6 thousand

Civilian deaths

July through December

January through June

4 thousand

Number of Afghan districts controlled by each faction, 2018

Taliban

Unconfirmed Taliban claim

Contested

Government or undetermined

*Includes numbers of sorties (not strikes) and munitions expended by manned and remotely-piloted aircraft
Sources: United States Air Forces Central Command; United Nations Assistance Mission in Afghanistan; FDD's Long War Journal

and saw something in the cease-fire that got them excited."

After a three-day visit to Afghanistan, Gen. Votel said that the pillars of Mr. Trump's South Asia strategy are sound,

but that he wants to make a few changes as the U.S. tries to gain more traction.

One thing Gen. Votel and Afghan security officials are looking at doing is closing some of the more remote

checkpoints that have become easy targets for Taliban fighters. U.S. military leaders have encouraged their Afghan counterparts to remove some of them to reduce the vulnerabilities, but Afghan officials have

been hesitant to close down the checkpoints because they project a message that the government, not the Taliban, is in control.

U.S. and Afghan officials hope to capitalize on the recent cease-fire by reaching a deal with the Taliban for a second truce next month during the most important Muslim holiday of the year.

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The state of play, he said, still leaves him feeling "cautiously optimistic."

Afghan forces in the toughest areas of southern Afghanistan appeared to be pushing the Taliban back, Gen. Votel said. Effective Taliban attacks have dropped, according to the Pentagon.

"We're seeing some things that are moving in the right direction," he said. "The cautious part of cautious optimism is there's still a lot left to do."

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WORLD NEWS

Zimbabwe's Vote Clouded By Doubts

On eve of election, former leader Mugabe throws support behind opposition

BY GABRIELE STEINHAUSER

HARARE, Zimbabwe—Zimbabweans vote for the first time since the ouster of long-time strongman Robert Mugabe. Some are wondering if their vote will count.

"People in Zimbabwe, there are some who still don't think that a vote is a voice," said Newton Namagowa, a 35-year-old who lives in a gritty eastern corner of the capital and has been unemployed since the violent expulsion of white farmers turned his country into an international pariah in the early 2000s. "We want a new system."

Whether Monday's election will be spared the violence and alleged rigging that marred previous polls has become the central question of this vote, in which both main candidates have vowed to overturn Mr. Mugabe's legacy of economic collapse and political repression.

President Emmerson Mnangagwa, Mr. Mugabe's right-hand man for four decades, and his main rival, Nelson Chamisa, a pastor and lawyer, have both pledged to fight corruption, bring in foreign investment and create jobs.

In an opinion poll conducted this month by the nonpartisan Afrobarometer group, 37% of likely voters said they would cast their ballots for Mr. Chamisa, compared with

40% for Mr. Mnangagwa. That is up from just 31% for Mr. Chamisa two months earlier, while support for Mr. Mnangagwa declined from 42%.

What stands between the candidates and their pledges is a positive assessment of the election from international observers, including from the European Union and the U.S. Foreign governments have made a credible vote the central condition for considering aid, including a bailout from the International Monetary Fund, and easing sanctions.

In his first intervention in the election campaign, Mr. Mugabe on Sunday said he would cast his ballot for the opposition. "I cannot vote for those who have tormented me," said the 94-year-old, slouched behind a pile of microphones, at his home on the outskirts of the capital Harare.

Although Mr. Mugabe declined to say which candidate he would vote for, he singled out Mr. Chamisa, who at 40 is the youngest-ever contender for Zimbabwe's presidency. "He seems to be doing well," Mr. Mugabe said.

A win for the opposition would deliver a shock to a country that has been ruled by the same party since the end of white-minority rule in 1980, even more so than the military intervention that removed Mr. Mugabe, and installed Mr. Mnangagwa, in November. But Mr. Chamisa and the MDC would have to wrangle with an inefficient government apparatus formed by its ZANU-PF opponents.

Despite a commitment by Mr. Mnangagwa to hold demo-



Whether Monday's election in Zimbabwe will be spared violence that marred previous polls has become the central question of this vote.

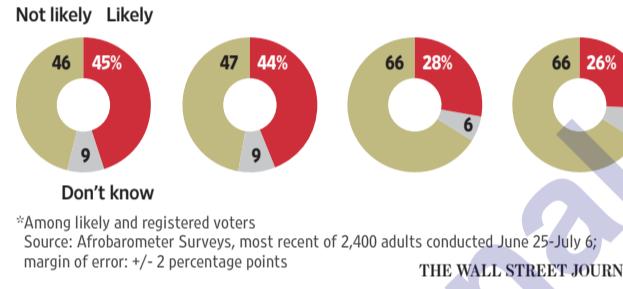
Tight Race

Polls show challenger Nelson Chamisa gaining on President Emmerson Mnangagwa ahead of Zimbabwe's elections Monday...

Date of poll	Mnangagwa	Chamisa
May*	42%	31%
July*	40%	37%

...But many worry the results will be marred by fraud.

Share of respondents who believe...



*Among likely and registered voters
Source: Afrobarometer Surveys, most recent of 2,400 adults conducted June 25-July 6; margin of error: +/- 2 percentage points

cratic elections and accept an opposition victory, many Zimbabweans are skeptical that his party can ditch old habits.

"ZANU-PF's DNA is stealing,

That's all they know," said Tendai Biti, who was Zimbabwe's finance minister in a government of national unity between 2009 and 2013 and is running

The irregularities have

on Mr. Chamisa's side in the Harare East district, where Mr. Namagowa lives. "They don't have the ability to hold a free and fair election."

The United Nations' humanrights office warned last week of rising reports of voter intimidation, including people being forced to attend political rallies, and threats of violence. Opposition and civil-society groups, meanwhile, have complained about irregularities in the voters' roll, a lack of transparency about the printing and storage of ballot papers and the electoral commission's refusal to disclose results for each polling station.

An independent audit of the roll, which signed up 79% of eligible voters, turned up almost 1,000 people aged 100 and older—in a country with an average life expectancy of 61—including four born in the 1800s, and nearly 5,000 apparent duplicates. More than 100,000 of the 5.6 million voters registered had different birth dates or surnames than recorded in 2013.

The irregularities have

ratcheted up tensions in a tightening race.

With one in five likely voters either still undecided or unwilling to disclose their pick, the pollsters estimate that a first-round opposition victory is possible. If neither candidate wins more than 50% of the vote, a runoff will be held in September.

"If Chamisa gets into power we'll be liberated and we'll get jobs," said Kenneth Jenyura, 20, who also lives in Harare East. But like many young urban Zimbabweans, who are more likely to be MDC supporters, Mr. Jenyura didn't register to vote, saying he couldn't pay the fees for an identification card.

Local election watchdogs have said vote-buying is a risk, including through food handed out at ZANU-PF rallies in rural areas. But Mr. Namagowa said he doesn't believe that strategy will work this time. "They'll take the bread and then they will vote for whom they want."

—Bernard Mpofu contributed to this article.

The #MeToo Movement Gathers Momentum in China



Some two dozen women have made sexual-misconduct allegations on social media in recent days.

them a better education and who are consequently more willing to defend themselves.

Mr. Lei admitted to sexually assaulting the woman who made the initial allegation, apologized and said he would step down from his post. He didn't respond to requests for comment about Ms. Xiao's allegations. His charity, in a statement, said it was going to

train staff in sexual awareness and also release guidelines on sexual harassment.

Mao Zedong famously proclaimed that women "hold up half the sky." But they remain underrepresented in business and politics: China ranks 100 out of 144 countries for gender equality, according to the World Economic Forum.

Women who report sexual

misconduct face risks including public shaming, political pressure and censorship, activists say—one reason the movement hasn't taken hold as quickly as it did in the U.S. and other countries.

While China has formal laws to protect victims of sexual assault, lawyer Lv Xiaozhan, director of Beijing Qianqian Law Firm, which provides

legal aid to women and children, said victims face barriers that include difficulties proving alleged crimes, as well as a lack of a clear legal definition for what constitutes sexual harassment.

Among #MeToo university cases so far, one former student has sued a university official for sexual assault. The case, filed earlier this year, has yet to be resolved.

After the initial allegation against Mr. Lei, other accusations followed, including against Zhang Wen, a magazine columnist. A woman accused him on social media of raping her while she was drunk. Several other women, including writer Jiang Fangzhou, subsequently said Mr. Zhang had harassed them.

Mr. Zhang said in a statement that what had happened between him and the woman accusing him of rape was consensual. In response to the harassment claims, he posted a letter on Jinri Toutiao, a Chinese social media site, saying, "It's very natural for men and women to have intimate physical contact such as cuddling and kissing after drink." Attempts to reach him for further comment weren't successful.

Allegations also surfaced against Zhu Jun, a presenter

on China Central Television who had for decades hosted the country's annual Spring Festival Gala, China's most-watched show. On Thursday, an intern who had worked for his show in Beijing posted on social media that she had reported him to police after he attempted to grope her but that they had pressured her to withdraw her report, citing his "positive influence" on society.

Beijing police declined to comment, and CCTV didn't respond to a request for comment.

Writer Chun Shu says #MeToo cases face particular hurdles in China. "There are so many reasons to not speak out," she said, citing damaged self-esteem and fear of public humiliation. "A number of friends have told me they've been raped, and the reason they don't say anything is because the price would be too great—they don't want to be hurt yet again," she said.

While awareness about women's rights in China lags, it is improving, said Zheng Xi, a Zhejiang University student active in fighting campus sexual-harassment issues.

—Te-Ping Chen in Beijing and Chunying Zhang in Shanghai



Leslie Moonves is executive chairman of CBS's board, as well as CEO.

likely to make the decision about whether Mr. Moonves should step aside pending the investigation, the people said.

Supporters and detractors of Mr. Moonves began to weigh in over the weekend. On Sunday, Zephyr Teachout, a candidate for New York attorney

general, tweeted, "CBS must suspend Moonves pending investigation so there's no fear among employees about retaliation."

Meanwhile, Bucknell University, Mr. Moonves's alma mater, scrubbed its website of content about Mr. Moonves,

telling WNEP-TV, "Bucknell will not stand for sexual misconduct—on campus or beyond. In light of the allegations against Mr. Moonves, we removed him from certain pages of our website that celebrate his relationship with the University, and we are evaluating any additional actions that may be appropriate."

Some senior female CBS executives who have worked with him publicly voiced their support for Mr. Moonves, including ad sales chief Jo Ann Ross and programming executive Angelica McDaniel.

People familiar with Ms. Redstone's thinking emphasize that she has no preconceived ideas about the investigation and wants to let it run its course before making any decisions.

In May, CBS directors moved to weaken National Amusements' hold on the company by issuing a dividend that

would reduce National Amusements' voting stake to about 20% from 80%.

National Amusements changed the CBS bylaws to require approval of a supermajority of directors for such an action.

The battle has moved to a Delaware court and is expected to go to trial in the fall.

Some media executives believe that, if the investigation verifies the allegations outlined in the New Yorker article, it will increase the likelihood of a settlement in the litigation.

That, in turn, could increase the likelihood of a merger between CBS and Viacom, some analysts and media executives said.

CBS and Viacom were in merger talks earlier this year, going so far as to agree on a price, pending the resolution of management issues, including who would be Mr. Moonves's successor.

Directors Weigh CBS CEO's Fate

Continued from Page One

women uncomfortable but denied that he retaliated by harming anyone's career after being rebuffed.

The pressure on Mr. Moonves comes as he and CBS are in a legal battle with controlling shareholder National Amusements Inc. and its president, Shari Redstone, over her desire to recombine CBS with its sister company Viacom Inc.

If Mr. Moonves didn't survive the crisis, it could increase the chances of a merger, since his opposition to the management team of the proposed combined firm helped derail the talks, according to a close observer of the

WORLD NEWS

Kim Turns Attention to Rural Poor

Leader travels to remote factories and farms, symbols of people's daily welfare

BY JONATHAN CHENG

SEOUL—When Secretary of State Mike Pompeo arrived in Pyongyang this month to discuss North Korea's nuclear program, leader Kim Jong Un was out of town—visiting a potato farm and factory in the country's impoverished north, according to state media.

Mr. Kim, having declared his nuclear program complete and claimed his place on the world stage next to the U.S. president at a Singapore summit, has begun to lavish attention on the livelihood of his people.

In an abrupt shift following months of visits to military-related sites, Mr. Kim has made a series of publicized trips to remote factories and farms and other symbols of the daily welfare of his people.

The visits appear to reflect his stated new focus on economic development, as sanctions weigh on his country and state control over economic activity erodes, North Korea experts said.

"Now it's everything for the economy," said Robert Carlin, a former U.S. intelligence official and a visiting scholar at Stanford University.

Like his father and grandfather, Mr. Kim has made a habit of "on-the-spot guidance" visits, in which he dispenses advice to cadres while highlighting his attentiveness to local needs. He has visited factories and food-production facilities, but until now almost all have been in or around Pyongyang, many of them tied to the military.

That has changed with his publicized visits to the poorer, underdeveloped areas outside the capital, say those who study the North Korean leader.

"Going into the sticks where he's gone, this is the first time," said Michael Madden, a U.S.-based North Korea expert.



North Korean leader Kim Jong Un inspected a farm in the country's northern Mount Paektu region in this state media photo.

Days before Mr. Pompeo's arrival on July 6, Mr. Kim surveyed a chemical-fiber mill, a textile mill and a cosmetics factory in Sinuiju, a city across the Yalu River from China. On July 17, Mr. Kim's travels took him to the northeast, where he inspected a backpack factory, a stalled hotel construction site, a holiday camp, a coal-mining machine factory, a shipyard, a power station and a fish farm.

And on Thursday, North Korea reported a visit to the east coast city of Wonsan, where he inspected factories churning out snacks and children's school supplies.

According to the report, Mr. Kim called on officials to secure stable supplies of canvas, zippers and synthetic leather to make high-quality back-

packs, urging them to "work heart and soul with devotion to ensure the quality of bags just as they would make bags for their own children."

The itinerary indicates an emphasis on encouraging private consumption, said Benjamin Silberstein, an associate scholar at the Foreign Policy Research Institute in Philadelphia and a co-editor of the North Korean Economy Watch website.

It also comes weeks after Mr. Kim toured glitzy sites in Singapore ahead of his meeting with President Trump.

Shortly after Mr. Kim came to power in late 2011, he announced a policy of *byungjin*, or "dual advance," which promised his people both nuclear and economic development.

But in April, following a

string of missile and nuclear tests that included the country's first intercontinental ballistic missiles capable of reaching the U.S. mainland, Mr. Kim said he was ready to dismantle his nuclear test site and shift his attention entirely to the economy.

In the absence of overhauls to allow for more private enterprise, it is too soon to say if Mr. Kim's initiatives on the economic front will prove more than cosmetic, said Kevin Gray, a professor in international relations at the U.K.'s University of Sussex.

In addition, North Korea has yet to show it is abandoning its nuclear program. Satellite imagery has indicated Pyongyang has started dismantling a rocket-launch site but is expanding facilities tied to its nuclear and missile programs.

Mr. Kim's apparent emphasis on his economy could also indicate concern about the effect of sanctions since the United Nations tightened the screws last year in response to nuclear and missile tests. South Korea's central bank estimates that the North's economy contracted by 3.5% last year, the biggest annual drop in two decades.

During one recent tour, Mr. Kim berated local cadres on the shortcomings of their facilities. "The pictures accompanying the reports of the visit showed a visibly angry leader with tight-lipped officials trailing behind, walking in a dingy plant over a filthy floor amidst ancient and seemingly nonfunctional machinery," Mr. Carlin said. "Not the normal picture."

—Yun-hwan Chae contributed to this article.

WORLD WATCH

GREECE

Mourning Begins As Fire's Toll Tops 90

Greece began to bury the victims of the wildfires that raged through a crowded resort area, as the death toll continued to rise.

A fire brigade official said on Sunday that the official number of fatalities rose to 91, while 25 people were missing.

On Sunday, hundreds attended a memorial service in the destroyed seaside resort of Mati to mourn the loss of their friends and neighbors.

—Nektaria Stamouli

INDONESIA

Strong Earthquake Strikes Resort Isle

A strong, shallow earthquake killed at least 14 people on Indonesia's Lombok island, a popular tourist destination next to Bali.

Officials say more than 160 people were injured and more than 1,000 houses damaged.

Hundreds of tourists were being evacuated from around Mount Rinjani, an active volcano on Lombok. The quake was felt on Bali, but no damage or casualties were reported there.

—Associated Press

WEST BANK

Teen Who Slapped Israeli Soldier Freed

A Palestinian teenager jailed for slapping two Israeli soldiers was released by Israel on Sunday after completing her eight-month term, and said she wants to study law so she can defend people living under occupation in the West Bank.

Ahed Tamimi, 17 years old, became a symbol of resistance after the incident last December outside her home in Nabi Saleh, a village that has for years campaigned against land seizures by Israel, leading to confrontations with the Israeli military and Jewish settlers.

Many Israelis regarded the incident, which Ms. Tamimi's mother relayed live on Facebook, as a staged provocation.

—WSJ Roundup

Cambodian Strongman Claims New 5-Year Term

BY JAMES HOOKWAY

PHNOM PENH, Cambodia—After locking up his chief rival, Prime Minister Hun Sen claimed another five years as Cambodia's leader.

Sunday's election was widely derided as a farce exposing the lurch toward authoritarianism taking root in many smaller countries around Asia and Africa.

China notably stepped in with \$20 million to pay for voting booths and other polling equipment when the U.S. and European Union pulled out in protest at last year's arrest of opposition leader Kem Sokha.

A smattering of far-right parties ranging from Britain's UK Independence Party to groups from Austria, the Czech Republic and Italy served as election observers.

Mr. Hun Sen's critics instead focused their energy on convincing Cambodians to stay away from the polls rather than vote for 19 smaller opposition parties on the ballot, few of which existed until a few months earlier.

But as vote counting continued, Mr. Hun Sen, a former Khmer Rouge defector who was installed as premier by Vietnamese forces 33 years ago, claimed victory in a post on his Facebook page.

Still, there are growing questions over the 65-year-old Hun Sen's durability.

"Compatriots have chosen the democratic path and used their rights," he said. His party spokesman Sok Eysan later said his Cambodian People's party had won at least 100 seats in the 125-seat parliament, up from 68 previously. Official results are expected to emerge later.

Election officials said the voter turnout was 82%, higher than the last national elections



Cambodia's Prime Minister Hun Sen prepared to cast his vote in Phnom Penh on Sunday in an election widely derided as a farce.

in 2013, but this was being taken as a sign of intimidation in some quarters.

Phil Robertson, deputy director of the Asia division of Human Rights Watch, said the practice of dipping voters' index fingers in indelible ink—a practice initially introduced to prevent people voting twice—had evolved into a way of determining who had come out and voted.

One man, who asked not to be identified, said he voted simply to get his finger stained. "I have a business permit to renew next week," he said.

Still, there are growing questions over the 65-year-old strongman's durability.

Mr. Hun Sen's main claim to power has long been his pledge to prevent Cambodia falling back into the chaos of the Khmer Rouge years. Many Cambodians happily support him. The country is now one of the world's fastest-growing economies, growing at 7% plus over the past several years.

But Mr. Hun Sen's appeal is strongest with those who remember the horrors of Pol Pot's killing fields. Lao Mong Hay, a political commentator, notes that two-thirds of the country's 16 million people are under 30 and are more interested in day-to-day issues such as corruption. In recent years

they increasingly turned to Mr. Sokha's now-banned Cambodia National Rescue Party, which won 44% of the vote in last year's local elections.

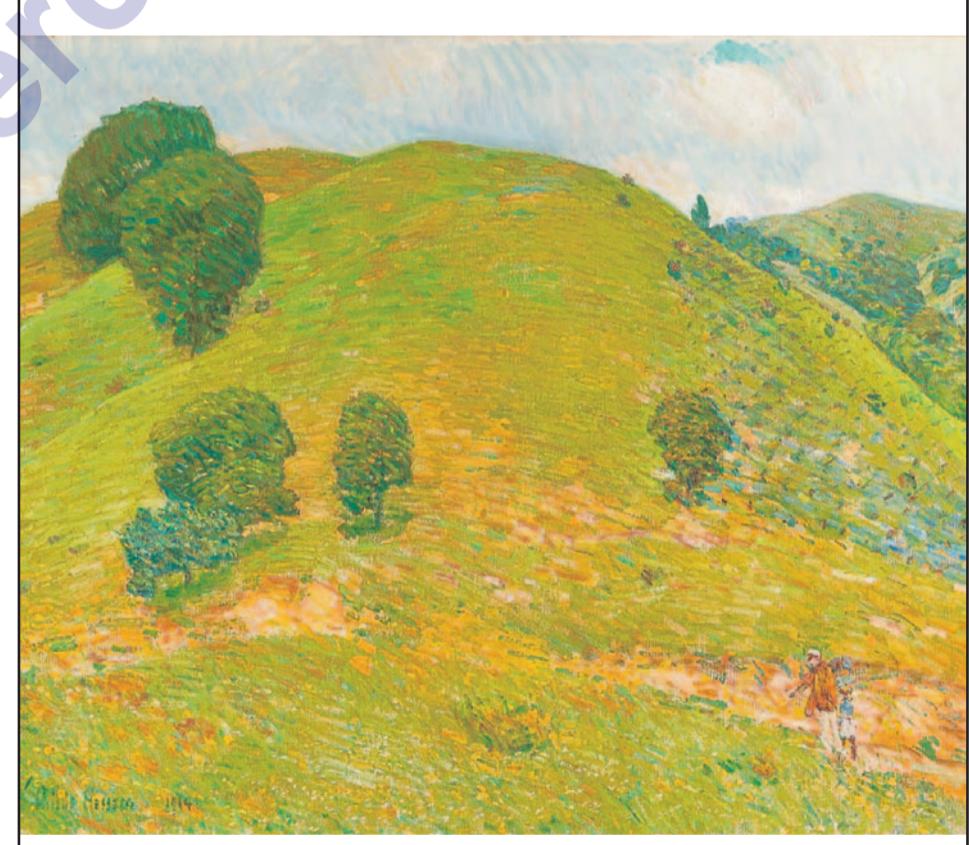
People familiar with Mr. Hun Sen's thinking say he is acutely aware of the longer-term threat the changing demographics pose.

His main concern, one said, is meeting the same fate as former Serbian leader Slobodan Milosevic, who was toppled in a popular revolt and died while on trial for human-rights abuses at the International Criminal Court at The Hague.

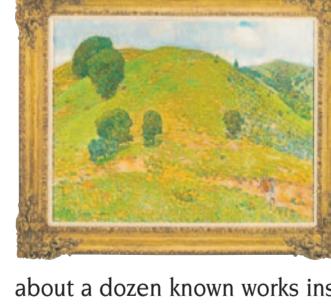
To reinforce his hand and keep the economy growing, Mr. Hun Sen strengthened Cambodia's ties to China after Mr. Sokha was arrested on treason charges he disputes and his party outlawed. Beijing is by far the country's biggest aid donor and investor, spending billions here over the past decade.

But getting too close to China poses risks of its own.

In the seaside town of Sihanoukville, a favorite destination for Chinese tourists and investors, the local governor recently wrote a letter to the national government complaining that organized crime groups from China had entered the area, while Chinese-built hotels, casinos and apartment complexes have displaced local Cambodian businesses.



CALIFORNIA DREAMS CHILDE HASSAM



American legend. Impressionist master. Rare subject. Childe Hassam was a pioneer of American Impressionism and perhaps its most successful practitioner. In the present work, the artist offers a rare view of the California vineyards. Hassam first traveled to California in 1914 - the same year this painting was composed. It is one of only

about a dozen known works inspired by his visit ever painted by the artist. Signed and dated 1914 (lower left). Canvas: 28 1/8" h x 36 1/4" w; Frame: 36 1/2" h x 44 1/2" w. #30-7947

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Sharks Invade Posh Homes

Continued from Page One
homes, some of which hold up to 16,000 gallons of water.

It is legal to own sharks, which can cost anywhere from a few hundred to thousands of dollars, according to Mr. Raymer. Some species, like great whites, are protected, and cannot be kept in homes.

Owning a shark can be "a power thing," said Joe Caparatta, owner of Manhattan Aquariums and Unique Corals, who has owned catsharks and epaulette sharks in the past. "The shark is the most feared animal in the waters. To have one as a pet kind of puts you above it."

Mr. Caparatta said he gets frequent requests for large sharks such as blacktips, but tries to steer his customers to-

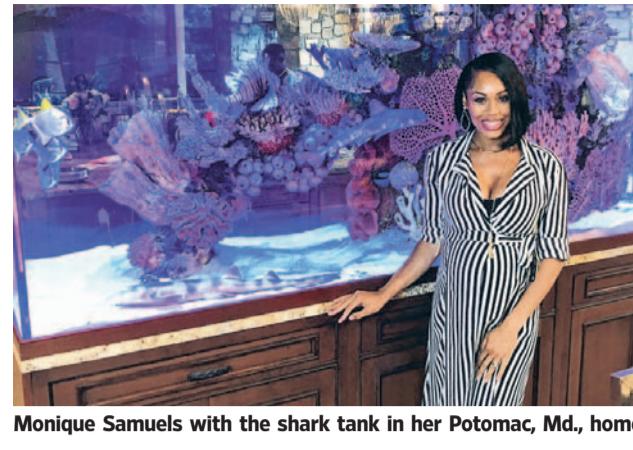
ward smaller species that are easier to take care of. "These big sharks don't do well in captivity," he said, while smaller species "are much better suited to life in a glass box."

Ario Fakheri, a physician and real-estate developer, built a home with a shark tank in the Hollywood Hills and is putting a 15,000-gallon shark pond in the backyard of his own Los Angeles home. He called sharks "one of the sexiest animals out there."

Mr. Fakheri said he has loved sharks since he was a child, when he loved watching the movie "Jaws." While that film's murderous great white doesn't seem like an ideal pet, he said the danger adds to sharks' allure.

"Now you control them," he said. "It's payback."

After Ms. Ingram sent the houndshark back, she turned the air conditioner off before leaving the house during a heat wave. When she came back, the leopard shark was dead. "Apparently sharks don't



Monique Samuels with the shark tank in her Potomac, Md., home.

like hot water," she said. "I didn't know they were that sensitive to temperature."

She bought two more leopard sharks, which also soon died. When she replaces them, she said she plans to install a better temperature control system for the tank.

Stories like this one are exactly why shark ownership should be undertaken with great caution, experts say.

"In general, I would say don't get a shark as a pet,"

said Joe Yaiullo, curator and co-founder of Long Island Aquarium. But for those determined to own a shark, he recommended the smaller, bottom-dwelling species, like bamboo sharks or catsharks, and researching them in advance to make sure the tank is large enough to accommodate them throughout their lives.

With a nurse shark, for example, "you can buy it at 12 inches long and not know that it's going to live 40 years and

grow to 10 feet," he said. The aquarium gets so many calls from people whose sharks have outgrown their tanks that it can't take them all. Pet sharks, he added, shouldn't be released into the wild.

Monique Samuels installed a 875-gallon tank in her kitchen in Potomac, Md. It's home to Horney, a horn shark, and a two-foot-long sand shark she named the Grande Dame. (She later discovered it's a male, but said she's not planning to change the name.)

"They're my babies," said Ms. Samuels, who stars in the reality television show, "The Real Housewives of Potomac."

The tank, plus the sharks and other fish that live there, cost about \$60,000, she said. She had to install a steel support stand in the cabinet that holds the 9-foot-long tank, which is so heavy it required six people to bring it inside, Ms. Samuels said.

That brings up another downside: the biting.

Feeding times are perilous for the tank's other inhabi-

ants. For aesthetic purposes, most people like to have other species in their tanks alongside sharks. Mr. Caparatta, the Manhattan Aquariums owner, said "it's really just a matter of time before they eat some of the other fish...We've had expensive fish chomped in half."

One of the Samuels' other fish, a sailfin tang named Stripe, died after being bitten by a shark during a feeding frenzy. "He got caught right in the middle," Ms. Samuels said. After the bite, "you could see a gash—it was pretty gruesome."

Mr. Caparatta offered advice for keeping other fish in the tank safe, though his plan isn't exactly foolproof. "As long as you keep the sharks well-fed, there's a good chance that they won't eat their tank mates," he said.

He had simpler instructions for shark owners who "like to hand-feed" the sharks by holding a piece of meat above the water.

"We recommend using tongs," he said.

Jack Ma Rattles Banks

Continued from Page One
lier this year, China's central bank undermined a years-long effort by Ant to build a national credit-scoring system. The bank effectively prevented Ant's system from being used by institutions making loans.

Regulators have issued rules requiring large money-market funds to sharply reduce holdings of assets that allow them to pay high interest rates. They have pressured Ant to slow inflows into its giant money fund.

The authorities are also weighing whether to designate Ant a financial holding company and require it to meet bank-style capital requirements, people familiar with the matter say. That would likely affect its profits, which last year came to \$2 billion, pretax, on roughly \$10 billion in revenue.

Spellbound investors

Investors remain spellbound, rewarding privately held Ant in June with a \$150 billion valuation on paper, more than twice its valuation in a 2016 funding round and above that of Goldman Sachs Group Inc.

For years, Chinese authorities "turned a blind eye and let them grow as large as they could," said Zhu Ning, deputy director of the National Institute of Financial Research at Tsinghua University, who says he has talked with regulators about risks to the financial system posed by Ant. "It is simply incredible that such a gigantic financial institution has slipped away from a comprehensive regulatory framework," Mr. Zhu said.

The vice governor of China's central bank, without specifying a company, recently warned that some influential payment institutions shouldn't think of themselves as "too big to be regulated." The central bank didn't respond to requests for comment.

Ant executives reject the notion their company is acting like a bank without oversight. They say they are simply bringing financial services to people the banks have ignored.

They note Ant doesn't fund most of the loans it originates from its balance sheet. Instead, it largely serves as a platform that makes it easier for banks and others to extend loans and helps them lower risks.

"I don't think banks see us as a disrupter," said Leiming Chen, Ant's general counsel. "We complement them and are helping them reach more customers."

Chinese regulators, he said, "understand what we are doing and they are supportive of our efforts."

Ant is expanding its presence overseas by getting more retailers to accept payments using its online payments service, Alipay, but has struggled to replicate its China business success. Early this year, Ant called off a takeover of U.S. money-transfer firm MoneyGram International after an American national-security panel refused to approve the acquisition.

Increased oversight

In China, increased oversight of Ant and its competitors could hold back a golden age of financial-technology growth and indi-



The Hangzhou, China, headquarters of Ant Financial Services Group, founded by Chinese billionaire Jack Ma, below.

cate how much change the country's regulators will tolerate before stepping in to protect incumbents.

In recent months, fintech startups backed by Chinese internet companies such as e-commerce platform JD.com and search engine Baidu Inc. have pledged to move away from directly offering financial services and toward providing platforms for traditional institutions to use.

Ant is doing the same. It says it wants to be known not as a financial conglomerate but as a technology provider or "lifestyle platform," with future profits coming mainly from fees from institutions using its technology.

Consumers such as Elaine Wang show Ant's power. The 30-year-old Shanghai marketing manager transfers about a third of her salary from her China Merchants Bank account into Ant's investment products and

uses Alipay several times daily for simple transactions such as buying coffee.

More than 620 million people use Alipay, a person familiar with the number said. Once people's money moves from conventional bank accounts into their virtual wallets, much of it doesn't return.

In Hangzhou, Ant occupies a glass-walled, Z-shaped complex designed by the firm behind Amazon.com's new Seattle offices. Employees are greeted by a tall red sculpture of a naked man bent down looking at the ground.

Digital cameras scan many employees' faces as they enter. Meeting-room booking rules say anyone can take over a space if users don't show up within a minute of their allotted times.

Virtually everyone in the company uses an alias, a tradition inherited from Alibaba Group Holding Ltd., the e-commerce goliath from which Ant emerged.

Many names are inspired by kung fu novels, which Alibaba's Mr. Ma likes, and reinforce a general absence of hierarchy. Some employees don't know colleagues' real names. They are told they can pick aliases because they couldn't choose their names at birth.

Mr. Huang, the former Ant executive, recalls a company where the average age was under 27 and some employees had worked at Mastercard, PayPal and foreign banks. "It was a place full of young, idealistic financial elites, many of whom had studied abroad," he said.

Ant's roots trace to 2004, when Alibaba created Alipay to smooth online shopping. Alibaba has a popular eBay-like service called Taobao that connects buyers with third-party sellers. It needed a secure and reliable way to send payments.

Mr. Ma wasn't bothered that China didn't have a regulatory structure for a nonbank payment company. "If someone needs to go to jail for this product, I will go," he told colleagues, alluding to the legal gray area. Mr. Ma couldn't be reached for comment.

As Alipay grew, its executives realized they could push the financial system to change. Mr. Ma said in December 2008 that China's banks weren't doing enough to support small businesses. Large banks did much of their work with state-owned enterprises, ignoring small firms that could use more capital.

"If the banks do not change,



we will change the banks," Mr. Ma pledged at an entrepreneurship conference that year. An Alibaba unit later began making loans to some small businesses.

In 2010, Mr. Ma carved Alipay out of Alibaba after authorities said the payment operation would need a new license to operate.

By 2013, Alipay was holding billions of dollars of customer funds in escrow, a custodian bank account, for transactions on Taobao. Even then, executives worried banks would see Alipay as a competitor, recalls a former employee, as it accumulated piles of money and made plans to offer more financial services.

For years, authorities 'turned a blind eye' and let Ant get huge, a researcher said.

than those banks could tap.

Industrial and Commercial Bank of China, the country's biggest bank by assets, responded to the instant popularity of the money-market fund by sharply reducing the amount Alipay users could withdraw in a single transaction. Other banks also tightened limits.

Yu'e Bao was a blow to banks because it sucked money from savings accounts, said Ma Weihua, then-chairman of Wing Lung Bank, in 2014. Some banks issued commercial paper to Yu'e Bao, incurring higher costs of funding.

By then, Jack Ma had stepped down as Alibaba's chief executive (remaining chairman), and in 2014 Alipay rebranded itself as Ant. Executives outlined plans to expand into personal loans, small-business lending, credit scoring and insurance. The company would take advantage of China's rapid adoption of smartphones.

Then came the backlash. Last summer, the company kicked off a campaign in the city of Wuhan to promote a "cashless society." It offered Alipay users rebates encouraging them to pay in stores with mobile phones.

Days before the official launch, Ant refashioned the campaign after officials from a local office of China's central bank asked it to remove the word "cashless" and told store owners not to reject cash, according to the state-owned People's Daily newspaper. The central bank later denied having issued the order, according to another state-owned news service. The bank didn't respond to requests to clarify its position.

Partly as a result, online-payment services, which provided 65% of Ant's revenue in 2016, are expected to provide less than a third of it in 2021, said a person familiar with the matter.

Some investors in Ant say they aren't concerned. Ant is unlike any company in the world, said Ben Zhou, a managing director at U.S. private equity firm Warburg Pincus. It is "a whole new species."

Growing Giant

A look at how China's Ant Financial stacks up against its global peers.

Online payment active users

Ant	620 million
PayPal	244 million

Yearly payment transaction volume

Ant	\$8.8 trillion
Mastercard	\$5.2 trillion

Largest money-market fund size

Ant	\$219 billion
JPMorgan	\$134 billion

Number of people with credit scores

Ant	257 million
FICO	Around 200 million

*Tianhong Yu'e Bao Money Market Fund

†JPMorgan U.S. Government Money Market Fund

Note: Active users as of end of 2017 for Ant; 2Q 2018 for PayPal; transaction volume through end of 2017; fund size as of 2Q 2018; credit scores as of 10/2017 for Ant; end of 2016 for FICO.

Sources: the companies, Morningstar, Analysis, staff reports

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In September, Chinese securities regulators said that some large money-market funds were "systemically significant." Without naming Yu'e Bao, regulators issued rules requiring large money funds to reduce holdings of their hard-to-sell assets. Ant's asset-management unit announced measures to limit inflows into Yu'e Bao and committed to paring its holdings of longer-term and riskier securities.

Striking a blow

A few months later, China's central bank struck a blow against Ant's credit-scoring system, Zhima Credit, known in English as Sesame Credit.

Unlike the U.S., China has long lacked comprehensive nationwide credit-scoring, considered essential to a consumer economy. In early 2015, the central bank encouraged Ant and several other private companies to develop their own credit-rating systems.

Ant was quick off the mark, bringing out a system that uses numerous variables including people's payment history on Alipay.

In the spring of 2017, a Chinese central bank official said at a seminar that credit scores created by private companies were "far below qualification." And this year, the central bank licensed a new state-owned company, Baihang Credit Scoring, to create a nationwide credit-scoring system.

Ant's Mr. Chen said the company now uses its Zhima Credit only for services such as waiving deposits for bicycle rentals for people with high scores.

Recently, the central bank required nonbank payment operators such as Alipay and its chief rival WeChat Pay, operated by Tencent Holdings Ltd., to place escrow funds in non-interest-bearing bank accounts by early 2019, to prevent misuse. That means they won't be able to use escrow money to generate interest gains.

Partly as a result, online-payment services, which provided 65% of Ant's revenue in 2016, are expected to provide less than a third of it in 2021, said a person familiar with the matter.

Some investors in Ant say they aren't concerned. Ant is unlike any company in the world, said Ben Zhou, a managing director at U.S. private equity firm Warburg Pincus. It is "a whole new species."

GREATER NEW YORK

Brooklyn Gets a New Way to Roll

Ride-share startup says electric mopeds are the 'missing link' for city transportation

BY LARA KORTE

A new set of wheels will roll into Brooklyn this week, marrying the spirit of "Easy Rider" with the practicality of ride sharing.

On Monday, startup company Revel Transit plans to deploy 68 electric mopeds in the neighborhoods of Greenpoint, Williamsburg and Bushwick that people can rent through an app. If all goes well, the firm expects to expand to the rest of the city in the coming years.

Revel founders Frank Reig and Paul Suhey said mopeds are the "missing link" for New York City transportation.

"People in our generation aren't going to the car dealership and dropping \$35,000 just to buy their own car," said Mr. Reig, who is 32 years old. "They'd rather pay \$4, hop on an electric moped, go 20 minutes and be done with it."

Revel's vehicles, which are registered with the New York State Department of Motor Vehicles as mopeds, are available to anyone with a driver's license. Riders download the smartphone app and pay a one-time \$25 fee for a background check. The first 20 minutes of a ride is a \$4 flat rate. Every minute after that costs 25 cents while moving or stopped in traffic, or 5 cents while parked.

When they are finished, riders must park the mopeds in a legal space within one of the pilot neighborhoods. Riders can travel anywhere in Brooklyn or Queens, but not to the Bronx, Manhattan, or Staten Island. Leaving the boundaries could result in a fine between \$50 to \$150.

"It's a way to get to other transportation," Mr. Reig said. "It kind of fits in with other public transit."

New York City will be the first municipality where Revel



A rider tested out an electric moped. The vehicles are available in the Greenpoint, Williamsburg and Bushwick neighborhoods.

has launched, hoping to mirror the success of similar moped programs in cities such as Atlanta and San Francisco. The startup has raised \$1 million from about 25 friends, relatives and angel investors.

"This isn't the end-all be-all of all transportation," Mr. Reig said. "We're just giving another option for people to get into something that's affordable."

Unlike bike-share programs, Revel mopeds require more government oversight. All vehicles, which have a maximum speed of 29 mph and a 50-mile range on a single charge, must be registered with the New York State Department of Motor Vehicles and include insurance.

A spokeswoman for the city's Transportation Department said Revel reached out in the spring to let it know about the planned service. The agency noted that all users must comply with the rules of the roads, including the posted speed limit and parking regulations.

"We appreciate that the

company has clearly stated safety as a priority, and we will certainly be watching closely as the program rolls out on our streets this summer," the spokeswoman said.

For their part, Revel founders say they have been meeting with local leaders and police. "We're trying to be good partners and make sure no one is surprised by this," Mr. Reig said.

Revel founders are confident they have found the ideal pilot neighborhoods in Brooklyn. With increasing concerns about congestion and the looming L-train shutdown, many Brooklyn residents say they will be looking for other ways to get around.

Sam Jones, a comedian who lives in Williamsburg, said she thinks the mopeds will be a convenient way to bypass problems caused by the temporary loss of the L train.

"A lot of people don't want to take Citi Bikes because it's long and you're super sweaty when you go into the city or

work or around town," Ms. Jones said. "So I think it would be a great idea."

Ryan Ford, a Bushwick resident, said he thinks the electric mopeds will be popular. "People will be fighting over them," he predicted.

Revel offers free training sessions for prospective riders who are new to mopeds, which they can sign up for online af-

ter registering. The company aims to expand to the other boroughs, although it has yet to set a timeline.

Mr. Reig said he hopes people will embrace the electric mopeds as a way to travel around Brooklyn and explore the city. "This is a way to kind of just get on a moped and go somewhere else that normally you wouldn't go," he said.



Revel's Frank Reig and Paul Suhey hope to expand the program.

Former Warehouse Sells for \$900 Million

BY KEIKO MORRIS

A joint venture of L&L Holding Co. and Normandy Real Estate Partners has agreed to pay about \$900 million for a storied, former freight warehouse in Manhattan's Chelsea neighborhood, tripling the property's valuation from four years ago and underscoring the area's dramatic changes over the past several decades.

L&L and Normandy signed a contract to acquire the far West Side property known as Terminal Stores from the partnership of Waterfront New York and GreenOak Real Estate Advisors LP, according to people familiar with the deal. L&L and Normandy, which have track records overhauling historic and underused properties, plan to invest a significant amount to redevelop the property, improving its interiors by accentuating its historic features and adding modern touches. About 500,000

square feet of the building that is now used for storage likely would be converted for other uses such as offices.

The sale, when completed, amounts to a good payday for its owners. Coleman P. Burke, Waterfront's founding and managing partner, and investors paid about \$12 million for the property in 1983. In 2014, GreenOak bought a 49% stake that valued the property at about \$300 million.

The deal underscores the dramatic changes that have taken place over the last several decades and those that are slated to come. New office, residential and retail buildings in the Hudson Yards District are on the rise to the north, filling with tenants across the sectors. In Chelsea and other neighborhoods in the Midtown South area, technology companies, firms in the creative sector and financial firms continue to devour space, sometimes paying rents well above \$100 a square foot.

Earlier this year, Alphabet

Inc.'s Google bought the 1.2 million-square-foot Chelsea Market building, another former industrial structure several blocks south of Terminal Stores, for about \$2.4 billion.

The full-block Terminal Stores building, bounded by 11th and 12th Avenues and West 27th and West 28th Streets, opened in 1891 and once was open to trains transporting freight for large

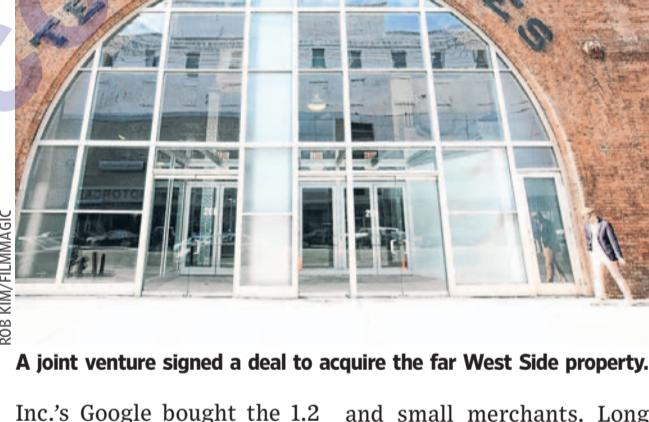
and small merchants. Long after Chelsea's industrial days, The Tunnel nightclub opened in the building's brick-walled arcade in the mid-1980s and lasted more than a decade. Today, the connected sections that make up Terminal Stores are now home to Uber Technologies Inc., L'Oréal USA and architectural firm Grimshaw.

Since 2014, the owners

have invested about \$50 million to improve the property, revamping both the retail and office space. Terminal Stores already houses a bar, restaurants and specialty food shops, but the joint venture buying the property intends to bolster the property's retail space with food venues to create a neighborhood attraction like Chelsea Market, with its restaurants and specialty stores.

The project falls into L&L's sweet spot of reviving historic properties. L&L completed a \$47 million restoration of the historic American Telephone & Telegraph Company Building at 195 Broadway, where the firm created high-end retail space and brought in Japanese restaurant Nobu. Before that, L&L revamped 200 Fifth Ave. and brought in the city's first Eatery location.

Normandy also has had its eye on redeveloping historic properties with an aesthetic favored by creative and technology firms. The company is redeveloping the upper floors of 880-888 Broadway, a building just north of Union Square Park that houses ABC Carpet's flagship store.



A joint venture signed a deal to acquire the far West Side property.

Flatiron Businesses Reopen After Steam-Pipe Blast

BY KATE KING

The chalkboard outside Merakia in New York City's Flatiron District displayed a cheery "Welcome back!" message meant to reassure customers that the restaurant was open, even though the street was still clogged with sidewalk barriers, construction crews and debris-filled dumpsters.

The restaurant was forced to close, and its air-conditioning was shut off, for five days after a July 19 steam-pipe explosion forced the evacuation of 49 buildings in the area. Owner Renée Typaldos, who opened Merakia in September, said she is still tallying the figures for an insurance claim but estimates that the restau-



Merakia has reopened.

rant lost \$100,000 in lost business as well as spoiled steak, lamb, produce and wine.

The restaurant reopened Tuesday, but business was slow all week as city and utility workers continued to clean up from the explosion, said manager Linleigh Smith. "It's been

terrible," she said. "There's no foot traffic, and that's a huge portion of our business."

The explosion of the nearly century-old steam pipe on Fifth Avenue near 21st Street spewed asbestos and other debris into the air. Business owners and at least 500 residents were displaced as city workers cleaned building exteriors, removed asbestos contamination and completed safety inspections.

On Saturday, officials with the city's Office of Emergency Management said 39 buildings had been cleared to reopen and four others had been partially cleared. The results from more than 1,800 outdoor air samples tested for asbestos have shown that the air is safe, officials said.

It isn't clear how many businesses were closed after the explosion. A spokeswoman with the city's Department of Health and Mental Hygiene said 11 eateries were located in affected buildings, most of which have reopened.

The New York City Department of Small Business Services has provided assistance to more than 110 businesses, including helping owners file for insurance claims, according to Commissioner Gregg Bishop. The department has also worked with the non-profit Renaissance Economic Development Corp. to create an emergency-loan program, which will provide loans of up to \$30,000 to affected businesses at a 2% interest rate.

A few doors down at In-Scape, a meditation center, management has offered discounted sessions to help people in the area handle the stress from the explosion, said worker Charlotte Gibson. Attendance appears to be up, she said.

"There is definitely a different energy," Ms. Gibson said.

Student Test Score Delay Is Parental Headache

BY LESLIE BRODY

New York parents anxious to see their children's scores on last spring's state tests will have to wait until at least mid-to-late September this year. The state says it will release scores about a month later than usual due to a technical review.

The delay has caused an extra headache in New York City, where many families use test scores to decide which schools to explore as they tackle a complex process of competing for seats in selective public options. Nearly a third of city public schools screen applicants for admission, and students' most recent scores often play a key role in ranking candidates, along with course grades, attendance and other factors.

Rachel Glube has one daughter eager to see her fourth-grade scores for applying to middle school for September 2019, and another daughter who wants to see her seventh-grade scores for applying to high school. Applications are due Dec. 3 for entry

'It's stressful enough for the kids and the state isn't making it easier.'

about a year from now.

"You can guess how your child performed based on previous years but you really don't know," Ms. Glube said. "It's stressful enough for the kids and the state isn't making it easier."

A state Education Department spokesman said the agency would send scores to districts in mid-to-late September. A New York City Department of Education spokesman said his agency usually released scores to parents within a week of getting them.

The state official said its delay stemmed from the Board of Regents' decision to shorten tests for grades three through eight, in English language arts and math, to two days in each subject last spring, down from three. He said educators must review the difficulty of the questions to determine where to set the score cutoffs that signify performance levels, such as below expectations, proficient and excellent.

Elissa Stein, who runs High School 411, a business that helps city families navigate the system, said school tour schedules are already being posted and will ramp up in August. Selective schools post the typical test scores of students they enroll.

"Parents now have to sign up for tours not knowing if their kids meet the schools' admissions rubrics," she said. "That's adding to an already stressful process and will lead to lots of confusion and disappointment."

New York City has developed a complex public system that lets students compete for their top choices, partly as a way to keep higher-income families enrolled by offering the prospect of admission to high-performing schools. Every year, schools rank applicants and students rank their preferred schools, and the city Department of Education announces matches in April.

Chancellor Richard Carranza has questioned the rationale for screening students by ability to this extent, saying it was antithetical to a public system and can exacerbate segregation, but so far hasn't announced changes.

A city Department of Education official said school counselors and the agency are working with families throughout the summer to help them through the admissions process.

GREATER NEW YORK

Hikes Spike on Trails Along Metro-North

BY LARA KORTE

On a recent Saturday, Bert Wolcott hopped on a Metro-North train at Grand Central Terminal and headed north.

The 23-year-old Brooklyn resident was looking to get out of the city, breathe in fresh air and soak up nature. Shortly into his ride, he realized several others in his train car had the same idea.

An hour and a half later, Mr. Wolcott and dozens of other riders from New York City poured out of the train onto the single wooden platform with chipping yellow paint at the Breakneck Ridge trail stop.

"I was amazed how easy it was to get out of the city to get here," said Conor Mook, 24, standing on the grassy highway shoulder after getting off the train with Mr. Wolcott. "It's one train ride, it doesn't take that long, and then you're in a completely different world."

Mr. Wolcott and Mr. Mook were just a few of the hundreds of New Yorkers heading out to trails along the Hudson Valley on Saturday. Weekend attendance has been increasing steadily on the Hudson Line thanks to Metropolitan Transportation Authority accessibility and social media buzz. Between 2012 and 2017, attendance at rail-accessible state parks rose almost 20%, according to state data.

The trails are an exciting discovery for New Yorkers looking for an easy way to get outdoors. But park officials and trail stewards say they are having to make adjustments to account for the increased foot traffic.

"The trail itself is in much-needed states of repair," said Hank Osborn, regional programs manager for the New York-New Jersey Trail Conference, a volunteer organization that maintains and protects public trails.

"It's definitely degraded in terms of the increased erosion," Mr. Osborn said.

Breakneck Ridge, with its formidable rocky climb and sweeping views of the Hudson River, has become one of the most popular destinations in recent years, garnering more than 100,000 visitors annually, according to the trail conference. In 2013, the trail saw about 600 visitors on a busy Saturday. Now, Mr. Osborn said, that number is around 2,000.



Breakneck Ridge offers sweeping views of the Hudson River. The Cold Spring station, below, is one of the Metro-North stops providing access to hiking trails.



high number of flip-flops, or shoes without laces, or boots without socks."

For hikers who do come prepared, the trek promises a 1,500-foot ascent and panoramic views of the Hudson River and surrounding hills. Many said they heard about it by word-of-mouth or social media.

"We wouldn't be here if we hadn't seen it on Instagram," said Will Kerwick, a 22-year-old Fordham University graduate who was standing on a rock formation overlooking

the valley with his girlfriend Nicole Into, 20.

"I saw the pictures and I was like, 'We have to go there,'" Ms. Into said.

The hashtag #BreakNeck-Ridge on Instagram has more than 30,000 posts, many of them featuring hikers looking out contemplatively over the landscape, doing handstands or climbing boulders.

"Hiking is kind of the new jogging," Mr. Thompson said. "Every few years there's a new sport that goes crazy. It goes

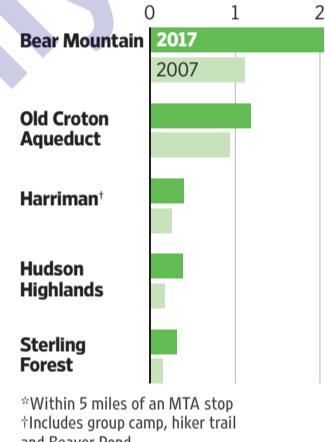
through phases and I think right now hiking is really a popular activity for people."

After reaching the summit of Breakneck trails, hikers have the option to continue deeper into the state park, take a shortcut exit back to the highway, or follow the trail to the nearby town of Cold Spring, N.Y., where little cafes and shops offer a pleasant post-hike respite.

Park officials say the influx of people certainly presents its challenges, but at the end of

Getting Out

Attendance at select MTA-accessible* state parks is way up.



*Within 5 miles of an MTA stop

†Includes group camp, hiker trail and Beaver Pond

Source: New York State Office for Parks, Recreation and Historic Preservation

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the day, the increased traffic shows that more people are appreciating New York's natural landscape.

"There are issues created by this heavy usage but it's also a great thing," Mr. Thompson said. "We want to see people come out."

GREATER NEW YORK WATCH

DRUG BUST

State Troopers Seize 200 Pounds of Pot

New York State Police say they have seized 200 pounds of marijuana with a street value of more than \$1 million after pulling over a vehicle on a Hudson Valley road.

Troopers said Sunday that they pulled over a rented pickup truck Friday on Route 28 in the Orange County town of Montgomery, 60 miles north of New York City.

Troopers say a strong odor of marijuana led them to search the vehicle. They found dozens of clear plastic bags filled with pot stuffed into a large wooden box in the bed of the pickup.

A 35-year-old man from Stamford, Conn., and a 69-year-old man from New Rochelle, N.Y., were charged with criminal possession of marijuana. Both were being held Sunday in the Orange County Jail on \$50,000 cash bail.

—Associated Press

CRIME

Man Is Fatally Shot in Manhattan

The New York Police Department says a 21-year-old Bronx man has been fatally shot in Manhattan.

The NYPD said officers responded around 1:30 a.m. Sunday to a 911 call reporting a man arriving at St. Luke's Hospital with a gunshot wound to the chest.

The NYPD said the man was brought to the hospital in a private vehicle. He was pronounced dead at the hospital. He was identified as Rashaun Pope, who lived on College Avenue in the Bronx.

Police said the shooting occurred near West 125th Street and 12th Avenue in Harlem. No arrests have been reported. An investigation is under way.

—Associated Press

As Sales Cool, Frozen-Yogurt Chain Introduces a New Twist on Treats

BY CHARLES PASSY

At the New York-based frozen-yogurt chain 16 Handles, the main draw has always been the self-serve aspect: Customers are free to mix and match flavors and toppings at will, paying a per-ounce price, varying by store, for their creations.

But this summer, patrons at the 10-year-old chain's East Village location may be surprised to find a soft-serve machine positioned behind the counter. It is reserved for a special new line of frozen treats, dubbed Sugalips, that employees are charged with making.

Included in the offerings: an outer-space-inspired Galaxy Cone, priced at \$8.95, that combines frozen yogurt, cotton candy and rock candy, a colorful dessert designed with the food-on-social-media era in mind.

The addition is a conscious effort by the chain, which has 10 stores in the five boroughs and another 26 in the rest of the U.S., to refreshen its image. And it comes as 16 Handles has seen its same-store sales decline in each of the past three years, following an initial period of consistent growth, according to Solomon Choi, the company's founder and CEO.

"Brands can continue to thrive if they stay on top of what's trending," said Mr. Choi, who is considering bringing the Sugalips line to his other stores.

Mr. Choi has also expanded his lineup of selections to include ice cream and gelato offerings at all 16 Handles stores. Next month: Italian ice and custard are being introduced.

Restaurant-industry experts say it is no secret why 16 Handles is being forced to innovate. For starters, the concept of self-serve frozen yogurt is



The Galaxy Cone mixes frozen yogurt, cotton candy and rock candy.



16 Handles CEO Solomon Choi

no longer seen as novel. But even more important: Frozen yogurt isn't the trendy dessert it once was.

Artisan ice-cream companies, offering a wave of creative and even vegan flavors, are commanding increased attention. So, too, are makers of multicultural frozen treats, such as

Thai-style rolled ice cream.

"The audience has grown up and become discerning," Arlene Spiegel, a New York-based restaurant consultant, said of frozen-dessert customers.

Mr. Choi's company isn't the only frozen-yogurt chain in the city that has tweaked its formula. Dallas-based Red Mango Yogurt Café Smoothie & Juice Bar, which has about 20 locations in the five boroughs, has added smoothies and juice offerings to its product offerings in recent years. In some stores, the company is also featuring light foods, including soup.

While such changes might help bring frozen-yogurt chains a broader clientele, experts warn there is a risk of alienating the regular customer base if a company goes too far.

"I think it's important to stay true to the core menu offerings," said Amanda Topper, an associate director with market research firm Mintel.

Police said the shooting occurred near West 125th Street and 12th Avenue in Harlem. No arrests have been reported. An investigation is under way.

—Associated Press

MARVEL PRESENTS
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HEALTH

Alerts Aim to Prevent Hot-Car Deaths

As fatalities remain stubbornly high, new sensors and other reminders are in the works; Nissan to make its alert a standard feature

BY ELLEN BYRON

DRIVERS GET reminders to wear a seatbelt, turn off the headlights and close the gas-tank door. Now, they're also getting alerts to check the back seat for young passengers.

This year 29 children have died from vehicular heatstroke, on pace to make 2018 one of the deadliest on record, according to KidsAndCars.org, a child-safety advocacy group. Heatstroke is the leading cause of non-crash vehicular deaths for children younger than 15, according to the American Academy of Pediatrics. The number of deaths—an annual average of 37—has remained stubbornly consistent for years. Most are caused when children are unknowingly left in a car.

Amid concerns that the number of deaths hasn't declined, more measures to prevent them are under way. New car technologies, phone apps, car seats and education efforts aim to keep drivers aware of young back-seat passengers.

Nissan plans to announce on Tuesday a system that will remind drivers to check for occupants in the back seat. Nissan's system will become standard on all four-door trucks, cars and SUVs with power locks by its 2022 model year. Nissan is believed to be the first to make such an alert a standard feature across its fleet of applicable vehicles, a move safety-advocates have long recommended.

Last year, Nissan made the technology standard on its Pathfinders; more vehicles will have it this year. The system detects when the rear door is opened and closed before and while the car is on. After a trip ends, a reminder to check the back seat appears on the dashboard. If the rear door isn't opened, the horn "chirps" six times.

"No one ever thinks it could happen to them until it happens to them," says Elsa Foley, a Nissan industrial engineer. "Making this a standard feature is one thing we can do to help."

This year General Motors expanded its rear-seat reminder system, available since 2016, to 29 models. It plans to make the alert standard on most four-door vehicles, says Tricia Morrow, a GM safety strategy engineer.



To keep drivers aware of children in the back seat, companies are launching new devices and technologies. Below, Sense A Life's system, and bottom left, a dashboard alert that will become a standard feature on many Nissans.

This month, some of Hyundai Motor's 2019 Santa Fe models are hitting dealerships with a new rear-occupant alert system. It involves a motion sensor that sounds the horn if movement is detected inside the back seat for up to 24 hours after the car is turned off. The system also sends an alert to the owner's phone.

Hyundai hopes the motion sensor will save children whom a driver has left behind as well as children who enter a car on their own but can't get out—the cause of nearly one-third of hot-car deaths, according to KidsAndCars.org.

The auto makers' moves come as the Hot Cars Act of 2017 makes its way through Congress, so far with bipartisan support. The law would require auto makers to equip all new cars with systems that alert drivers to check the back seat once the car is turned off.

"You have a reminder to put on your seat belt, take your keys from the ignition and that you've left your headlights on," says Janette

Fennell, president of Kid-
sAndCars.org, which is backing the legislation. "Who decided that it's more important not to have a dead car battery than a dead baby?"

Even on cool days cars can heat up quickly, rising



nearly 20 degrees Fahrenheit in just 10 minutes, experts say. Because a child's body heats up three to five times as fast as an adult's, heatstroke sets in swiftly. To highlight the risk, the Weather Channel developed the "Scorching Car Scale." For example, if the forecast for Omaha is 86 degrees Fahrenheit, after 10 minutes it will be 105 degrees inside a car, and after 30 minutes it will be 120 degrees.

"The hope is those numbers will be shocking to individuals and they'll pay attention," says Mike Chesterfield, director of weather presentation for the Weather Channel. "A lot of people assume that if they crack a window they'll lower the temperature in the car, but studies have found that it will have very little effect."

This month, the Weather Channel and the National Highway Traffic Safety Administration announced an effort to raise awareness of the risk of hot cars. The move is part of Nhtsa's new

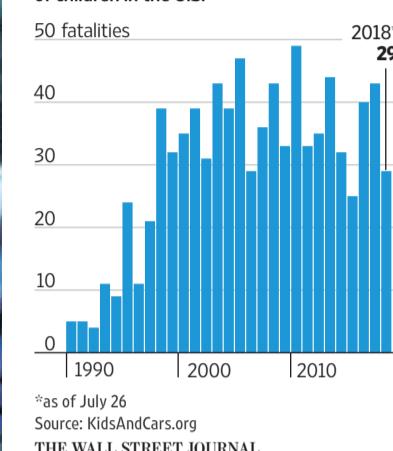
push this summer to encourage bystanders to act if they see a child alone in a car. "Anybody can notice that there's a child in the car, dial 911 and make a rescue," says Heidi King, Nhtsa's deputy administrator.

Parent-communication apps used by schools and daycare centers are adding notification tools to alert families when a child doesn't arrive. Tadpoles, an app used annually by more than 3,000 child-care centers, recently launched its "Unexpected Absence" feature. "Rather than blaming parents, we need early-childhood programs to think like partners and figure out a solution," says Kai-leé Berke, CEO of Teaching Strategies, which owns Tadpoles.

Ms. Berke says the change was inspired by Karen Osorio, a Procter & Gamble scientist who lost her daughter to vehicular heatstroke last year. Ms. Osorio, her husband and several P&G colleagues formed the Sofia Foundation for Children's Safety to educate parents and oth-

Tragic Toll

Vehicular heatstroke deaths of children increased in the 1990s as states required that car seats be placed in the back to avoid front-seat air bags. Vehicular heatstroke deaths of children in the U.S.



*as of July 26
Source: KidsAndCars.org

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ers about the risk of hot-car deaths. The foundation has been reaching out to pediatricians and parents, urging drivers to put a "bag in the back." If drivers get accustomed to placing a frequently used item such as a bag in the back seat, they will habitually check the back seat every time they leave the car, Ms. Osorio says.

This month, P&G's Pampers brand began distributing in hospitals pamphlets that include the "bag in the back" advice, reaching about 500,000 families, the company says.

Goodbaby International, maker of Evenflo and Cybex car seats, in 2015 introduced a sensor system on some models' chest clips, which chimes after the ignition is turned off, reminding the driver that a child is in the car. The feature can be linked to users' cellphones, including notifying designated contacts if initial alerts to a caregiver go unanswered, the company says.

Homespun efforts are also on the rise. Ms. Fennell keeps a list of more than 300 people who have sent her organization product ideas. This month KidsAndCars.org began promoting "CellSlip," a pouch that blocks mobile phone signals. Keeping a phone in the pouch in the back seat cuts down on distractions while driving and provides another reason to check the back of the car before walking away, Ms. Fennell says.

Another idea comes from a Florida company, Sense A Life Corp., which has developed a wireless sensor technology that gives drivers multiple alerts. Sense A Life's CEO, Fadi Shamma, is a pharmacist by day who has spent most nights and weekends in recent years working on the system with his neighbor, Jim Friedman, an electrical engineer. "We kept hearing about these deaths and knew we had to do something," Mr. Shamma says.

BURNING QUESTION | By Heidi Mitchell

DO ALTERNATIVE BUG REPELLENTS WORK?

BY HEIDI MITCHELL

IT IS HIGH SUMMER, when the buzzing of insects serves as the soundtrack to the season. Chemical repellents have long been considered the best way to ward off mosquitoes and ticks, but many swear by foods and other deterrents rumored to be less toxic.

But do these work? One expert, Stephen Gluckman, professor of medicine at the Perelman School of Medicine at the University of Pennsylvania, and a specialist in infectious diseases, explains the myth of garlic and the gold standard in bug-bite prevention.

By the Numbers

The most comprehensive comparative study, says Dr. Gluckman, was published in the New England Journal of Medicine in 2002. Volunteers applied 16 products marketed as bug deterrents to an arm, then placed that arm in a cage filled with mosquitoes. The best product was one with 24% diethyltoluamide, also known as DEET.

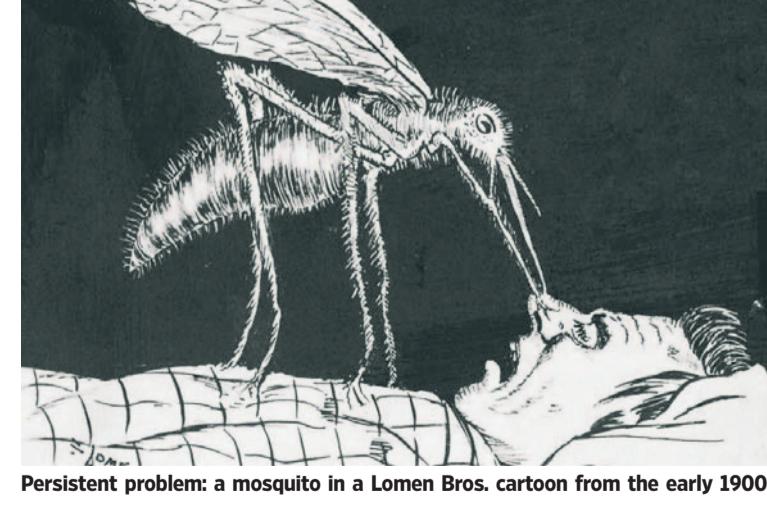
"That protected the volunteers for 301 minutes," Dr. Gluckman says. Other products had some ef-

fect, but not nearly as marked. The best product containing citronella oil, which has been marketed as the "mosquito plant" and is classified by the Environmental Protection Agency as a biopesticide, protected volunteers for 20 minutes.

While many consumers worry about the toxic side effects of DEET, Dr. Gluckman says, "There has never been one credible study showing a side effect from DEET other than an allergic reaction." It is possible that consumers confuse DEET with the toxic pesticide commonly known as DDT, which has been banned in most countries. People who are worried about DEET, he says, "are missing the point, since bites from ticks or mosquitoes aren't only uncomfortable but also carry the risk of transmitting serious viruses and bacteria like the ones that cause West Nile or Lyme disease."

Before You Eat This

For millennia, people have used certain foods and herbs to combat bug bites or to scare insects away. Garlic has been one of the most popular foods used, but Dr. Gluckman says every related study he has seen has shown no greater effect



than when subjects ate a placebo.

Some people swear by certain types of vitamin B, including thiamine (B1), an excess of which is excreted through the skin and is said to repel mosquitoes. However, "there is no evidence that ingesting thiamine works at all," Dr. Gluckman says. Same goes for eating bananas, and for any number of products that claim to deter bugs through ingestion. "As a general rule," he says, "if the Centers for Disease Control and Prevention doesn't mention that something is an effective bug repellent on its website, it doesn't work."

On the flip side, eating spicy foods or drinking alcohol may cause a person to breathe more heavily, and since mosquitoes are attracted to the carbon dioxide we exhale, the more labored the breath is, the more likely

that person is to be the target of insects.

Scratching the Itch

If a person suffers from severe allergic reactions to mosquito bites, there aren't many nonchemical ways to treat the itching and swelling. Foods high in vitamin C are known to combat inflammation, though Dr. Gluckman is skeptical that eating loads of oranges will lessen the swelling from a bite, since vitamin C doesn't impact histamines, chemicals that trigger the immune system.

That said, Dr. Gluckman says, a chemical histamine blocker such as Benadryl or Zantac works best. "If you don't want to put it in your body, there are topical versions of Benadryl," he adds.

Prevention Techniques

The best way to keep the bugs away is to discourage their presence, Dr. Gluckman says. Drain any standing water in your backyard. Try to catch and kill mosquitoes early in the season, before they breed, by using a carbon-dioxide trap.

Wear tightly woven fabrics—mosquitoes can easily bite through a cotton T-shirt.

LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

A Pilot's Best Job Perk: His Bike Flies Free

Flying for JetBlue allows an avid mountain biker to explore new territory

BY JEN MURPHY

WORK TRAVEL can take time away from favorite hobbies. But James Chue has figured out how to turn time on the road into more time on his mountain bike. A pilot for JetBlue, Mr. Chue requests specific trips that allow him to use layovers to explore new terrain or compete in enduro races: mountain bike races where only the downhill portion is timed.

"Travel can be an easy excuse to fall out of shape," he says. "I see it as an opportunity to go play." Mr. Chue, 37, tries to do three-day trips so that he can be home four days with his wife and two children in Kingston, Mass.

Most airlines charge a fee to check a bike, but Mr. Chue is exempt from paying \$50 each way for his bike with JetBlue. "One perk of being the pilot," he says.

He discovered some of his favorite mountain biking terrain, including Tiger Mountain near Seattle and South Mountain Park in Phoenix, on layovers. He belongs to a cycling chat group on the messaging app Slack and uses it to connect with local mountain bikers—both casual riders and pros—ahead of his trips. "People will pick me up from my hotel and we head to the trails for a few hours or the whole day," he says.

Three years ago he began entering enduro races. Cyclists climb anywhere from 3,000 to 10,000-plus feet to the top of a mountain in an allotted amount of time. They're timed on the descent, which is broken up into three to six stages of varying length, steepness and difficulty. Transfers between stages might involve hiking or even taking a chair lift and aren't timed.

This summer, he's tried to line up his work schedule so he can participate in the MAXXIS Eastern States Cup, an enduro competition of 10 races. He plans to race in Victory Hill, Vt., on Aug. 12.

"These races are really difficult, so they provide motivation to work out those days I don't feel like going to the gym," he says.

The Workout

Mr. Chue alternates between bike and weight days. "I lift so I can mountain bike," he says. "Strength training prevents a lot of injuries." He says strong legs, core and shoulder muscles are important for mountain biking. "If you flip over the handlebars while flying down a rocky trail, your shoulders will dislocate if they're weak," he says. A strong core also helps him maintain good posture and avoid low back pain when sitting in the cockpit.

He hits the gym three days a week. Workouts are dedicated to different muscle groups and he always throws in core work. He does four sets of each exercise and aims for 14 reps. "I grunt through those last reps," he says. "I'm the guy in the gym that you glare at thinking,



FROM TOP: JONATHAN KOZOWSKY FOR THE WALL STREET JOURNAL (2); JETBLUE

Pilot James Chue tries to fly to destinations where he can train for enduro races—mountain bike races where only the downhill portion is timed. He catches some air on the trail in Plymouth, Mass., above.

'Can't you please be quiet?"

If he can't access a gym, he works out in his hotel room and does crunches, push-ups and the superman exercise, where he lies on his stomach and alternates lifting his opposite arm and leg to work his lower back. He always travels with resistance bands, even stretching briefly in the cockpit after autopilot is engaged at cruising altitude.

On layovers of 18 hours or longer, he hits mountain bike trails. At home, he has five single-track mountain bike trails 5 miles from his home. On weekends he likes to drive to Highland Mountain Bike Park in Northfield, N.H. "You put your bike on a chairlift, so riding here is really just about the down, no climbing," he says. "I love getting a little crazy and hitting massive jumps."

The Diet

Mr. Chue travels with Mason jars of fresh-cut oats for breakfast. Thai food is his go-to on the road. He orders a ginger chicken stir-fry



with brown rice and saves half to eat on the plane. At home, he has scrambled egg whites and avocado slices on top of whole wheat toast, along with coffee and a banana for breakfast.

Lunch is a turkey sandwich or smoothie made with yogurt, blueberries, banana, avocado and whey protein. Chicken with broccoli and ziti is a family dinner favorite. The children eat pasta, but Mr. Chue and his wife make their portion with spaghetti squash.

Post-dinner ice cream motivates him to put in extra miles on the bike. He snacks on Sour Patch Kids when he rides.

The Gear & Cost

"I sound like a bike snob, but I like fancy gear," he says. "I use it



Do Homework Before Flying With a Bike

To fly with a bike or to rent one on the road is the money question, says Jim Potter, owner of Vecchio's Bicicletteria in Boulder, Colo. The destination often dictates the decision.

If you're traveling to a place with a strong bike culture, you can probably rent a serious bike. Touring companies, like Trek Travel, usually have access to fancier bikes. "More often than not, standard bike shops rent recreational city bikes with a generic fit," he says. "If you're tall or short or looking for performance, you'll probably be more comfortable with your own bike."

A good bike case can cost \$300 or more. "That's not a terrible amount if you've already spent \$4,000 on your bike," he says. There are two major styles. Soft cases roll up when the bike is removed. Hard, plastic cases are more protective but, he says, can be fairly bulky and hard to fit in the trunk of a car.

Snap pipe insulation tubing, available at most hardware stores, over the frame of the bike for added protection, he says. Don't let the air out of the tires—that protects the rims of the wheels. Check with your airline about baggage fees, which typically range from \$50 to \$200. Some, like Southwest Airlines, count bike bags under a certain size and weight toward the standard carry-on allowance.

FILM REVIEW | By Joe Morgenstern

TURNING TRICKS IN TINSELTOWN



GREENWICH ENTERTAINMENT

Matt Tyrnauer's documentary about Scotty Bowers (center) plays hedonism against anti-gay prejudice in Hollywood's halcyon days.

industry this was a period of growing prosperity and widespread optimism, but for gay stars and directors there was abiding fear of being outed.

Mr. Tyrnauer is a serious film-

maker—his "Valentino: The Last Emperor" was a first-rate documentary portrait of the legendary fashion designer Valentino Garavani. His new doc, which was based on Mr. Bowers's memoir,

"Full Service," combines tell-all appeal with a seriously significant story of prejudice and hypocrisy on a literally mythic scale.

Some of the names named in the course of the film once conjured up shining images around the world; now they're part of a history that seems both ancient and persistent: Cary Grant, Katharine Hepburn, Spencer Tracy, Lana Turner, Randolph Scott, Walter Pidgeon, Ava Gardner, Charles Laughton, Rock Hudson. Scotty has stories to tell about all of them, as well as the Duke and Duchess of Windsor, living life on vacation as they saw fit in the privacy of a bungalow behind the Beverly Hills Hotel.

Scotty also tells stories about himself, ad all but infinitum and without notes, though he has more notes than he knows what to do with. He can't sit at his desk any more, not because there's anything wrong with him physically, but because he's such a hopeless packrat that mountains of jottings and other junk on his desk defeat all efforts to conquer them.

He's the improbable star of what would be, except for the core content, an all-American odyssey. Mustered out of the Marines after V-J Day, Scotty shows up in L.A. with nothing to offer but his good looks. Soon after he finds a job pumping gas at a Richfield station on Hollywood Boulevard, he finds himself in the swimming pool, and then bed, of an illustrious customer. Working out of the Richfield station, and turning tricks all the while, he becomes a primo procurer for the movie colony, and, by his own plausible account, good friends with a rich assortment of Tinseltown's famous. He is not, at the present time in his long life, self-reflective, let alone self-analytical, but he is companionable, disarmingly likable, honorable by his own lights, unfailingly amiable and kind to animals.

And the nighttime video shot on the sly? It shows a skunk and two raccoons eating from a can of food that Scotty's kitty declined to finish. In this film, almost nothing is what it seems.

LIFE & ARTS



FINE ARTS MUSEUMS OF SAN FRANCISCO (4)

ART REVIEW

Understanding A Complex Aesthetic

An exhibition explores the contradictions and paradoxes of the pre-Raphaelite Brotherhood by presenting its works alongside older masterpieces

BY JUDITH H. DOBRZYNISKI

San Francisco IN 1848, more than a dozen years before artists in Paris rebelled against the French Academy to create Impressionism, William Holman Hunt, Dante Gabriel Rossetti and John Everett Millais—aged 21, 20 and 19—launched a very different artistic revolt in London. Desiring the formulaic teachings of the Royal Academy and calling Sir Joshua Reynolds, its revered first president, “Sir Slushua” to mock his free, brushy, grand style of painting, the trio, plus four lesser lights, started a secret society to advance a new aesthetic.

Calling themselves the Pre-Raphaelite Brotherhood, they favored crystalline precision that betrayed no signs of brush strokes, eschewed idealized figures and dramatic lighting, and subscribed to the critic John Ruskin’s instruction to seek truth in nature. But as “Truth and Beauty: The Pre-Raphaelites and the Old Masters” here at the Legion of Honor demonstrates, they were in reality a bundle of contradictions and paradoxes.

Intent on creating something novel, they nevertheless looked back to myth and medieval literature for subject matter or sometimes simply invented nostalgic scenes, filling their paintings with symbols and hoping they would be read like books. They believed in observing nature but sometimes depicted it in unnatural colors and flattened surfaces. In tune with their name, they sought to return to the practices of artists who preceded Raphael (1483-1520), but they actually esteemed him, giving him a place on their list of “Immortals” along with Michelangelo, Fra Angelico and Leonardo da Vinci. It was the saccharine, posited images of Raphael’s followers that riled the Brotherhood, yet they sometimes made sweet, overripe paintings themselves; and they eventually came to emulate the lush, stirring works of many Italians who came after Raphael, like Veronese.

In fact, the founders had never been to Italy or seen much medieval or early Renaissance Italian art in person when they began the Brotherhood. Their original inspiration, prompting their choice of bold jewel-like colors and use of symbols, sprang from Netherlandish artists like Jan van Eyck,

whose brilliant “The Arnolfini Portrait” (1434) had been purchased by the National Gallery in 1842, causing a sensation. (This winter, that museum devoted an entire exhibition to the impact of that one painting on the Pre-Raphaelites.)

“Truth and Beauty” best conveys these beginnings on a wall devoted to Millais’s famed “Mariana” (1851), which alludes to a story told by Shakespeare and Tennyson: Standing beside her velvet stool, at



an arched, stained-glass window portraying the Annunciation, attired in a glowing, cobalt-blue dress, a weary Mariana yearns for death because she was rejected by her lover after her dowry was lost at sea. Autumn leaves and her unfinished embroidery convey the melancholic passage of time. Nearby is Van Eyck’s “The Annunciation” (c. 1434/36), with Mary in a blue dress before arched, stained-glass windows, a stool in the foreground, along with a glorious 1450s Flemish prayer book by the Master of the Llangattock Hours and William Vrelant opened

to a similar “The Annunciation.”

Yet there’s no evidence that Millais ever saw the book or this Van Eyck, whose mood by contrast is joyful and expectant, though both women are clearly burdened and obedient to strict, prescribed roles. Exhibition curator Melissa Buron is not making the literal connection, but positing instead that Millais had completely absorbed Van Eyck’s aesthetic in making his image.

Yet by hanging these Pre-Raphaelite paintings alongside Old Masters—the self-proclaimed first international exhibit to do so—the show tempts visitors to focus mainly on the literal connections: similarity in poses, compositional elements, textures, colors and the like. They are definitely here. Ford Maddox Brown’s “Oure Ladie of Good Children” (1866) closely parallels Piero di Cosimo’s “Madonna and Child With the Infant St. John the Baptist” (c. 1505-10), while “Love and the Maiden” (1877) by John Roddam Spencer Stanhope channels several Botticelli works and Evelyn De Morgan’s “Flora” (1894) could have stepped out of Botticelli’s “Primavera,” a small copy (1860s-1880s) of which by Emilio Constantini is here. Too, Rossetti’s “Proserpine” (1878) twins well with Botticelli’s “Allegorical Portrait of a Lady” (1475-1485), and Rossetti’s “Veronica Veronese” (1872) mirrors Veronese’s “Lucrezia” (1580/1583).

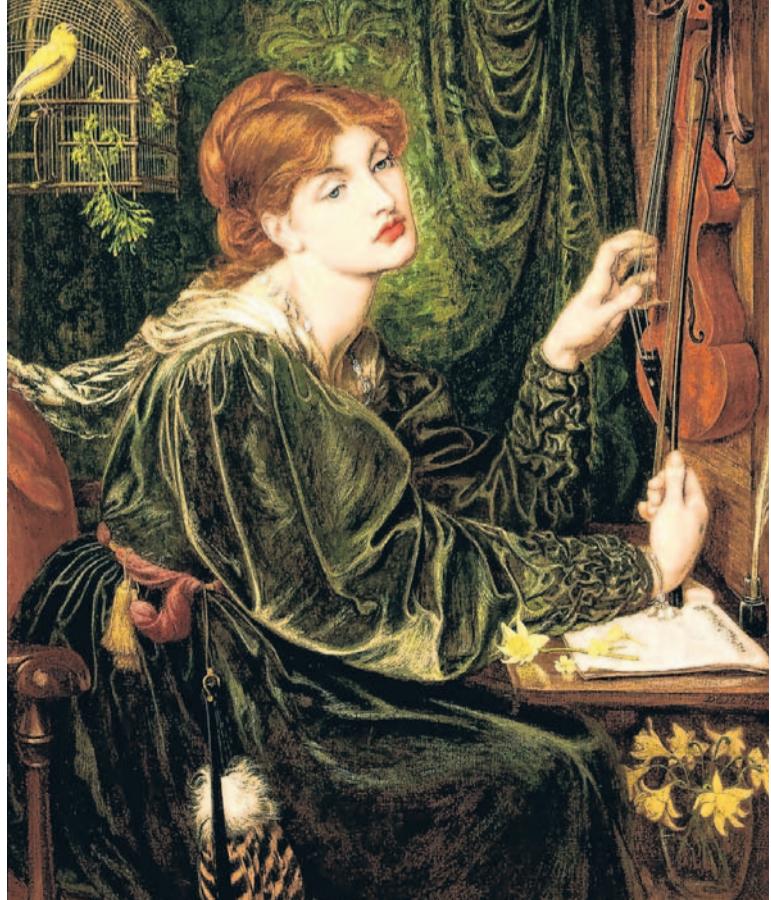
But the story of “Truth and Beauty,” with all its paradoxes, is richer than that. Sometimes that complexity is shown overtly, as in the gallery reverently anchored by Raphael’s small, sincere “Self-Portrait” (1506), painted when he was about 23 and on loan from the Uffizi Galleries. But often the group’s deviations from their stated ideals are merely implied, as in the disconnect between their fanciful narrative and pictorial inventions and Ruskin’s command to “go to nature...rejecting nothing, selecting nothing, and scorning nothing.”

The Pre-Raphaelites spawned a second generation and, as their work grew increasingly decorative, they influenced artists making tapestries, furniture, illustrated books and other decorative objects. “Truth and Beauty” ends with a gallery of those works, including two beautiful tapestries, “Pomona” and “Flora” (1886-1920), designed by Edward Burne-Jones.

Nowadays, their work seems



John Roddam Spencer Stanhope’s ‘Love and the Maiden’ (1877), top; John Everett Millais’s ‘Mariana’ (1851), above; Jan van Eyck’s ‘The Annunciation’ (c. 1434/36), left; Dante Gabriel Rossetti’s ‘Veronica Veronese’ (1872), below



anachronistic in a way that the Old Masters who animated them—or the French Impressionists—never will be. The Pre-Raphaelites are both loved and loathed. “Truth and Beauty” is unlikely to change many minds about them, but it should help visitors understand them better.

Truth and Beauty: The Pre-Raphaelites and the Old Masters
Legion of Honor, through Sept. 30

Ms. Dobrzynski writes about the arts for many publications.

SPORTS

TOUR DE FRANCE

The Switcheroo That Won the Tour

Geraint Thomas was supposed to help support Chris Froome. Until Thomas proved he was the stronger rider for Team Sky.

BY JOSHUA ROBINSON

Paris

Team Sky spends all year honing every possible detail to win the Tour de France, the race that is practically its *raison d'être*.

No detail is too small. Sky famously studies hotels along the route to know which ones have air conditioning and which ones don't. It prepares custom bedsheet for the riders. It invests millions in sports science.

So it took the peloton by surprise halfway through this summer's Tour when, all of a sudden, the team that leaves no detail to chance didn't even seem to know who its strongest rider was.

The expectation had always been that it would be Chris Froome, the four-time Tour champion coming off a stunning, if physically taxing victory in the Giro d'Italia. At least, it was until the Tour reached the Alps. That's when his teammate, a 32-year-old support rider from Wales named Geraint Thomas took over the leader's yellow jersey.

Froome, the most accomplished stage racer of his generation, became a deluxe domestique. And Thomas, who had never won a Grand Tour, morphed into the Sky leader, all the way to victory on the Champs-Elysées on Sunday.

"It's incredible just to be sat here with this jersey. Insane," Thomas said ahead of Sunday's ceremonial stage into Paris. "A big thanks to Froome...I appreciate having the best stage rider ever riding for me."

To understand how momentous Team Sky's internal reordering was, it's important to understand how cycling teams structure themselves for a race like the Tour. Any squad with real hopes of taking the yellow jersey organizes itself around a leader, with the other seven riders devoted to shielding and pacing him so that he is as fresh as possible when the time comes for a decisive attack.

For the past five years at Sky, that had always been Froome, ever since he took over from 2012 Tour de France champion Bradley Wiggins. He became so dominant that he set his sights on winning a complete set of Grand Tours, a feat he managed over the past 12 months. But his attempt to win the Giro d'Italia and the Tour de France five weeks later proved too much for him here.

Suddenly, Froome was the Super Bowl winning quarterback holding a clipboard for his backup. And the backup, the affable former track specialist who spends his free time watching rugby, was left to pull off one of the most ostentatious Tour victories in recent memory.



Geraint Thomas didn't begin the Tour as Team Sky's top rider. Below, Thomas and Team Sky teammate Luke Rowe celebrate during Sunday's final stage.

"I don't think there's a problem for Chris, because in the end, it's his legs," said Sky sports director Nicolas Portal, the tactician behind the team's success. "You accept it more easily when you feel that it's a fair result. When you feel that you were beaten by the road. When you feel that the people in front of you were stronger."

Thomas's flawless race, from start to finish, saw him become the first man in 25 years to notch back-to-back stage wins in the Alps. Though he was unproven in the third week of a Grand Tour, he somehow had the legs to sprint for the line in the Pyrenees. And he even had a shot at winning Saturday's final time trial until Portal told him to cool it toward the end and not take so many risks in the corners.

Which wasn't bad for a widely underestimated 32-year-old with a reputation for crashing in crucial moments.

"He was in the shape of his life," said Team Sunweb's Tom Dumoulin, who finished second, 1 minute and 51 seconds behind Thomas. "He didn't make any mistakes. He was never put into trouble by anyone in the moun-



MARCO BERTORELLO/EPA/SHUTTERSTOCK

tains or on any stage."

Froome had to settle for the third step on the podium. But even though he called it a "dream" to finish third while supporting Thomas, it was clear that Froome had not had a fun Tour de France.

He was only cleared to race it in the week before the start, following a nine-month investigation

into his abnormally high levels of an asthma drug at last fall's Vuelta a Espana. Then, once he showed up, he was booed mercilessly by fans on the French roadside. One even tried to take a swing at him on the Alpe d'Huez.

"When there is negativity like that, it brings us as a team closer together," Froome said. "You can

choose to let it get to you or you can choose to let it motivate you. And for us it was a motivation."

The headache now for the rest of pro cycling is that Sky's assembly line has somehow produced another champion. The team has now won six of the past seven Tours with three different riders.

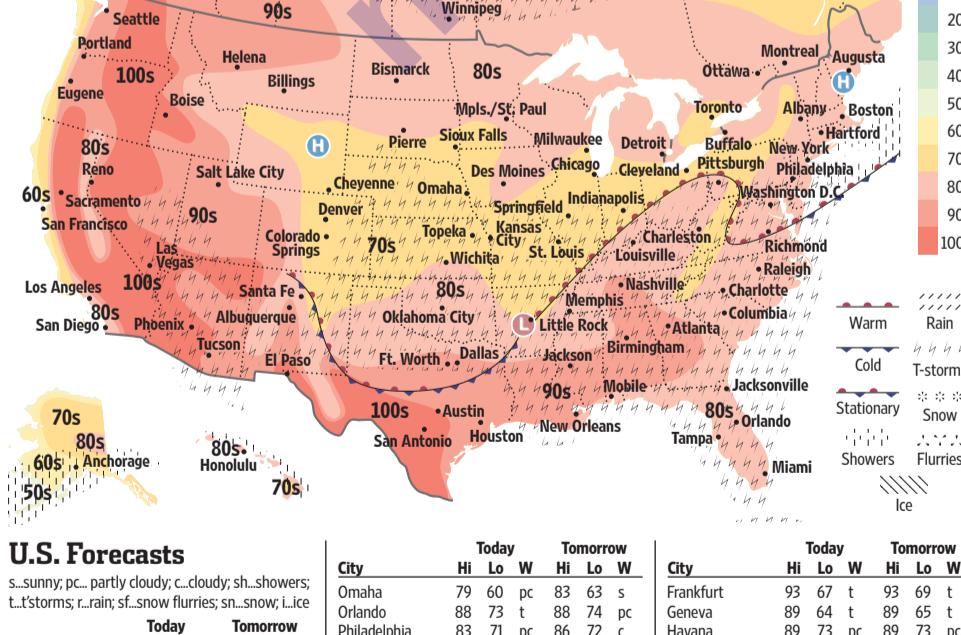
"It's not too hard when you have a team like this one," Portal said. "The hardest thing is not to crack under pressure."

What this means for Sky's internal dynamics is a conundrum the team will have to solve before next summer.

It would be unfair to say that Froome's time at the top is over, because Froome is still Froome, the winner of six Grand Tours who happened to arrive in France exhausted and distracted. But Thomas has also proven he has the class to take on anyone, especially with the Sky machine thumping behind him.

"That's the strength of our team: we have really only one goal," Sky mountain domestique Wout Poels said. "But you need a lineup of very, very strong riders to make a plan like that work. You go all in."

Weather



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Hi Lo W Hi Lo W

City Anchorage Atlanta Austin Baltimore Boise Boston Burlington Charlotte Chicago Cleveland Dallas Denver Detroit Honolulu Houston Indianapolis Kansas City Las Vegas Little Rock Los Angeles Miami Milwaukee Minneapolis Nashville New Orleans New York City Oklahoma City

Today Tomorrow

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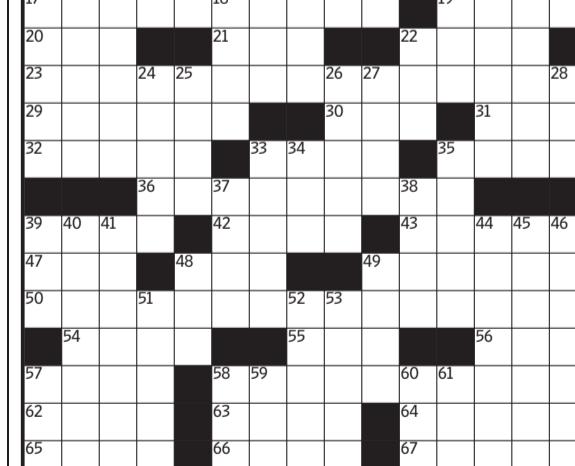
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Today Tomorrow

Hi Lo W Hi Lo W

City Frankfurt Geneva Havana Hong Kong Istanbul Jakarta Jerusalem London Madrid Manila Melbourne Mexico City Milan Mumbai Paris Rio de Janeiro Riyadh Rome San Juan Shanghai Singapore Sydney Taipei City Tokyo Toronto Vancouver Warsaw Zurich

The WSJ Daily Crossword | Edited by Mike Shenk



SQUEEZE PLAY | By Zhouqin Burnikel

Across

1 Really bad 30 Delivery room possibility

6 Openly resist 31 Crude commodity

10 Snow queen in 32 Knight's ride

14 River near the 33 Electric car from Nissan

15 Great Lake fed by 35 May auto race, familiarly

16 "Sounds like a 36 *"Wheel of Fortune" misfortune

17 *Finds comfort in 39 Delivery room possibility

19 Former flames 42 Whittle down

20 Believer's suffix 43 Like draft beer

21 Source of 47 Prime minister Shinzo

22 Scissor cut 48 Pump product

23 *Stealthy 49 Split open

incursions 50 *Prosecutor's opponent

29 Like many 54 Avocado dip, casually

4 Indefinite article in France 37 Places to enjoy salt scrubs

5 Definite article in France 38 Chocolate-covered caramel brand

6 Acts of bravery 39 Wander (about)

7 Wipe, as a computer drive 40 "Pretty please?"

8 In shape 41 Performs a pit stop chore

9 "Certainly!" 44 Abrupt digression

10 Kagan of the Supreme Court 45 Run-of-the-mill

11 Specialized vocabulary 46 Desert

12 Member of a blended family 47 Hallucinogens

13 Braying beast 48 Chain that sells vitamins

18 Put into words 49 Lower-left PC key

22 Digs for pigs 51 Makes more tolerable

24 Green shampoo brand 52 MacDowell of "Four Weddings and a Funeral"

53 Right now 57 Munich-based automaker

58 Traveler's aid 58 Discount tag abbr.

60 Span of time 61 Fernando Valley

Previous Puzzle's Solution

FIT JELLILO COACH ANOMALOUS ALPHABRAINIAICS PAPALI LUST NAIF YELL ESTEEM SERB TIP SHY VIM HEROICA CELEBUTANTES SHEAKRUPLESS MOCKUMENTARY ATHENA OWE GEL RHO DILLY SPHERE TOGA DIAL SELON CURLS SHARKNADO ASADA ZOROASTER REMAX TODDY ODE

The contest answer is MAD DOCTOR. Each of four Across answers is a portmanteau word where one or more letters were spliced out of the second part: MA from BRAIN/MANIACS; D from CELEB/DEBUTANTES; DOC from MOCK/DOCUMENTARY; TOR from SHARK/TORNADO. The spliced-out letters spell the contest answer.

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

OPINION

Better Bombs Save Lives

INSIDE
VIEWBy Andy
Kessler

Earlier this year more than 3,000 Google employees signed a letter to chief executive Sundar Pichai demanding the company halt work on the Defense Department's Project Maven, which applies algorithms to warfare. The disgruntled employees also wanted their boss to pledge "that neither Google nor its contractors will ever build warfare technology." In June the company announced it would not renew its Project Maven contract. This is incredibly shortsighted and will increase the likelihood of war and civilian deaths.

Past warfare was described primarily by tonnage and throw weights, because precision was almost nonexistent. But ever since humans started dropping bombs out of airplanes, they've been aiming for more precision.

On June 15, 1944, a squadron of 75 American Superfortress B-29s left China to destroy the Imperial Iron and Steel Works in Yawata, Japan. The site manufactured about a quarter of Japanese steel at the time. The 47 bombers that made it to Yawata dropped more than 365 bombs. One accidentally destroyed a power house more than a kilometer away from the complex. The rest missed.

It wasn't for lack of trying. In 1943, behavioral scientist

B.F. Skinner demonstrated new guidance technology to track simulated Japanese destroyers. He then revealed that inside the nose cone of the bomb were three pigeons trained to peck away at silhouettes of Japanese warships. But real technology advances. Wartime news reports claimed the highly complex Norden bombsight could hit a pickle barrel from 20,000 feet above. But in 1944 bombardiers recorded that "75% of Norden bombsights fell short of specifications," missing by more than 300 feet.

For the rest of the war, the city of Yawata was firebombed in an unsuccessful campaign to destroy the iron and steel works. Notably, it was a target on Aug. 9, 1945, three days after Little Boy was dropped on Hiroshima. A B-29 carrying the atomic bomb Fat Man made runs over Yawata, but thick smoke from the ground made targeting impossible, and the bombers headed to the next target on the list, the Mitsubishi Steel and Arms Works in Nagasaki. The bombardier, Capt. Kermit Beahan, used a Norden bombsight to target the factory. He wasn't even close—off by almost two miles. Horseshoes and hand grenades!

During the Cold War, the U.S. and Russia often negotiated over throw weight, the payload that a missile carries—power over precision. In hot wars, conventional bombing continued. The U.S. dropped seven million tons of bombs during the Vietnam War, 10 times as much as during the Korean War and

twice as much as the Allies dropped in World War II. There are no good statistics, but most think more than 90% of bombs missed across those wars.

During the first Gulf War, the paradigm changed. Tomahawk cruise missiles would read the terrain preloaded from satellite imagery and accurately find their targets. Even aerial bombing improved. Some 17,000 precision bombs, mostly laser-guided,

If Google can make drones more accurate, everyone benefits except the bad guys.

almost always hit their targets. But 210,000 conventional bombs still missed by an average of 300 feet.

By the late 1990s, the Joint Direct Attack Munition kit was developed. It was bolted onto conventional 500-pound bombs, which updated their position via GPS as they dropped. They almost always landed within 10 feet of their target. It was first used in Kosovo in 1999 and perfected in the Iraq War.

There is so much more to do. The Israelis successfully deploy the Iron Dome missile interceptor. They claim it is 90% accurate, but many dispute this. Last week a new interceptor, known as David's Sling, co-developed with Raytheon, was launched against two Syrian SS-21 Tochka missiles headed toward Israel.

Neither missile interceptor hit its target.

Precise weapons set expectations that war can be fought without civilian casualties. Which brings us back to Google. The U.S. has used drones successfully against al Qaeda and Islamic State. Drone pilots identify and eliminate terrorists from thousands of miles away. Collateral damage and civilian deaths still happen, but they're often the result of faulty intelligence, not the bombing technology.

Project Maven, or the Algorithmic Warfare Cross-Function Team, was set up by the Defense Department last year. Working with private industry, the group applies machine learning and artificial intelligence to read drone footage and "autonomously extract objects of interest from moving and still imagery." This probably doesn't include facial recognition. It eventually will.

I don't think we'll ever get to fully autonomous weapons, the fever dreams of Terminator's Cyberdyne Systems and the Campaign to Stop Killer Robots. Treaties will be signed to outlaw them.

Still, it's naive to think war is obsolete—bad actors will always be around. But technology will soon surgically zap bad guys. Project Maven gets us closer. Which is why Google engineers' refusal to develop precision technology means more civilians will die or the military will be reluctant to use force. That's wrong. They should Google *Si vis pacem, para bellum*.

BOOKSHELF | By Harold Holzer

Lawyers At Civil War

Uncivil Warriors

By Peter Charles Hoffer
(Oxford, 228 pages, \$27.95)

Toward the end of the Civil War, a recently liberated former slave from Union-occupied New Orleans demanded that her onetime owner be held accountable for dividing her family. Rose Herera's "mistress," Mary DeHart, had shipped three of Herera's young children to Cuba before slavery was outlawed in Louisiana. Civil authorities could find no grounds to prosecute DeHart or order a 19th-century version of family reunification. In stepped Union Gen. Nathaniel Banks, a former attorney who commanded Union forces in the Crescent City. In a stroke of interpretive genius, Banks discovered grounds for a different ruling by citing recently overturned slave laws, which had forbidden owners from selling away children under 10. The general ordered DeHart to Cuba to retrieve Herera's children.

That the Civil War transformed American jurisprudence in both small and large ways is neither a novel nor disputed claim. At its most fundamental level, Union victory meant that African-Americans would no longer be treated as property. Eight months after Lee surrendered to Grant at Appomattox, involuntary servitude became unconstitutional. Within a few years, amendments guaranteeing people of color citizenship, civil rights and voting rights were ratified. But if the law changed, lawyers did not. They still thirsted for the combat of interpretation and argumentation.

In "Uncivil Warriors: The Lawyers' Civil War," a startlingly original work of history, Peter Charles Hoffer traces how the war turned the legal worlds of the Union and the Confederacy upside down. He closes his analysis with a provocative chapter on the Reconstruction era, in which he suggests that both Northern and Southern lawyers deserve enormous credit for hashing out the details of dramatically altered statutes—earning big fees in the bargain.

Earlier legal histories have understandably focused on the statutes. Mr. Hoffer, a professor of history at the University of Georgia, concentrates instead on the players who worked to change the law and the settings in which they did so, from secession conventions to courtrooms to military installations. War made it possible for old lawyers to make new law, as when Union Gen. Benjamin Butler—a former attorney later known as "Beast" to his Southern detractors—in 1861 found a novel and ingenious legal argument for sheltering the runaway slaves who flocked to his headquarters at Fort Monroe, Va. He declared them "contrabands of war," or as they became known in the vernacular, "contrabands." Butler single-handedly overturned the federal Fugitive Slave Act without even consulting his commander in chief, Mr. Hoffer writes, and "almost by accident" became "one of the first of the lawyer/politicians to formulate a policy" on slavery.

The principal wartime forum for hashing out new legal precedents was Abraham Lincoln's cabinet—more a team of attorneys, Mr. Hoffer argues, than Doris Kearns Goodwin's team of rivals. "Overall, one could not find a more able or imposing team of lawyers than this," Mr. Hoffer asserts,

How federal and Confederate lawyers addressed the conundrums of disunion and transformed American jurisprudence.

"though like many law partnerships, there was rivalry and contention among themselves and with senior partner Lincoln." During four years of military conflict, savvy lawyer-politicians like William Seward, Salmon Chase, Edwin Stanton and Edward Bates haggled over such cornerstone policies as the legality of the Union blockade of Confederate ports, emancipation by executive order, the first military draft, and the suspension of the writ of habeas corpus, along with the use of military tribunals even where civil courts continued to operate. Cabinet members helped Lincoln maneuver around the Constitution and elude oversight by a Supreme Court over which ancient, pro-slavery Chief Justice Roger B. Taney presided until only months before the Confederacy was defeated. In 1864, Lincoln would appoint Chase to succeed Taney as chief justice.

Mr. Hoffer may occasionally treat the obvious as revelatory: It should be no surprise that many politicians of the Lincoln era—like politicians in most periods before and since—had trained in the law and practiced at the bar before launching careers in government. But the author treads new ground when he explores the decisions made by lawyer-generals like Butler, Joseph Holt and William T. Sherman, who regarded all Rebels as "unregenerate law breakers." Sherman, he writes, "was always providing legalistic explanations" for his aggressive way of making war.

Readers will be studying, and debating, Mr. Hoffer's unique scholarship for years—and profiting handsomely. In his last chapters, however, he strives a bit too hard to stake out distinctive territory. At one point he derides Lincoln's final Annual Message to Congress, in December 1864, for lacking "the sharp legal acumen of his First Inaugural, or the solemn gravity of his Emancipation Proclamation. He was factual, but did not rehearse the facts in an argumentative way." Perhaps, Mr. Hoffer suggests, Lincoln had already "passed the mantle of liberator to Chase and was simply relieved to have done so." In fact, Lincoln had hardly surrendered that role, telling a visitor that same year that he believed history would honor him for it.

Mr. Hoffer alternatively posits that, by late 1864, Lincoln's sharpest writing was behind him: Reading that annual message, he says, "one senses that he was mentally and physically near the end of his tether." If so, Lincoln miraculously recovered in time to craft his majestic Second Inaugural Address three months later, when he was arguably more exhausted than ever. The president and others considered this his greatest speech. Yet here, too, Mr. Hoffer breaks with traditional judgment: He declares the masterpiece a failure because it departed from legal argumentation to stress God's will over man's law. Left unmentioned is the fact that Lincoln's First Inaugural, however artful legally, had left seceding states unpersuaded and unreconciled. At least the Second Inaugural promised "peace among ourselves"—a path to reunification "with malice toward none." Sometimes moral arguments trump legal ones.

Mr. Holzer, director of the Roosevelt House Public Policy Institute at Hunter College, won the 2015 Gilder Lehrman Lincoln Prize.

Corruption in Mexico's Anticorruption Party

AMERICAS
By Mary
Anastasia
O'Grady

Andrés Manuel López Obrador and his Morena party won big in this month's Mexican presidential elections by promising to drain the swamp. But

they're already engulfed in a scandal rivaling the misdeeds that put the Institutional Revolutionary Party (PRI) in such

bad odor.

It's the job of Mexico's electoral watchdog, known as the National Electoral Institute or INE, to keep political parties from buying votes. On July 18 INE announced that Morena broke the rules when it set up a charitable fund ostensibly to support victims of the September 2017 Mexico City earthquake.

Morena didn't report the formation of "Por lo demás" (in English, "For everyone else") to electoral authorities even though it was clearly a party project. The trust was domiciled at the Morena headquarters. Out of 58 trustees who contributed to it, 49 were Morena congressmen.

It gets worse: Video cameras recorded a carousel of people going in and out of several bank branches and making cash deposits to the fund. The multiple transactions were apparently necessary to avoid crossing the legal threshold for cash deposits

above which a bank is required to learn the source of the money. This rule is in place to police money laundering, a problem Mr. López Obrador ought to be interested in given his campaign pledge to defeat drug-cartel violence.

Some 44 million pesos (\$2.3 million), more than half the money raised by the trust, was deposited in cash. On the spending side, most of the money seems to have gone to Morena party members via cashier's checks. Morena says the money was then used to help earthquake victims, but INE says it hasn't been able to verify that. Even if true, it would violate campaign-finance laws.

INE has fined Morena 197 million pesos (roughly \$10.5 million). The election watchdog's board voted 10-1 in favor of the fine, and its allegation can be backed up with hard evidence, including bank deposit slips and the video footage.

The PRI, National Action Party (PAN) and Green Party also have been fined for violations during the campaign. Their penalties weren't as harsh as those leveled on Morena, but their sins were considered less egregious. It's worth noting that Morena's fine is only the fifth-largest handed down by an independent electoral body in Mexico since the return to democracy in 2000.

A statesmanlike response from Mr. López Obrador

would have offered a clear explanation—presuming he has one—or an apology, and an acknowledgment that the INE is doing its job. Instead he has reacted with righteous indignation and fury.

He hasn't addressed the merits of the charges, though Morena says it did not break the law and that it will appeal the decision. He claims he and his party are targets of a political hit job and that the government of President Enrique Peña Nieto, of the PRI, is behind it.

Electoral officials fine AMLO's Morena \$10.5 million for campaign violations.

Primarily he has lashed out at the INE board, calling its decision "without rigor, without seriousness, without legality," and said it is instead "an excess, an abuse, a vile revenge."

Other culprits in his view include the Finance Ministry, conservatives and certain media outlets. "I forgive but I don't forget," he said, in what sounded like a veiled threat against anyone not with him on the matter.

On Tuesday INE President Lorenzo Cordova released a statement emphasizing that his team wasn't able to ascertain how Por lo demás resources were used and that, as

a result, there is nothing in its findings that "questions in any way the result of this election."

Mr. López Obrador would likely have been angry even had the fine been smaller. He won the election with a huge margin over PAN candidate Ricardo Anaya. But he undoubtedly understands that he is still viewed skeptically by millions of Mexicans.

The election results posted by INE show that while Mr. López Obrador won all but one state on July 1, voter turnout in the modernizing northern states was significantly lower than elsewhere. His big score came in southern Mexico and in Mexico City, which is heavily populated and chock full of government employees.

As a former mayor of the capital, he has a strong political apparatus there.

Many Mexicans see Mr. López Obrador as a PRI dinosaur who founded a new party, one to which a good number of other old PRistas adhered in the latest election. The "charitable" funding scheme built on cash transactions to avoid a paper trail does little to disabuse them of that idea.

Mr. López Obrador loyalists may believe he is a victim. The rest of the nation has to hope that the institutional independence that allowed the INE to discipline a president-elect's party for breaking the law can hold up over his six-year term.

Write to O'Grady@wsj.com.

Get to Work, Senators

By Dave Brat

This week a congressional committee gets to work resolving the differences between the House and Senate versions of the 2018 farm bill, which authorizes the federal food-stamp program. Among the most contested issues will be the work requirements for able-bodied, single adults passed by the House. Republicans must stand up for fiscal responsibility and the dignity that comes with work.

I am deeply concerned for the poor and vulnerable. I believe in a social safety net for those who are truly in need. Unfortunately, America's current safety nets don't always live up to their promise or purpose. Since 1965, the percentage of working-age men outside the labor force—that is, men who are neither working nor seeking work—has

more than tripled, rising from 3.3% to 11.6%. If we really want to combat poverty, we should evaluate how successful our social programs are at moving people off public assistance—not how many stay on. The Democrats' preferred welfare strategy encourages dependency on government

The House farm bill would discourage food stamp dependency.

scholar Nicholas Eberstadt, two-thirds of men outside the labor force are unmarried. Despite being unemployed and having ample free time, they are no likelier to volunteer, participate in religious activities, or care for family members than men with full-time jobs. There's also a connection between welfare and the opioid crisis.

Work requirements are among the simplest ways to help Americans on welfare learn to help themselves. To receive benefits under the House version of the farm bill, an able-bodied food-stamp recipient between 18 and 59 without dependent children would need to work or be enrolled in a job-training program for 20 hours a week. Even a part-time attachment to the labor market is important because it allows welfare recipients to gain experience and fill out their résumés.

The House bill's provisions are popular. The Foundation for Government Accountability found that 83% of Americans support "requiring able-bodied, working-age adults to work or participate in a job training program at least part-time in order to receive food stamps." Work requirements in exchange for welfare will also save money. The House-passed bill would reduce federal spending by more than \$20 billion over the next decade without taking a penny away from those who need it most.

The senators in the conference committee can do the right thing for the deserving poor and taxpayers by preserving the work requirements for welfare in the final version of the 2018 farm bill.

Mr. Brat, a Republican, represents Virginia's Seventh Congressional District.

OPINION

REVIEW & OUTLOOK

Calling Judge Kavanaugh

One exciting prospect for a Supreme Court that may soon include Brett Kavanaugh and Neil Gorsuch is reining in the excesses of the administrative state. The Fifth Circuit Court of Appeals this month set up a potential early blockbuster by ruling that the Federal Housing Finance Agency (FHFA) is unconstitutional.

Congress established the FHFA in 2008 to oversee Fannie Mae and Freddie Mac as the two government-sponsored mortgage giants careened toward insolvency. Given that the modern regulatory state has grown like kudzu, nobody in Congress or the Bush Administration gave the FHFA's structure a second thought. We missed it too.

But in *Collins v. Mnuchin*, a three-judge panel of the Fifth Circuit cited several features of FHFA at odds with the President's Article II powers in the Constitution. "We hold that Congress insulated the FHFA to the point where the Executive Branch cannot control the FHFA or hold it accountable," wrote the court.

The judges argued that several parts of the FHFA law work together to frustrate presidential oversight. These include the limits Congress imposed on a President's ability to fire the director, who has a five-year term and is now former Democratic Congressman Mel Watt; the exemption of the agency from the normal Congressional appropriations process for funding; and the lack of a formal mechanism for the executive to control the FHFA.

The Congressional funding point is especially notable. The FHFA is funded by the assessments it imposes on Fannie and Freddie, not by Congressional appropriations.

"If the agency is subject to the normal appropriations process, the President can veto a spending bill containing appropriations for the agency. Also, the President submits an annual budget to Congress, which he uses 'to influence the policies of independent agencies,'" wrote the court. "The FHFA stands outside the budget—in contrast to 'nearly all other administrative agencies'—and is therefore immune from presidential control."

High and Dry in Pasadena

As a rare municipality with a AAA rating from S&P Global, Pasadena is an oasis of financial stability in California. Yet the city declared a fiscal emergency earlier this year, and the reason is a sign of the progressive times.

In 1978 and 1996, Californians approved two amendments to the state constitution to limit municipal authority to raise taxes. Among other restrictions, Prop. 13 requires the support of two-thirds of voters to raise taxes for a specific local program or project. Under Prop. 218, new taxes can be proposed only during general elections when the city council is also up for a vote.

But there's a loophole. "In cases of emergency declared by a unanimous vote of the governing body," Prop. 218 says, cities can ignore the timing restrictions. And California lets local leaders determine what constitutes a fiscal emergency. Under that flexible definition, cities can propose taxes whenever they want while still following the letter of Prop. 218.

In the last decade, more than 50 California cities have declared fiscal emergencies. Many are questionable and look to be excuses for new taxes. Recent examples include Moraga, which had a AA+ rating at the time, and Santa Cruz,

California cities game fiscal emergencies to raise taxes.

which has declared a series of fiscal emergencies even as its bond ratings improved.

Pasadena has seized on this loophole to cash in on the taxation of legal marijuana. Pot became legal in the state this year, and the City Council didn't want marijuana proponents to get before voters first with a ballot measure on its local sale, regulation or taxation. On Feb. 26 the City Council unanimously voted to declare a fiscal emergency for a special municipal election "in order that the City may propose, and the City voter may consider," adopting a cannabis business tax.

Pasadenans last month followed through and voted to allow commercial cannabis businesses to operate legally within the city and to impose new marijuana taxes. The levy will raise as much as \$2.1 million annually. Not that city councilors are sated.

This month they proposed raising the city sales tax to 10.25% from 9.5%. The November election is a general one, so no fiscal emergency needed. But if voters approve that regressive levy, it would put Pasadena's sales tax on par with Chicago's highest rate in the nation. Keep this up and Pasadena's politicians may talk themselves into a real fiscal crisis.

The GOP's Clean Bills of Health Savings

The Senate plans to stay in Washington for August this year, and here's an idea to keep busy: Pass some House health-care reforms that are modest improvements even Democrats should like.

The House last week passed a set of bills that included changes in Health Savings Accounts, or HSAs, which are tax preferred accounts that allow individuals to save for future medical expenses. More than 20 million people have HSAs, which Congress created in 2003, but arbitrary restrictions crimp enrollment.

For one, a person has to be on a plan with a high deductible. A plan can't cover certain services below the deductible like telemedicine or diabetic test strips, which can save costs over time. HSA money also can't buy over-the-counter medicine, which is often cheaper than prescription drugs.

HSAs tend to be concentrated in the employer-sponsored or large group market, where insurance is likely to be available and comprehensive. But in the individual market less than 30% of ObamaCare plans are compatible with a health-savings account, according to an analysis from health consultant Roy Ramthun. The rest have deductibles too low (13.7%) or out-of-pocket maximums too high (56.6%) to comport with restrictions.

The House bills would allow more flexibility in HSA-plan benefits, raise contribution limits, among other tweaks like allowing over-the-counter drug purchases. If the House wanted to be more ambitious, it would allow any plan below, say, 70% actuarial value to be paired with an HSA.

The House last week also voted to delay

Modest improvements in HSAs deserve votes in the Senate.

ObamaCare's health-insurance tax and moved to repeal the medical device tax. It appears the House will wait until the fall to consider delaying again the pain of another ObamaCare levy—the 40% "Cadillac tax" on expensive plans. Legislation to kill it has some 300 co-sponsors, and the question is what's precluding that bill from becoming law.

One reason is criticism from some on the right who like the Cadillac tax as a way to reduce the tax advantage for employer-sponsored insurance over individual insurance. But it isn't progress to compound one bad policy (a tax carve out) with another (an excise tax). Why should politicians decide how much coverage is too generous? The better policy would be to reduce the tax exclusion for employer plans, which some Members of the Freedom Caucus blocked as part of ObamaCare repeal.

Many of these health-savings bills are bipartisan, though Senate prospects are uncertain. Democrats think high-deductible insurance is too stingy, which is ironic since ObamaCare has driven Americans into high-deductible insurance as other options become less affordable. Even Senator Elizabeth Warren wants to kill the medical device tax, since Massachusetts is home to device makers. And any Democrat who wants lower premiums next year should support a delay in the direct tax on premiums that insurers pass along to consumers.

Then again, Democrats may want to prolong premium pain so Republicans are blamed in the fall. The GOP should nonetheless press ahead with floor votes in August to show who supports better insurance options.

Letters to the Editor

The Fifth Circuit tees up a major separation of powers case.

This is terrific stuff, and the key point is democratic accountability. If Mel Watt is effectively insulated from control by an elected President, he answers to no one but himself. This is contrary to the separation of powers that was designed to insure political accountability.

As it happens, this is also similar to the logic that Judge Kavanaugh applied to the Consumer Financial Protection Bureau (CFPB) in his 2016 opinion for the D.C. Circuit Court of Appeals. Judge Kavanaugh was overturned in an en banc opinion dominated by Obama appointees. But he may get the last judgment if the Senate confirms him and either the FHFA or CFPB cases make their way to the High Court.

Recall that as a consultant to the Treasury, Elizabeth Warren also designed the CFPB to be insulated from Congressional appropriations with automatic funding from the Federal Reserve. Both the financial and housing bureaus could end up on the constitutional scrap heap when the right cases advance.

One irony of *Collins v. Mnuchin* is that it was brought by Fannie Mae and Freddie Mac investors to overturn the 2012 decision by the Obama Treasury to sweep all Fannie and Freddie profits for the government. The constitutional argument was almost an afterthought.

Two of the three Fifth Circuit judges ruled that the FHFA profit sweep was legal under the congressional statute. New Fifth Circuit judge Don Willett agreed with his two colleagues on the constitutional issues but wrote a spirited dissent on the legality of the sweep that may also make it to the Supreme Court.

As we wrote when he was nominated, Judge Kavanaugh and Justice Gorsuch are part of a new generation of judges who want to restore the Constitution's original understanding of the separation of powers. In particular they are less likely to defer to regulators who rewrite laws without proper statutory authority. And they may be more willing to strike down agencies that can't be controlled by the President. Thanks to the Fifth Circuit, we may soon get a lesson anew in James Madison's genius.

LETTERS TO THE EDITOR

Some Victories, but the Left Dominates Law

Jason Willick's "The Weekend Interview With Steven Teles: How Conservatives Won the Law" (July 21) is an excellent analysis of the current dominance of conservative legal thought. However, it is more revealing to look at how groups like the Federalist Society reached this position.

The Federalist Society didn't obtain its level of influence through ad hominem attacks or questionable tactics. Rather, it did so by promoting debates that demonstrated how liberal and conservative legal theories held up under scrutiny.

At my law school, the Federalist Society constantly put on debates while left-leaning organizations such as the ACLU never did. This demonstrates the relative confidence these groups have in their positions.

The interview mentions how groups like the Federalist Society "dethrone[d] liberalism from its dominant position in legal thought." But more importantly, it did so by allowing others to discover that it has the better legal theory.

MICHAEL CONKLIN
Colorado Mesa University
Grand Junction, Colo.

Let's look at some facts: According to Georgetown Law Center's Prof. Nicholas Quinn Rosenkranz's knowledge, the law school has three conservatives on its 120-member faculty; Iowa Secretary of State voter registration shows that my alma mater, the Iowa College of Law, has one Republican on its 50-member faculty and Yale Law School is reported to have zero—yes, zero—professors who take the

TERESA R. MANNING
Roanoke, Va.

It's certainly true that "conservatives need more Federalist Societies and fewer [affirmative-action] bake sales." But, it's the latter that in large part informed the voters who elected Donald Trump. And, without Mr. Trump as president, there would be no discussion of any conservative majority on the Supreme Court, the valuable work of the Federalist Society notwithstanding.

HERBERT SOROCK
Lake Geneva, Wis.

The Realtors Support Flood-Insurance Reform

Century Flood Reform Act. The bill passed the House but is stalled in the Senate.

We have never used the words "inalienable human right" to characterize flood-insurance subsidies. On the contrary, one of our reform principles states, "Premiums should be more accurately priced to the property specific risk, but any rate increases should be gradual and phased in over many years." We have and will continue to stand firm in our support of the NFIP's ability to protect current and future generations of U.S. property owners.

We recognize those protections will vanish if the program remains on its current path. That's why we will continue fighting for sustainable reforms as the next NFIP reauthorization discussions loom later this year.

ELIZABETH MENDENHALL
President
National Association of Realtors
Washington

Oil Pipeline Purpose Is to Block Electric Cars

In your July 23 editorial "Standing Rock Redux" the editorial board shows it is stuck in old ways of thinking about oil transportation.

Line 3 isn't a replacement project. Enbridge Energy is expanding Line 3, even though Minnesota's limited refinery capacity is maxed out. That's the conclusion of Minnesota's Department of Commerce, hardly an "extreme environmentalist" agency.

Enbridge's track record is checkered, with over 800 spills between 1999 and 2010. Most tragically, Enbridge spilled around one million gallons of tar-sands oil into Michigan's Kalamazoo River in 2010. It took over

\$1 billion and a half decade to clean it up. That risk may be acceptable to the editorial board, but it isn't fair to Minnesotans.

Line 3 is a lifeline to an industry struggling to justify itself. As recently as 2016, Alberta tar-sands crude sold for \$20 per barrel. And with rail transportation costing \$6 per barrel more, the motivation for the expansion is clear: It's about easy profits for Enbridge, not safety.

Enbridge is slowing down a transition to electric vehicles by flooding the market with cheap, surplus tar-sands crude. As a report from Wood Mackenzie put it, "for oil producers, the threat of [electric vehicles] is existential."

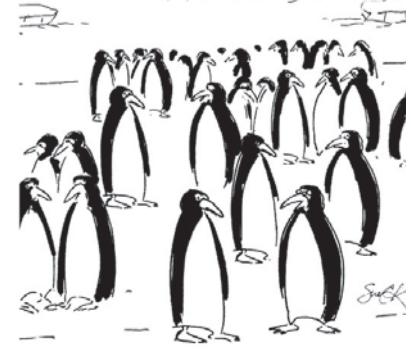
Meanwhile, renewable power in Minnesota is booming—with a 48.6% increase in solar jobs in 2017, according to the Solar Jobs Census. These are real opportunities for people displaced by a changing economy. In contrast, Line 3 would only create 20 permanent jobs.

Enbridge has convinced our Public Utilities Commission that Minnesota needs Line 3. The rest of us won't be so easily misled.

TIM SCHAEFER
Director, Environment Minnesota
Minneapolis

Pepper ... And Salt

THE WALL STREET JOURNAL



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ALAN JAFFE, SOFTWARE ENGINEER
Chicago

"I came here to lose myself."

OPINION

Trump Is Right About Clearances

By Sean Bigley

The White House announced last week that President Trump was considering revoking the security clearances of six former intelligence officials. Law and policy support such revocations, but as the swift and negative reaction in Washington showed, the president must take a nuanced approach.

The legal framework for security clearances was charted by a 1988 Supreme Court decision, *Department of the Navy v. Egan*. The justices noted that a president has absolute power to grant, deny or revoke access to classified information. This authority is inherent in his role as commander in chief. The court ruled that the president could form due-process procedures for challenging an adverse decision—which President Eisenhower first did in 1960—but no appeal would be available through the courts.

Preferential treatment for former officials doesn't improve national security. It creates a caste system.

A body of law and policy has since developed around several key ideas: First, a security clearance should be granted or continued only if it is "clearly consistent with the interests of national security." Second, security clearance places an individual into a fiduciary relationship with the government. Third, authorization of access to classified information must be joined with a demonstrated "need to know." These widely accepted principles have weathered the passage of time and the scrutiny of Republican and Democratic administrations. That's because they form sound, nonpartisan policy that furthers the interests of national security.



Former CIA Director John Brennan testifies on Capitol Hill, May 23, 2017.

John Brennan, Michael Hayden and James Clapper have all obtained roles as paid television pundits. James Comey is aggressively hawking his "tell-all" book, although he claims to have relinquished his clearance upon departing government.

Mr. Brennan, accused by Republicans of leaking information designed to harm then-candidate Trump during the 2016 election, is an unabashedly political actor and a prime example of this disturbing digression from principle. The former CIA director regularly issues hyperpartisan tweets, including one recently accusing the president of "treason." The fact that President Obama trusted Mr. Brennan does not require President Trump to do the same. This is why the U.S. regularly holds elections.

Nonetheless, Mr. Trump should not punitively single out former Obama officials for security clearance revocation, as doing so would afford them a right to certain protections under the existing executive order, including a formal hearing. That would place the White House in a no-win situation: Deviate from decades of policy by dispensing with due process—a decision within presidential purview but one that will be perceived as political—or provide those like Mr. Brennan a platform for further grandstanding.

There is an easier and significantly less controversial way to address this issue. Each year countless security-clearance holders leave their jobs and see their access to classified information administratively canceled because they no longer possess a bona fide "need to know." In lieu of punitively revoking the security clearances of senior Obama administration officials, the president should simply order an end to the preferential treatment they have been afforded and allow their clearances to lapse—like everyone else's.

Mr. Bigley is a national-security attorney and a partner at Bigley Ranch LLP.

Tax Cuts Bust 'Secular Stagnation'

By Mike Solon

Are low taxes key to a booming economy? Their success is harder than ever to deny after Friday's report that the U.S. economy grew 4.1% in the second quarter, bringing the average quarterly growth rate during the Trump presidency to 2.9%. This explosive growth, and the accompanying spikes in hiring and wages, should finally discredit three popular claims made by opponents of the president's policies: that tax cuts would blow a hole in the deficit, that corporate tax cuts would serve only rich investors, and that secular stagnation was a valid excuse for the slow growth of the Obama era.

In the first five quarters of the Trump presidency, growth has been almost 40% higher than the average rate during the Obama years, and per capita growth in gross domestic product has been 63% faster. As usual, the largest single beneficiary

Progressive economists said growth was gone for good. Then Trump changed policy.

of faster growth is the government. The Congressional Budget Office reports that faster growth under President Trump has already added \$1.3 trillion to the 10-year federal revenue projection, with the CBO's April economic adjustment alone showing an addition of \$1.1 trillion—the single largest growth-driven revenue gain ever reported. State and local governments can anticipate a similar dividend, amounting to as much as \$600 billion.

The CBO now projects that additional revenue from this economic surge will offset 88.2% of the estimated 10-year cost of the tax cut. That contrasts sharply with the CBO's assessment that President Obama's economic slump lost \$3.2 trillion in projected 10-year revenues during his last three years—almost five times more revenue lost than was gained by his 2013 tax hike. These results have confirmed again that weak growth is the fastest way to lose revenue and strong growth is the fastest way to raise it.

The revenue trend shows that the Tax Cuts and Jobs Act was fiscally conservative as a tax cut but economically powerful as tax reform, as accelerating growth appears likely to cover its cost and more. Even better news is that the public revenue windfall comes not as a drag on growth but as a slice of larger gains. The CBO's April revision projected an extra \$6.1 trillion in GDP over the next decade—more than \$18,000 of growth for every man, woman and child in America.

The next popular myth undone by the growth renaissance is that corporate tax cuts benefit only rich shareholders. Since the tax cut, the Labor Department reports that worker bonuses have hit the highest level ever recorded. The Commerce Department reports that wages and salaries are growing almost 25% faster under President Trump than under Mr. Obama. The recent tidal wave of customer rebates from utilities and cable companies also exposes the massive burden that high corporate taxes had been imposing on consumers.

The stock-market boom spurred by tax reform helps the middle class, too. A 2016 study in Tax Notes found that about 50% of all domestically owned corporate shares are in individual retirement accounts and pension plans—the nest eggs of working Americans. Another 17.6% of shares are held by nonprofits and life-insurance companies. Record dividends and buybacks could see total shareholder returns this year exceed \$1 trillion, with the majority flowing to retirees or charities like United Way.

Perhaps the most important narrative discredited by the economic revival is the "secular stagnation" excuse. Throughout the Obama years, progressive economists said Americans had become too old, lazy and complacent to achieve the growth that was regular before 2009. But somehow American workers overcame all of these supposed weaknesses when Mr. Trump changed federal policy. The problem was not our people but our government. Stagnation is not fate but a political choice.

With any luck, the economic turnaround will bring the pro-growth wing of the Democratic Party out of hiding. Three times in the postwar era, Congressional Democrats joined Presidents Kennedy, Reagan and Clinton to cut taxes and enable growth. America could use that kind of bipartisanship again.

Mr. Solon, a former policy adviser to Sen. Mitch McConnell, is a partner at US Policy Metrics.

The Tax-and-Spend Health-Care Solution

By John H. Cochrane

Why is paying for health care such a mess in America? Why is it so hard to fix? Cross-subsidies are the original sin. The government wants to subsidize health care for poor people, chronically sick people, and people who have money but choose to spend less of it on health care than officials find sufficient. These are worthy goals, easily achieved in a completely free-market system by raising taxes and then subsidizing health care or insurance, at market prices, for people the government wishes to help.

But lawmakers do not want to be seen taxing and spending, so they hide transfers in cross-subsidies.

They require emergency rooms to treat everyone who comes along, and then hospitals must overcharge everybody else. Medicare and Medicaid do not pay the full amount their services cost. Hospitals then overcharge private insurance and the few remaining cash customers.

Overcharging paying customers and providing free care in an emergency room is economically equivalent to a tax on emergency-room services that funds subsidies for others. But the effective tax and expenditure of a forced cross-subsidy do not show up on the federal budget.

Over the long term, cross-subsidies are far more inefficient than forthright taxing and spending. If the hospital is going to overcharge private insurance and paying customers to cross-subsidize the poor, the uninsured, Medicare, Medicaid and, increasingly, victims of limited exchange policies, then the hospital must be protected from competition.

If competitors can come in and offer services to the paying customers, the scheme unravels.

No competition means no pressure to innovate for better service and lower costs. Soon everybody pays more than they would in a

competitive free market. The damage takes time, though. Cross-subsidies are a tempting way to hide tax and spend in the short run, but they are harmful over years and decades.

We have seen this pattern over and over. Until telephone deregulation in the 1970s, the government wanted to provide telephone landlines below cost. It forced a cross-subsidy from overpriced long distance and a telephone monopoly to keep entrants out and prices up. The government wanted to subsidize small-town air service. It forced airlines to cross-subsidize from overpriced big-city services and enforced an oligopoly to keep entrants from undercutting the profitable segments. But protection bred inefficiency. After deregulation, everyone's phone bills and airfares were lower and service was better and more innovative.

Lack of competition, especially from new entrants, is the screaming problem in health-care delivery today. In no competitive business will they not tell you the cost before providing service. In a competitive business you are bombarded with ads from new companies offering a better deal.

market is dead. Even if you have plenty of money, you will be massively overcharged unless you have health insurance to negotiate a lower rate.

Taxing and spending is not good for the economy. But it's better than cross-subsidization. Taxing and spending can allow an unfettered competitive free market. Cross-subsidies must stop competition and entry at the cost of efficiency and innovation. Taxing and spending, on budget and appropriated, is also

The situation is becoming ridiculous. Emergency rooms are staffed with out-of-network anesthesiologists. Air ambulances take everyone without question, and Medicare, Medicaid and exchange policies underpay. You wake up with immense bills, which you negotiate afterward based on ability to pay. The cash

Honest subsidies beat cross-subsidies. They'd encourage competition and innovation.

visible and transparent. Voters can see what's going on. Finally, broad-based taxes, as damaging as they are, are better than massive implied taxes on very few people.

This is why continued tinkering with the U.S. health-care system will not work. The system will be cured only by the competition that brought far better and cheaper telephone and airline services. But there is a reason for the protections that make the system so inefficient: Allowing competition would immediately undermine cross-subsidies. Unless legislators swallow hard and put the subsidies on the budget where they belong, we can never have a competitive, innovative and efficient health-care market.

But take heart—when that market arrives, it will make the subsidies much cheaper. Yes, the government should help those in need. But there is no fundamental reason that your and my health care and insurance must be so screwed up to achieve that goal.

Mr. Cochrane is a senior fellow of the Hoover Institution at Stanford University and an adjunct scholar of the Cato Institute

A Toxic Turkish Photo-Op

By Tunku Varadarajan

Here's the moral of this short story: If you're a Turkish-German soccer star, don't pose for photographs with the autocrat who governs the country of your forebears. No good can come of it.

Mesut Özil, 29, had been the most popular German of Turkish origin. Now he's the most infamous, after posing in May for a grinning photo with President Recep Tayyip Erdogan. An integral part of the German soccer team since 2010, including the

2014 World Cup championship, Mr. Özil is a player of rare ability, whose languid movement on the field can give an untrained eye the impression of laziness. Aficionados know better. Still, when Germany crashed out of this year's World Cup in Russia, critics were quick to accuse Mr. Özil of harming the team by not being dynamic enough in his play.

In truth, every German player underperformed. Mr. Özil was singled out for special opprobrium because of the anger in Germany over his hobnobbing with Mr. Erdogan. The two had mugged for the camera at a meeting in London. Mr. Özil plays for Arsenal in the English league, and he publicly presented the Turkish president with his club team's jersey. In the jarring photo, both player and president hold up the jersey for the camera—Mr. Özil beaming, Mr. Erdogan looking smug.

The picture was greeted with dismay in Germany. Taken before Turkey's elections, which Mr. Erdogan had no intention of losing, it was seen as an endorsement by Mr. Özil. The German football federation, to which Mr. Özil was contracted, made clear that it regarded his encounter with Mr. Erdogan as politically inappropriate.

Lest you think all this was an overreaction to a 29-year-old jock's political naivety, bear in mind how truly toxic Mr. Erdogan is in Germany. Last year, after he was barred from staging political rallies on German soil ahead of a referendum in

Turkey, Mr. Erdogan said that the German government's attitude was "not different from the Nazi practices of the past." There are by some estimates five million people of Turkish origin in Germany, and Berlin fears—rightly—that Mr. Erdogan works overtime to unravel their integration into German society.

Mr. Özil has now announced his intention never to play for Germany again. Lashing out at what he described as the "racism" of his critics and the German football federation, he said, "I am German when we win, but I am an immigrant when we lose." This is disingenuous, for Mr. Özil had been—until his photo-op with Mr. Erdogan—among the best-loved of all German soccer players. He had even won a national award for his contribution to integration in German society.

Germany doesn't always take integration seriously and can be far too lax about making Germans of the many recent immigrants who live there. Mesut Özil seems, however, to have given the country a jolt. German role models shouldn't link arms with a foreign politician who pours scorn on Germany. When the poster boy for integration is so disconnected from German values, what hope is there for the great many refugees who've arrived in recent months—and who will, surely, keep on coming?

Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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THE WALL STREET JOURNAL.

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Market Fights Off Tech Stumbles

Lopsided

Since the 1970s, the five biggest S&P 500 companies have often had a greater combined market capitalization than that of the entire bottom half of the index.

Combined share of the S&P 500's market capitalization



Source: Ned Davis Research via S&P Dow Jones Indices

THE WALL STREET JOURNAL.

BY AKANE OTANI

The broad U.S. stock market is within 2% of a new high despite big drops by some of the technology giants that have powered recent gains, reassuring investors that the nine-year rally remains on firm footing to continue its run.

For months, analysts and investors have been debating whether a stock market whose gains have largely been driven by a handful of technology companies may be subject to a sudden reversal. They have already witnessed several big

selloffs in recent days: **Facebook** Inc. wiped out more than \$100 billion in market capitalization Thursday after warning its growth was slowing, while **Netflix** Inc. tumbled earlier this month after missing its own forecasts for user growth by more than a million subscribers. **Twitter** Inc. and **Intel** Corp. slid Friday after posting disappointing earnings.

Yet through much of those shock waves, the broader stock market has remained resilient. As Facebook suffered its biggest slide as a public company, dragging other technology

stocks down with it, the S&P 500 slipped just 0.3%. The broad index lost some ground Friday but eked out a gain for the week and hovered 1.9% away from its all-time high.

One reason why: While corporate-earnings results have been uneven for some technology firms, others have continued posting robust results, with both **Alphabet** Inc. and **Amazon.com** Inc. defying analysts' expectations for yet another

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◆ Stocks prepare to take another run at record..... B10

Oil Supply Crimped As Legacy Of 2014

BY SARAH KENT AND GEORGI KANTCHEV

Crude across the globe is being used up faster than it is being replaced, raising the prospect of even higher oil prices in the coming years.

The world isn't running out of oil. Rather, energy companies and petrostates, burned by 2014's price collapse, are spending less on new projects, even though oil prices have more than doubled since 2016. That has sparked concerns among some industry watchers of a price increase that could hurt businesses and consumers.

The oil industry needs to add 33 billion barrels of crude every year to satisfy anticipated demand growth, particularly as developing countries like China and India are consuming more oil. This year, new investments are set to account for an increase of just 20 billion barrels, according to data from Rystad Energy.

The industry's average decline rate—the pace at which output falls in a particular field or region without new investment—was 6.3% in 2016 and 5.7% last year, the Norway-based consultancy said. In the four years before the crash, that decline rate was 3.9%.

Any shortfall in supply could push prices higher, similar to when oil hit nearly \$150 a barrel in 2008, some industry participants say.

"The years of underinvestment are setting the scene for a supply crunch," said Virendra Chauhan, an oil-industry analyst at consultancy Energy Aspects. He believes a production deficit could come as soon as the end of next year, potentially pushing oil above \$100 a barrel.

Strong demand for crude could falter if the global economy weakens.

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Coming to a Fertilizer Market Near You—More Potash



FERTILE GROUND: EuroChem, a maker of nitrogen and phosphate fertilizers, is getting into the potash-mining business, a move that could shake up a market dominated by a handful of producers in North America and the former Soviet Union. A potash mine in Russia. B3

Hot Hedge Funds Don't Want Your Money

BY GREGORY ZUCKERMAN

All the money in the world can't get you into some of the world's best hedge funds.

Multibillion-dollar funds operated by **Renaissance Technologies LLC**, **PDT Partners**, **WorldQuant LLC**, **Two Sigma Investments LP** and other computer-driven "quant" firms have generated market-beating returns for years, according to people close to the firms, sparking heated investor interest. Renaissance's Medallion fund, for example, has

averaged annual gains of more than 35% since 1990, and was up about 10% this year through July 20, the people say.

There is a catch, however. These funds are generally available only to employees, early clients and a few lucky others, part of an effort to limit their size and keep them nimble enough to continue racking up gains. For pension funds, endowments and other big investors, being shut out of these exclusive funds is a bit like peering into a hot nightclub that allows only

VIPs inside.

As a result, these investors are left with two options.

They can invest in the hundreds of hedge funds that are less appealing than ever as the industry struggles with another year of middling returns. Or they can invest in the "open" funds of these successful managers. The results of these open funds generally aren't as strong as the exclusive, employee funds, and they can carry an array of potential conflicts, investors say.

Despite the drawbacks, in-

vestors have been choosing this option en masse, making these outside funds among the hottest products on Wall Street.

"It's a big challenge," says Theodore Liu, director of investment research at Silver Creek Capital Management, a Seattle firm that invests in hedge funds for clients and has put money in funds operated by some of these firms. "Do you wait and keep begging" to get into the exclusive, proprietary funds, or "do you invest in their A-minus product that may still be very good."

All kinds of investors have shifted to these outside funds, including **Blackstone Group's** Blackstone Alternative Asset Management, one of the largest investors in global hedge funds, as well as smaller firms, according to people close to the matter.

Last month, Igor Tulchinsky's WorldQuant raised \$2.3 billion for its first hedge fund available to outside clients, one of the largest fund launches in recent years. For the past 11 years, the quantita-

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PERSONAL TECHNOLOGY | By David Pierce

Sony Camera Outshoots Phones, Fits in Pocket



It's nice to finally be done with the "Can you really take good pictures with your phone?" debate, isn't it? Most high-end smartphones from recent years take excellent photos suitable for everything from posting on Instagram to printing on billboards. Steven Soderbergh shot an entire movie with an iPhone 7 Plus and the result, "Unsane," was truly chilling.

That isn't to say the dedicated camera is finished. The best cameras, rather than crowding about megapixels and chromatic aberration, now offer something your phone can't. Finer control over your images (with lots of helpful buttons), long battery life, improbably slow slow-mo, enough zoom to snap on Jupiter.

The remarkable thing about Sony's new RX100 VI



is it manages to pack so many of those features into a body much closer in size to a smartphone than a chunky digital single lens reflex camera, or DSLR. There are smaller cameras and better cameras if one feature matters to you above all, but nothing balances both like the RX100. It captures beau-

tiful photos and video, offers control over every aspect of the experience and allows me to get shots that wouldn't come from a phone. And then it slides easily into my back pocket. At \$1,200 it's a pricey way into photography, certainly. But the best camera is one you have with you, and the RX100 VI might

be the best camera you can take anywhere.

The RX100 has been an ace in the pocket for years. Even the original model—which made its debut in 2012 and can be found now for less than \$400—is still a terrific camera. In this sixth generation, the RX100 offers one important upgrade:

Zoom. Lots of it. The RX100 VI's lens now extends from 24mm to 200mm, which means it can take shots that are slightly wider than one taken with an iPhone X, but it can also zoom in about four times closer.

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Sony did make a significant concession to get this much zoom. Previous models had a lens with f/1.8 aperture, which allowed an enormous amount of light in every time you pressed the shutter. The newest version only goes to f/2.8, and f/4.5 when you zoom all the way

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IEX Lags In Bid To Poach Listings

BY ALEXANDER OSIPOVICH

A startup stock exchange has discovered it isn't easy to pull U.S. companies away from the mighty New York Stock Exchange and Nasdaq Inc.

IEX Group Inc. made an ambitious effort to attract companies listed on the NYSE and Nasdaq after the 2014 publication of Michael Lewis's best seller "Flash Boys." The book followed IEX's founders as they built a new exchange designed to protect investors from what they called predatory high-speed trading strategies.

But so far, IEX has failed to list any companies, despite approaching hundreds over the past several years, including household names such as **Amazon.com** Inc., **Starbucks** Corp. and air carrier **United Continental Holdings** Inc., people familiar with the listings effort said.

Some companies that considered an IEX listing have retreated, such as casino operator **Wynn Resorts** Ltd. After the departure of founder and former Chief Executive Steve Wynn, a vocal IEX supporter, the company has indicated it is sticking with Nasdaq.

The timetable for IEX's listings launch has slipped repeatedly, and the executive who led the effort took a different job at the exchange in May.

Now, IEX must either offer companies greater incentives to win listings or find other ways to grow, said James Angel, a finance professor at Georgetown University.

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Igor Tulchinsky's WorldQuant raised \$2.3 billion for an outside fund.

Hot Funds Don't Want Your Money

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tive investment firm has quietly generated strong returns investing billions of dollars for a single client, Israel Englelander's \$35.3 billion hedge fund **Millennium Management LLC**. WorldQuant will continue to invest for Millennium, even as it operates the new fund for outsiders.

Renaissance, founded by former cryptographer James Simons, has raised more than \$15 billion over the past 2½ years for its own outside funds, helping Renaissance top \$57 billion in total assets, investors say, up from \$27 billion in 2015. Renaissance began these funds in 2005, well after the firm closed its Me-

est in its own outside funds. Some investors are skeptical about funds run by firms that also manage internal funds, especially if they pursue similar strategies.

Amanda Haynes-Dale, co-founder of Pan Reliance Capital Advisors, says she is worried that firms may be tempted to place their best investments in the exclusive funds before allocating to the public funds. In one example of how that would hurt the public fund, a firm buying Facebook shares throughout the day may put the cheapest shares in an internal fund and shares purchased at higher prices in the public fund. Ms. Haynes-Dale says investors also need to be vigilant that public funds don't bear the brunt of general expenses racked up by the firm.

"My first question is about securities selection," she says. "I'd be bothered if I was receiving less favorable pricing and proportionally fewer shares of 'hot issues' that can turbocharge returns."

After big European hedge fund **BlueCrest Capital Management** launched an internal fund for its partners in 2011, it saw much better returns compared with funds BlueCrest offered to outsiders, investors say. Advisory firm Albourne Partners Ltd. raised questions about how the fund was run. Eventually, BlueCrest closed its outside funds, and now the firm's founder, Michael Platt, runs a fund trading his own money. Mr. Platt declined to comment.

Quant firms such as Two Sigma generally have algorithms that automatically generate and fill trade orders without knowing how the shares will be allocated, which can avoid the risk of prioritizing the internal fund, investors say.

The quant firms sometimes have internal funds that trade in different ways than their outside funds, which can reassure investors worried about conflicts. Renaissance, for instance, uses less leverage, or borrowed money, in its public funds, while also holding on to securities for longer periods than it does with the Medallion fund.

Two Sigma's outside hedge funds have had mixed results so far this year, with most flat or up about 5%, investors say. Two Sigma manages \$54 billion, up from \$5 billion in 2010, thanks in part to surging inter-

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"My first question is about securities selection," she says. "I'd be bothered if I was receiving less favorable pricing and proportionally fewer shares of 'hot issues' that can turbocharge returns."

After big European hedge fund **BlueCrest Capital Management** launched an internal fund for its partners in 2011, it saw much better returns compared with funds BlueCrest offered to outsiders, investors say. Advisory firm Albourne Partners Ltd. raised questions about how the fund was run. Eventually, BlueCrest closed its outside funds, and now the firm's founder, Michael Platt, runs a fund trading his own money. Mr. Platt declined to comment.

Quant firms such as Two Sigma generally have algorithms that automatically generate and fill trade orders without knowing how the shares will be allocated, which can avoid the risk of prioritizing the internal fund, investors say.

The quant firms sometimes have internal funds that trade in different ways than their outside funds, which can reassure investors worried about conflicts. Renaissance, for instance, uses less leverage, or borrowed money, in its public funds, while also holding on to securities for longer periods than it does with the Med

BUSINESS NEWS

More Potash Coming to Crowded Market

New output from EuroChem's mines threatens to smother recovering prices

BY JAMES MARSON

BEREZNICKI, Russia—In the foothills of Russia's Urals mountains, a new potash producer is looking to lay claim to around one-tenth of the global market for the fertilizer by the middle of the next decade.

EuroChem Group AG, a maker of nitrogen and phosphate fertilizers, is getting into the potash-mining business, a move that could shake up a market dominated by a handful of producers in North America and the former Soviet Union.

A glut has kept potash prices weak for a decade, causing other mining companies to close facilities or put on hold developments and leading the two largest Canadian producers, Agrium Inc. and Potash Corp. of Saskatchewan Inc., to merge last year to cut costs.

Closely held EuroChem recently launched its first potash mine, and a second one is set to become operational next year. The new supply will initially feed EuroChem, which will no longer need to buy potash from rivals such as PAO **Uralkali**. As production ramps up in the coming years, increasing volumes will be sold abroad.

Prices for potash—one of three major fertilizers alongside nitrogen and phosphate—have recovered somewhat in the past year or so. The new production from EuroChem's two mines could smother the market and send prices back down, some analysts said.

Joel Jackson, an analyst at BMO Capital Markets, said demand would need to grow by around 3% a year—above EuroChem's forecasts—to absorb the new volumes without knocking off kilter a market where some of the biggest producers carefully match output to demand in order to support prices.



The efforts are ambitious for EuroChem. The company not only had never built a potash mine—a complex undertaking—but took on two giant projects at the same time.

"The market is worried about us coming in, the total volume we can produce," said Tom Luigs, global product manager for phosphates and potash at EuroChem's trading arm.

Mr. Luigs and some analysts played down the potential impact, saying the company was planning to increase output gradually in a way that would meet new demand that he expects from fast-growing markets such as Brazil and Southeast Asia. "EuroChem should be able to make incremental increases in production without disturbing the markets," said Jonas Osgaard, an analyst at Sanford C. Bernstein & Co.

The area around Berezniki, a town of some 150,000 about 750 miles east of Moscow, is the hub of Russia's potash industry, the world's second largest. An in-

Ambitious Goals For Mine in Foothills of Russia's Urals

At the Usolskiy mine, ore from which the fertilizer is produced lies around about 1,600 feet below the surface. Giant mining machines have been lowered down the lift shaft in pieces and reassembled. The machines' metal teeth gouge into the rock—a mix of red po-

land saltwater sea evaporated here some 250 million years ago, leaving behind one of the largest potash deposits in the world, a EuroChem official said.

When EuroChem decided to get into the potash-mining

tassium salts, white sodium chloride, better known as table salt, and gray clay. As the machines drill, they create a maze of tunnels. The mined ore is sent by conveyor belt to a processing plant where it is purified. There have been setbacks, including a fire at the processing plant at Usolskiy in December that set the project back two months and problems sinking a shaft at VolgaKaliy that delayed it by nearly three years.

The Usolskiy mine aims to

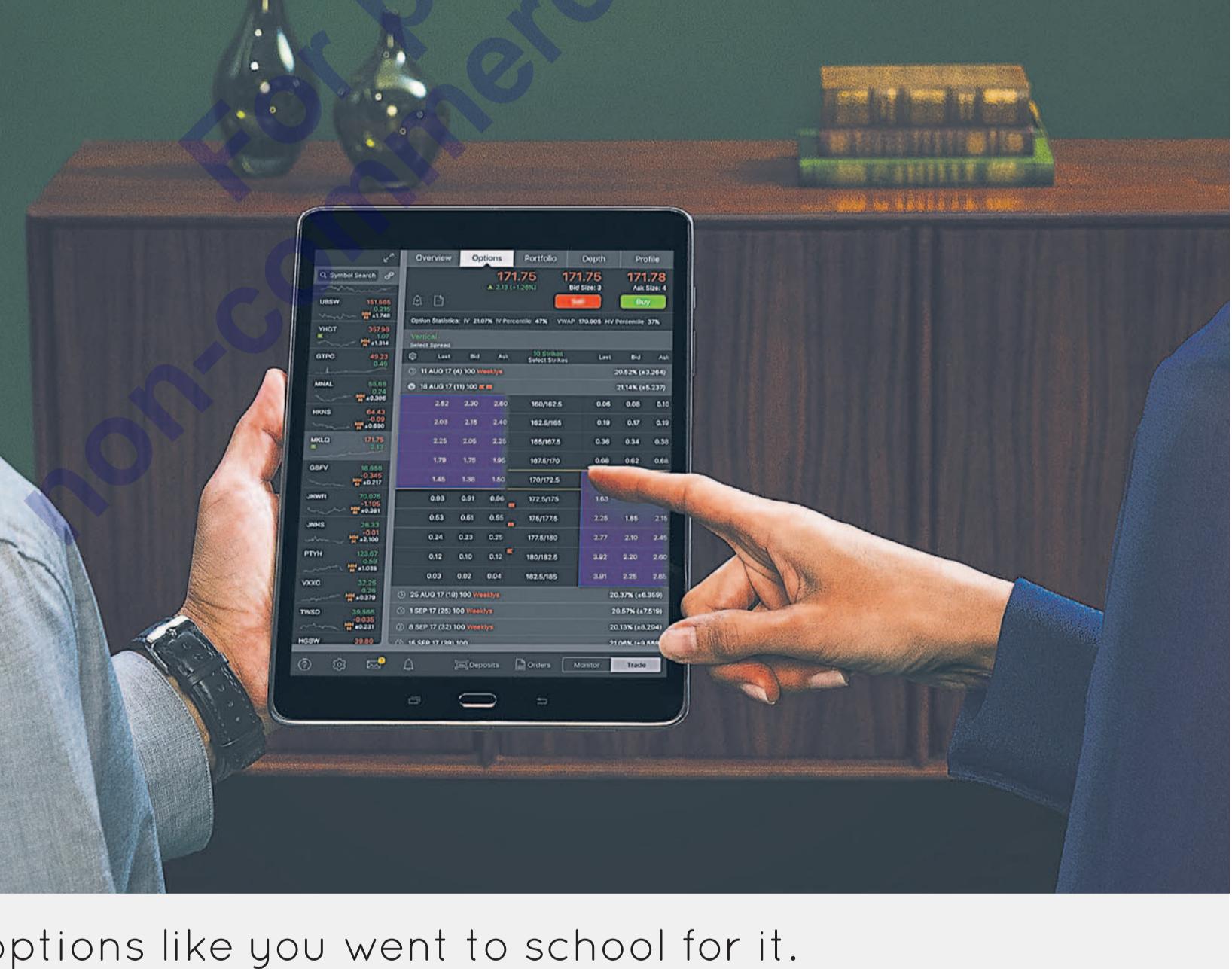
business a decade ago, a commodities boom had driven the price for potash toward \$1,000 per metric ton. But the price slumped to around one-quarter of that level amid a bust. It was hit again in 2013 when

produce 450,000 metric tons by the end of the year, compared with global output of 65 million tons last year. By the middle of the next decade, the company wants to produce a total of 8.3 million tons from both mines. Some analysts said that target could be overambitious. "It's not a slight towards EuroChem to be very skeptical of their ability to bring this capacity on the market on time," said Sanford C. Bernstein & Co.'s Jonas Osgaard.

Uralkali exited from its partnership with a Belarusian company that, along with a North American trading group, effectively controlled prices. Uralkali ramped up production. EuroChem, majority-owned

by billionaire tycoon Andrei Melnichenko, plowed ahead with the project here, called Usolskiy, and the second in southern Russia, known as VolgaKaliy, which the company says could propel it into the top three fertilizer companies in the world by nutrient capacity.

The efforts are ambitious for a company that not only had never built a potash mine—a complex and expensive undertaking—but took on two giant projects at the same time. EuroChem and analysts said the company had one big advantage: low costs, thanks in part to the deposits being closer to the surface, as well as the weak ruble. "Looking at our peers, our costs are one of the lowest if not the lowest," said EuroChem's Mr. Luigs. "But we are not going to rock the price down."



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TECHNOLOGY

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The retailer is considering whether to offer its customers a subscription video-streaming service, in addition to television sets.

Walmart Studies Video Streaming

Subscription business would pose challenge to services offered by Netflix and Amazon

Walmart Inc. is exploring a subscription video-streaming service that would seek to challenge **Netflix** Inc. and **Amazon.com** Inc. by offering programming that targets Middle America, according to people familiar with the plans.

Walmart is considering programs that target consumers who live outside of large cities, according to two of these people.

Mr. Greenberg, who last year left as chief executive of Epix, a pay-television channel, has been advising Walmart for several months as it considers launching its own direct-to-consumer streaming service, the people said. Mr. Greenberg also held senior positions at pay channels Showtime and HBO.

If it proceeds, the subscription-based media venture would be separate from Vudu, which allows users to buy or rent individual films, is widely available on television sets and streaming devices such as Roku but hasn't attracted the userbase recorded by competitors.

Among U.S. households that streamed video on a television at home in April, 73% viewed Netflix, 50% watched YouTube, 36% Hulu, 28% Amazon Prime Video and 13% Vudu, according to comScore Inc.

News of Walmart's potential programming strategy was earlier reported by the Information, a technology-news website.

Walmart could license existing content rather than produce original programming, though establishing its own brand of original content could be important to the success of a Walmart streaming service, as it has been for Netflix and others, because ac-

creasingly crowded market that also includes Hulu and **AT&T** Inc.'s HBO.

Walmart is working with veteran television executive Mark Greenberg on the potential service, which could include a lower-price monthly subscription than those offered by Amazon and Netflix, according to people familiar with the plans.

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quired shows can be readily available elsewhere.

Producing original content would be costly.

The aggressiveness of Netflix has driven up prices for talent for everyone. This year, Netflix has indicated it is spending \$8 billion on original and acquired content. Amazon's programming budget is more than \$4 billion, while HBO will spend \$2.7 billion this year.

Programming could be "middle of the road" and aimed at Walmart's core shoppers away from the east and west coasts, according to two people close to the project. The ratings success of the brief return of "Roseanne" on **Walt Disney** Co.'s ABC television network last spring indicated there is a large audience not being served by most programmers.

"They're catering to that Americana base," one of the people familiar with the matter said.

China Says It Isn't to Blame for Failure of NXP-Qualcomm Deal

BEIJING—Chinese antitrust regulators weighed in on **Qualcomm** Inc.'s busted acquisition of Dutch chip maker **NXP Semiconductors** with their own statement: Don't blame us.

China's State Administration for Market Regulation—the last of nine regulators around the world needed to green-light the deal—said Friday that Qualcomm's latest proposal failed to address competition concerns. The regulator said it had extended its own deal-review deadline to Oct. 14.

"Qualcomm and NXP decided to abandon the deal as the deadline the two parties agreed on expired. [We] regret this," the regulator said, adding that it had hoped to continue communicating with Qualcomm and resolve the remaining issues within the review period.

Qualcomm and NXP didn't respond to requests for comment.

Qualcomm ditched its \$44 billion bid Wednesday, the latest deadline it had set for completing the acquisition. It cited the stalled process in China, having extended the deadline in April while awaiting Chinese approval. The ac-

quisition had been announced in October 2016.

The San Diego-based chip maker will pay a \$2 billion termination fee to NXP.

Chinese officials have publicly insisted the delay had nothing to do with escalating trade friction with the U.S., but people with knowledge of the situation have told the Journal that the friction is the main reason for it.

China can't keep pace with the U.S. on retaliatory tariffs—it imports far less from the U.S. than the U.S. imports from China—but it has other weapons including holding up U.S. M&A deals and business license approvals, these people say.

For Beijing, which is seeking to develop its own semiconductor industry, blocking the NXP acquisition pays an added dividend: It hinders the growth of Qualcomm, which has a commanding position in cutting-edge chip technology, longtime China economist Christopher Balding has pointed out.

With NXP, Qualcomm would have gained a company that reported \$9.26 billion in revenue last year and employs some 30,000 people.

—Liyan Qi

Dutch Firm Was Popular Trade For Hedge Funds

Qualcomm Inc. wasn't the only one betting on a purchase of Dutch chip maker NXP Semiconductors. The potential deal attracted some of the hedge-fund industry's biggest names.

One prominent holder of NXP stock was **Elliott Management** Corp., run by billionaire activist investor Paul Singer. It held 17.2 million shares as of June 5, according

to a filing. An array of other prominent funds also held positions as of March 31.

It isn't known if these funds changed their positions before the deal collapsed

Wednesday. If the funds didn't change their positions before the deal fell apart, they could be sitting on losses. NXP's shares ended Friday down 5.65% since Tuesday's close.

Qualcomm abandoned its \$44 billion purchase of NXP Semiconductors after the Chinese government refused to approve it, a casualty of the Chinese-U.S. trade feud.

—Rachael Levy

From Sony, A Camera In Balance

Continued from page B1
in. That makes it a little harder to get those cool soft-background shots. It can also make low-light photography tricky: Because the camera can't let in as much light at once, the shutter has to stay open longer, which can create shakier, blurrier images.

Sony says its improved image stabilization helps compensate for the potential shake, and even in bad light my shots mostly still come out clear, but I notice the difference.

The RX100 offers a remarkable amount of control over your photos. It has scene presets, full manual mode, even panorama and high-frame-rate capture tools. Actually finding and tweaking all the settings can be a chore, though. Because

the camera is so small, it can't have buttons and dials for everything, so you're stuck tapping tiny icons on the touch screen or scrolling through the confusing settings menus. All the indicators take up too much of the screen, too, obscuring the edges of every shot.

Let's be clear: This camera takes terrific pictures. Even when my iPhone X takes a great shot, as it often does, the RX100's was always more detailed and more accurate. Often in my testing, I would take the same photo with my phone and my camera, transfer both to my computer, then try to guess which came from which device. The better one was always from the RX100.

In my testing, the RX100's zoom and low-light performance separated it most from my phone. The RX100's large 1-inch sensor helped it capture sharp shots long after sunset while I watched a soccer game, and the zoom made my 18th-row seats look as if I was sitting on the bench. Those are shots a

phone just can't get, and the RX100 handles them all.

That said, I was struck during my testing by just how good smartphone cameras have become. The iPhone X's portrait mode, slow-motion video and low-light photography all hold up admirably next to higher-performance cameras. The RX100 is still a full step above, but phones continue to get better fast.

There were even times where I had the RX100 with me and still reached for my phone to grab a quick shot. So often, photos aren't art—you're snapping a flier to remember a coming festival, a receipt to track expenses or a weird sign to text to your weird-sign-loving friend. I'm mostly concerned with getting decent photos as quickly as possible, then moving on.

Sony's PlayMemories app is meant to help you transfer photos from the RX100 to your phone, but it's as if the developers built it as a torture device: You have to connect to a specific Wi-Fi network, scan a QR code, install

a profile, wait approximately forever, and sometimes do all of that three or four times before it works. Most manufacturers have similar apps—and most are just as bad. Apple's \$30 SD card-to-Lightning adapter helps a bit, but I'm convinced the biggest problem facing dedicated cameras is that they don't seem to want to fit into your digital life. I want great photos, but I also want Instagram.

Going forward, camera manufacturers and phone makers should look for better ways to work together. We're a long way away from rendering dedicated cameras obsolete, especially when they can produce 360-degree shots, long-zoom photos or crazy high-frame-rate video. But from what I've seen from this latest RX100, there's really no need to buy anything that doesn't fit in your pocket.

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Wind-Power Plan Scrapped

BY ERIN AILWORTH

American Electric Power Co. said Friday that it is scrapping plans to develop one of the largest wind farms in the U.S., a day after the project was rejected by Texas regulators.

Called Wind Catcher, the 2-gigawatt project was slated to be built in the Oklahoma Panhandle at an expected price tag of \$4.5 billion.

It would have served customers in Arkansas, Louisiana, Oklahoma and Texas via a related 350-mile transmission line.

The wind-power project had received needed approvals from regulators in Arkansas, Louisiana and the federal government, according to the company.

But on Thursday, the Public Utility Commission of Texas voted unanimously to deny it as currently proposed.

"I don't believe that the benefits are there for the rate-

payers," DeAnn Walker, chairwoman of the commission, said Thursday before voting against the project, adding, "The benefits are based on a lot of assumptions that are questionable."

AEP said it was pulling the plug on the project in part be-

The \$4.5 billion 2-gigawatt project wasn't approved by Texas regulators.

cause without speedy regulatory approvals, it wouldn't be able to fully take advantage of federal tax credits that made it more economically attractive.

The company had hoped to complete the project by the end of 2020.

"We are disappointed that we will not be able to move

forward," said Nicholas K. Atkins, AEP's chief executive.

AEP previously estimated that Wind Catcher would lead to \$7 billion in savings, net of cost, for customers of its subsidiaries, Public Service Co. of Oklahoma and Southwestern Electric Power Co., over 25 years.

It also said the project would support approximately 4,000 direct jobs during construction and 80 permanent jobs once operational.

Critics said Wind Catcher's touted benefits to consumers were based on natural-gas prices rising substantially in future decades and argued that the project would have increased costs for consumers in the next decade.

Texas regulators' denial of Wind Catcher came a year to the day after AEP announced it would purchase the project from Invenergy, a privately held firm based in Chicago that had been developing the wind farm.

BUSINESS NEWS

Candy Maker Necco Sold by Its New Owner After Deal Goes Sour

By PEG BRICKLEY
AND PATRICK FITZGERALD

The maker of Necco Wafers and other vintage candies is shutting down abruptly, weeks after the billionaire who bought it out of bankruptcy, C. Dean Metropoulos, complained he wasn't clued in about sanitation issues and refused to pay the final \$1 million.

Employees of the Massachusetts plant were told last week **New England Confectionery Co.** is closing and that there was a new owner, but the identity of the buyer remains unknown. It is unclear whether the new mystery owner will continue to produce the candy.

City officials in Revere, Mass., where the Necco plant was located, have yet to hear from Round Hill Investments, the Metropoulos family's investment firm that bought the company at a bankruptcy auction, said Bob Marra, chief of staff to Mayor Brian M. Arrigo.

Round Hill is the firm that rescued the Twinkie brand from bankruptcy and kept other well-known food brands from falling into extinction.

A Round Hill representative declined to identify the buyer.

Necco's shutdown came less than a month after bankruptcy trustee Harold B. Murphy sued

Round Hill, accusing the firm of "bad faith" tactics intended to drive down the price.

According to the trustee, Round Hill knew all about a Food and Drug Administration report in May that cited "apparent roof leaks, ventilation duct(s) in need of repair, and unclean equipment and utensils." The federal food safety agency acknowledged that Necco's parent, New England Confectionery, had tackled the alleged sanitation problems. It would take another audit before the FDA would issue a clean bill of health, the agency said.

All this was known to the bidders at an auction, according to the trustee. However, in June, with money still owed, Round Hill emailed the trustee about "widespread, and national, negative press coverage," which Necco's buyer called "stunning and unprecedented." Publicity about the FDA concerns "totally disrupted our financing commitments and plans for rebuilding a Necco platform," the June email said. In his lawsuit seeking damages from Round Hill, the trustee says Necco's buyers are engaging in "unfair and deceptive acts."

—Lillian Rizzo
contributed to this article.



CHIABELLA JAMES/PARAMOUNT/ASSOCIATED PRESS

'Mission: Impossible—Fallout,' starring Tom Cruise, opened to a new box-office high for the franchise amid positive reviews.

Cruise's 'Fallout' Jumps to No. 1

By BEN FRITZ

Powered by the best reviews of any big-budget movie this summer, Tom Cruise's "Mission: Impossible—Fallout" opened to a new high for the franchise over the weekend.

The sixth entry in the 22-year-old film series, based on a 52-year-old television show, opened to an estimated \$61.5 million in the U.S. and Canada, according to **Viacom Inc.'s** Paramount Pictures, which released it.

Though far from the \$100 million-plus openings of some superhero films, the latest "Mission" topped the last entry in the series, "Mission: Impossible—Rogue Nation," which made its debut to \$55.5 million in 2015. Prior movies typically opened between \$45.4 million and \$57.8 million, putting "Fallout" roughly in line with them when accounting for rising ticket prices.

Overseas, "Mission: Impossible—Fallout" grossed \$92 million in 36 foreign markets, also a high for the franchise,

Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. <i>Mission: Impossible—Fallout</i>	Paramount	\$61.5	\$61.5	--
2. <i>Mamma Mia! Here We Go Again</i>	Universal	\$15	\$70.4	-57
3. <i>The Equalizer 2</i>	Sony	\$14	\$64.2	-61
4. <i>Hotel Transylvania 3</i>	Sony	\$12.3	\$119.2	-48
5. <i>Teen Titans Go! To the Movies</i>	Warner Bros.	\$10.5	\$10.5	--

*Friday, Saturday and Sunday Source: comScore

before-seen stunts in each sequel provides much of their appeal.

In "Fallout," Mr. Cruise jumps from a plane at high altitude in a scene shot without cuts and dangles on a rope from a helicopter. He also broke his ankle while shooting the nearly \$200 million production.

Sixty percent of the opening-night audience was over 35, Paramount said, a sign Mr. Cruise's appeal continues to be with moviegoers who have known him for many years.

"Mission: Impossible—Fallout" is the last big-budget franchise movie of the summer. In the past, some of these movies have come out in August, but Hollywood studios are increasingly willing to release them throughout the year to avoid cannibalizing each other during the summer.

This weekend's other new release, the TV cartoon adaptation "Teen Titans Go! To the Movies," from **AT&T Inc.'s** Warner Bros., opened to a modest \$10.5 million.

Paramount said. Along with the overwhelmingly positive reviews, opening night audiences gave the new movie an average grade of A, according to market research firm CinemaScore. That is the highest-ever such grade for a "Mission: Impossible" movie, Paramount said, and a sign that it should play well in the weeks to come, thanks to positive word of mouth.

The strong start for a new entry in one of Paramount's few successful franchises pro-

vides a much-needed boost for the studio, which has been struggling at the box office for the past few years. It also had a hit with April's surprise horror sensation, "A Quiet Place."

Mr. Cruise's box-office performance has been inconsistent in recent years and he is coming off a flop in last summer's "The Mummy." He has always been intimately connected to the "Mission" franchise, however, as his willingness to engage in never-



The name of Necco's buyer isn't known, but its factory is closing.

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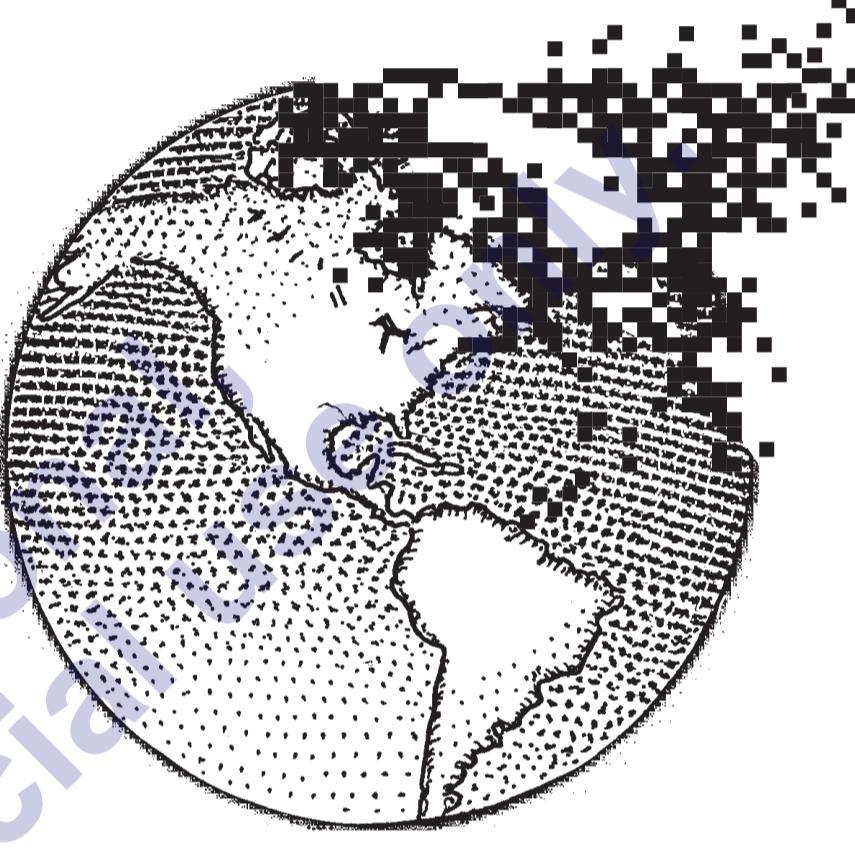
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Primary market Composite

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Expected pricing date	Filed	Issuer/business	Symbol/primary exchange	Shares (mil.)	Pricing Range(\$)	Low/High	Bookrunner(s)
8/1	6/20	Cushman & Wakefield Provider of commercial real estate services.	CWK N	45.0	16.00/18.00	MS, JPM, GS, UBS, Barclays, BofA, ML, Citi, Credit Suisse, W. Blair	
8/1	7/6	Sonos Provider of multi-room digital music systems.	SONO Nq	13.9	17.00/19.00	MS, GS, Allen & Co	
8/2	7/6	Arlo Technologies Manufacturer of smart connected devices.	ARLO N	10.2	18.00/20.00	BofA, ML, DB, Guggenheim Partners, Raymond James & Assoc., Cowen & Co, Imperial Cptl Grp	

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 Symbol	Offer price(\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
July 30	Jan. 31, '18	Hudson	HUD	19.00	748.9	-14.3	180 days
	Jan. 31, '18	Sol-Gel Technologies	SLGL	12.00	86.3	-45.8	180 days
July 31	Feb. 1, '18	Oracion America Airports	CAAP	17.00	485.7	-34.1	180 days
	Feb. 1, '18	FTS International	FTSI	18.00	403.7	-33.9	180 days
	Feb. 1, '18	One Stop Systems	OSS	5.00	19.5	-14.2	180 days

Sources: Dealogic; WSJ Market Data Group

Financial Flashback

The Wall Street Journal, July 30, 2007

South Korea's Doosan Infracore Co. said it agreed to acquire the Bobcat construction-vehicle business from Ingersoll-Rand Co. for \$4.9 billion.

Major U.S. Stock-Market Indexes

Dow Jones	High	Low	Latest Week Close	Net chg	% chg	Low	Close (●)	High	% chg	YTD % chg	3-yr. ann.
Industrial Average	25587.24	24983.33	25451.06	392.94	+1.57	21674.51	● 26616.71	16.6	3.0	13.4	
Transportation Avg	11052.40	10621.56	10957.18	215.68	+2.01	9021.12	● 11373.38	18.8	3.2	10.8	
Utility Average	728.19	703.37	721.60	3.40	+0.47	647.90	● 774.47	-0.3	-0.2	8.1	
Total Stock Market	29561.64	29103.21	29245.70	63.75	+0.22	25030.26	● 29630.47	14.3	5.7	10.7	
Barron's 400	764.07	748.78	750.78	-8.58	-1.13	629.56	● 761.84	15.1	5.6	10.9	
Nasdaq Stock Market	7933.31	7698.96	7737.42	-82.78	-1.06	6213.13	● 7932.24	21.4	12.1	15.4	
Nasdaq 100	7511.39	7255.32	7296.78	-53.45	-0.73	5786.54	● 7508.59	23.5	14.1	17.3	
S&P											
500 Index	2848.03	2795.14	2818.82	16.99	+0.61	2425.55	● 2872.87	14.0	5.4	10.9	
MidCap 400	2005.16	1969.39	1975.22	-23.14	-1.16	1691.67	● 2009.15	12.1	3.9	10.5	
SmallCap 600	1062.96	1039.57	1041.30	-14.69	-1.39	817.25	● 1059.77	20.4	11.2	14.3	
Other Indexes											
Russell 2000	1706.83	1660.43	1663.34	-33.47	-1.97	1356.90	● 1706.99	16.4	8.3	11.0	
NYSE Composite	12985.57	12765.58	12921.34	131.43	+1.03	11699.83	● 13637.02	8.1	0.9	6.6	
Value Line	585.19	576.05	577.48	-4.10	-0.70	503.24	● 589.69	9.2	2.7	6.4	
NYSE Arca Biotech	5162.12	5000.14	5036.03	-75.92	-1.49	3787.17	● 5132.77	26.3	19.3	6.4	
NYSE Arca Pharma	562.26	544.60	559.15	13.32	+2.44	514.66	● 593.12	5.2	2.6	-1.9	
KBW Bank	109.98	106.94	109.52	2.58	+2.42	89.71	● 116.52	15.0	2.6	12.2	
PHLX Gold/Silver	79.52	76.68	76.79	-2.78	-3.49	76.42	● 93.26	-10.3	-10.0	18.1	
PHLX Oil Service	151.38	144.54	149.66	0.15	+0.10	117.79	● 170.18	11.0	0.1	-4.9	
PHLX Semiconductor	1391.57	1328.60	1372.24	13.05	+0.96	1060.02	● 1445.9	25.5	9.5	29.1	
CBOE Volatility	14.26	11.60	13.03	0.17	+1.32	9.14	● 37.32	26.6	18.0	-5.8	

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Nasdaq Composite

▼ 82.78, or -1.06% last week



Company SYMBOL	Friday's close (\$)	Offer price (\$)	Offer amt (\$ mil.)	1st-day close	% Chg From Offer
Endava DAVA	25.20	26.0	...	Focus Financial Partners FOFC	38.01 15.2 1.2
Opera OPRA	13.11	9.3	...	Liquidia Technologies LODA	10.99 -0.1 -1.0
Aurora Mobile JG	8.50	...	-3.4	Pinduoduo PDD	24.60 29.5 -7.9
Berry Petroleum BRY	13.29	-5.1	0.3	Tenable Holdings TENB	30.50 32.6 0.8
Cango CANG	12.08	9.8	-3.5	Greenland Acquisition GLACU	10.14 14 0.2

Sources: WSJ Market Data Group; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

None expected this week

Off the Shelf

None expected this week

Public and Private Borrowing

Treasurys

Monday, July 30

Tuesday, July 31

Auction of 13 and 26 week bills; announced on July 26; settles on August 2

Auction of 4 week bill; announced on July 30; settles on August 2

Public and Municipal Finance

Deals of \$150 million or more expected this week

Sale	maturity	Issuer	Total (\$ mil.)	

MARKETS

Shale Deal Shows BP Ready to Flex Muscles Again

By SARAH KENT

LONDON—In acquiring some of the hottest assets in U.S. shale country, **BP PLC** signals that the once embattled company is revving up ambitions to regain its footing among the world's oil giants.

The \$10.5 billion deal for the bulk of Australian mining company **BHP Billiton Ltd.**'s shale assets is BP's largest in almost 20 years. The company on Friday also raised its dividend for the second quarter—a sign of financial strength it

hadn't been able to muster since just after oil prices slumped in 2014.

BP is making strong progress on a five-year plan to reverse years of retrenchment after its fatal blowout in the Gulf of Mexico.

The 2010 disaster forced the company to sell off billions of dollars in assets and has so far cost more than \$65 billion in clean up and legal fees. A landmark \$20 billion settlement with the U.S. government in 2015 cleared the way for the company to grow

again.

Last year, it started up a record seven new projects, including the giant Khazzan gas project in Oman and the Zohr gas development in offshore Egypt.

It expects to increase production by 5%, helping it to generate \$13 billion to \$14 billion of free cash flow by 2021 and return to its former production size by the end of the decade.

Friday's shale-asset deal will boost BP's cash-flow target by \$1 billion, while adding

190,000 barrels a day of new oil and gas production and 4.6 billion barrels of still-un-

tapped resources, the company said.

It 'takes us into the very heart of the most talked-about oil play in the world today.'

some of the most desirable oil-producing regions in the world, including the Permian in West Texas.

"This is deeply strategic deal in one of the most prolific basins in the world," Chief Financial Officer Brian Gilvary said.

Exploration and production chief Bernard Looney said that up to now, BP's shale business was seen by some as "a superior operations team on an inferior set of assets." The deal for BHP's assets changes that, he said. "It takes us into the

very heart of the most talked-about oil play in the world today."

To secure the deal, BP beat out bids from rivals including Royal Dutch Shell PLC and Chevron Corp., according to a person familiar with the matter.

In June, CEO Bob Dudley said 60 companies had participated in the first round of talks.

Big oil companies are pouring money into shale assets, scrambling for access to the best acreage in Texas.

Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds have a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end funds 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 that the information is not available or not applicable. **NS** signifies fund not in existence of entire period. 12 month yield is computed 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 27, 2018

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MARKETS

IEX Lags In Bid for Listings

Continued from page B1
University. "Starting a listings business is really hard, because most companies don't want to bother changing their listing exchange," he said.

IEX declined to make anyone available for an interview. "We do not comment on hearsay and speculation," IEX President Ronan Ryan said in an emailed statement. Six-year-old, New York-based IEX handles about 2.4% of daily U.S. stock-trading volume. Companies that list on IEX could get media buzz for signing on with an exchange that styles itself as a fighter for fairness in the stock market.

Amazon and United declined to comment. A Starbucks spokesman said he was unable to confirm whether the coffee giant was approached by IEX. A Wynn Resorts spokesman said, "We are satisfied with our current listing provider."

The NYSE, founded in 1792, and Nasdaq, which dates to 1971, have an effective duopoly in U.S. corporate listings. A third exchange operator, Cboe Global Markets Inc., has a listings business focused on exchange-traded funds rather than corporations.

NYSE parent Intercontinental Exchange Inc. and Nasdaq earned a combined \$684 million

from listings last year, according to the two exchange groups. IEX tried to lure their companies by offering five years of free listings. Adding listings could enhance IEX's prestige and boost its market share.

IEX may still break into the club. The exchange says it employs six people dedicated to listings, and some companies were receptive to its pitch.

"We were intrigued by the IEX proposition," said DeAnne Gabel, senior director of investor relations at Spirit Airlines Inc. The discount carrier considered moving from Nasdaq to IEX but switched to the NYSE in December. Spirit could move to IEX eventually, Ms. Gabel added.

IEX Chief Executive Officer Brad Katsuyama played a hands-on role in wooing companies, people with knowledge of IEX's outreach efforts said. For instance, David Petraeus, retired general and former Central Intelligence Agency director and now a KKR & Co. executive, asked to meet him after reading "Flash Boys," a person familiar with the situation said. Mr. Katsuyama suggested bringing the private-equity giant to IEX, people briefed on the discussions said. But the company stuck to the NYSE. Mr. Petraeus declined to comment through a KKR spokeswoman.

Another global figure drawn into IEX's efforts: former Canadian Prime Minister Stephen Harper. IEX hired his consulting firm to lobby companies dual-listed in Toronto and New York, such as Royal Bank of Canada, about listing on IEX, people familiar with the situation said. Mr. Harper's spokeswoman didn't respond to requests for comment. RBC declined to comment on its plans.

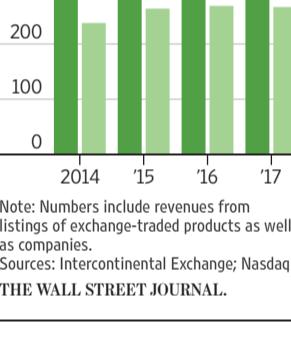
"As the 'Flash Boys' aura faded, listed companies increased their focus on the details of IEX as a listing venue and they came away unimpressed," said former NYSE Group President Thomas Farley. The NYSE and Nasdaq fought back, with top executives like Mr. Farley and Nasdaq CEO Adena Friedman speaking to leaders of companies that had been courted by IEX, according to people briefed on the discussions.

— Vipal Monga
and Laura Stevens
contributed to this article.

Looking In

IEX has sought to win listed firms over from rivals but has yet to break through.

Listing revenue, annual



Note: Numbers include revenues from listings of exchange-traded products as well as companies.

Sources: Intercontinental Exchange; Nasdaq

THE WALL STREET JOURNAL.



After years of drought that hurt crop yields, California is projecting the current year's almond crop to be the biggest on record.

Elijah Nouvelage/REUTERS

No Almond Joy for U.S. Farmers

By LUCY CRAYMER

U.S. almond farmers are getting crunched from all sides as they head into what is likely to be a record harvest season.

Prices for California almonds have fallen more than 10% over the past two months, reflecting expectations for a bumper crop and steep tariffs imposed this year by China, which until recently was the second-largest importer of U.S. almonds after the European Union.

In response to China's tariffs, which now add a 50% tax to almond prices, some Chinese businesses say they are trying to buy more nuts grown domestically and from other producers such as those in Australia and Africa.

In yet another setback for U.S. farmers, China has quietly closed a trading loophole that for years allowed large volumes of American almonds to be transported into the country via Vietnam without incurring import taxes. Beijing is also cracking down on commodities that have been illegally smuggled into the country or brought in via transshipments, where they are routed to other countries and then shipped to China.

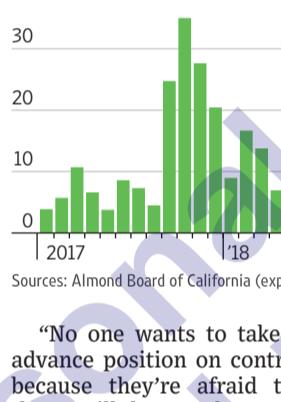
The moves reflect China's efforts to make its tariffs on U.S. agricultural products as effective as possible. Almonds are likely to be among the hardest hit because the U.S. is the world's largest producer and exporter of almonds, with 80% of global supply from California.

"China is very, very important," said Jim Jasper, owner and president of family-owned Stewart & Jasper Orchards in Newman, Calif., adding that demand from the country has "increased tremendously" in recent years. Now with the higher tariffs and gray shipping channels closed, many growers and exporters are worried about the coming months, when the U.S. harvest season begins and shipment volumes peak.

Downturn

California almond growers are feeling the impact of Chinese tariffs ahead of a record crop season.

U.S. almond exports to China and Hong Kong

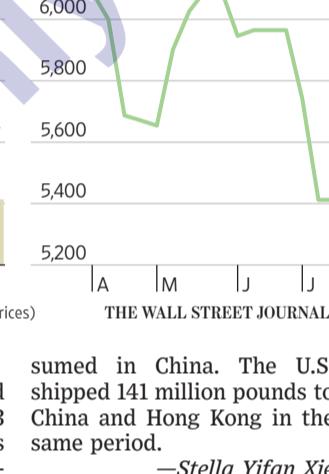


Sources: Almond Board of California (exports to China, Hong Kong, Vietnam); Mintec (export prices)

U.S. almond exports to Vietnam



U.S. almond export prices



of nearly double that.

California's almond board estimates that most of the 43 million pounds of almonds that the U.S. shipped to Vietnam in the year through July 2017 ended up being con-

sumed in China. The U.S. shipped 141 million pounds to China and Hong Kong in the same period.

—Stella Yifan Xie
and Wei Zhou
contributed to this article.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	Fri per US\$	US\$ vs YTD chg (%)	Country/currency	Fri in US\$	Fri per US\$	US\$ vs YTD chg (%)
Americas							
Argentina peso	.0366	27.3217	46.9	Czech Rep. koruna	.04548	21.998	3.3
Brazil real	.2694	3.7118	12.1	Denmark krone	.1565	6.3903	3.0
Canada dollar	.7660	1.3056	3.8	Euro area euro	1.1656	.8580	6.8
Chile peso	.001554	643.40	4.5	Hungary forint	.003615	276.66	1.7
Ecuador US dollar	1	1	unch	Iceland krone	.009493	105.34	-0.2
Mexico peso	.0537	18.6315	-5.3	Norway krone	.1221	8.1908	-0.2
Uruguay peso	.03253	30.7400	6.7	Poland zloty	.2721	3.6758	5.7
Venezuela b. fuerte	.000008119850.0001	115783.6	6.9	Russia ruble	.01594	62.719	8.7
Asia-Pacific							
Australian dollar	.7400	1.3514	5.5	Sweden krona	.1131	8.8381	8.0
China yuan	.1468	6.8137	4.8	Switzerland franc	1.0055	.9945	2.1
Hong Kong dollar	.1274	7.8473	0.4	Turkey lira	.2061	4.8529	27.9
India rupee	.01457	68.625	7.4	Ukraine hryvnia	.0373	26.7770	-4.9
Indonesia rupiah	.0000694	1448.14	6.9	UK pound	1.3104	.7631	3.1
Japan yen	.009006	111.04	-1.5	Middle East/Africa			
Kazakhstan tenge	.002883	346.82	4.3	Bahrain dinar	2.6459	.3779	0.2
Macau pataca	.1237	8.0850	0.5	Egypt pound	.0561	17.8325	0.3
Malaysia ringgit	.2462	4.0613	..	Israel shekel	.2738	3.6518	5.0
New Zealand dollar	.6790	1.4728	4.5	Kuwait dinar	3.3028	.3028	0.4
Pakistan rupee	.00775	129.000	16.6	Oman rial	.25974	.3850	0.01
Philippines peso	.0188	53.227	6.5	Qatar rial	.2746	3.642	-0.2
South Korea won	.0008961	1115.90	4.6	Saudi Arabia riyal	.2666	3.7511	0.02
Sri Lanka rupee	.0062653	159.61	4.0	South Africa rand	.0759	13.1793	6.6
Taiwan dollar	.03271	30.570	3.0	Close Net Chg % Chg YTD % Chg			
Thailand baht	.02995	33.390	2.5	WSJ Dollar Index	88.29	-0.10-0.11	2.69
Vietnam dong	.00004304	23233	2.3	Sources: Tullett Prebon, WSJ Market Data Group			

THE TICKER | Market events coming this week

Monday

Earnings expected*

Estimate/Year Ago(\$)

AvalonBay 1.06/1.20

Caterpillar 2.74/1.49

Illumina 1.11/0.82

SBA Comm. 0.16/0.08

Seagate Tech. 1.45/0.65

Simon Prop. 1.64/1.23

Wells Fargo 1.06/1.20

YRC Worldwide 1.06/1.06

Zimmer Biomet 1.06/1.06

** FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES) ▲ ADJUSTED FOR STOCK SPLIT

* FORECASTS ARE FROM DOW JONES WEEKLY SURVEY OF ECONOMISTS

Source: FactSet

THE WALL STREET JOURNAL.

MARKETS

Stocks Gearing Up for Another Run at a Record

After a rocky six months dominated by concerns about a pickup in inflation, simmering trade tensions with China and the potential for increased regulatory oversight of giant technology companies, the S&P 500 is back within reach of its January record.

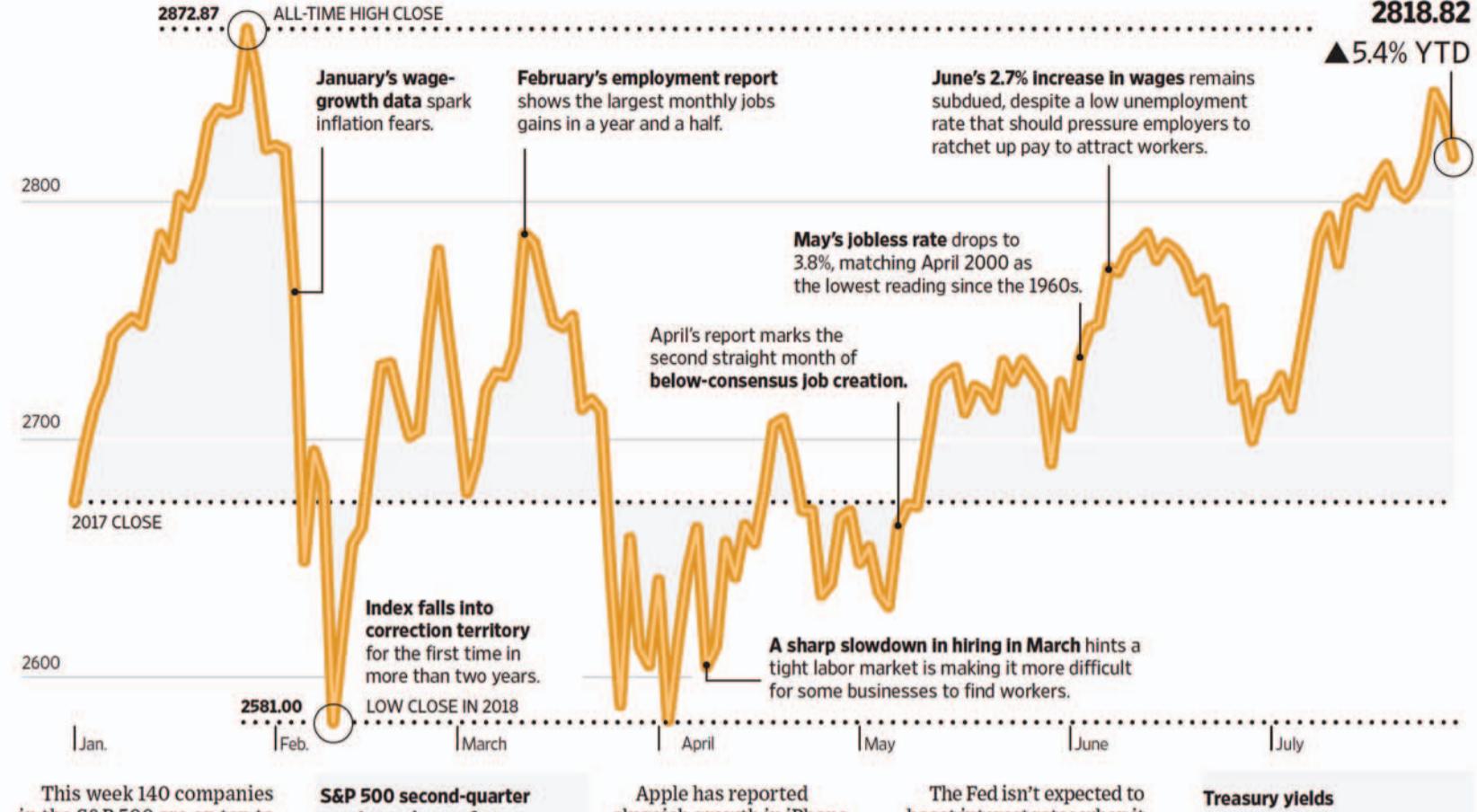
A number of potential catalysts that could push the index to new highs—or send it tumbling again—are on the calendar this week, including July's nonfarm payrolls report, due Friday; the Federal Reserve's latest policy meeting, which concludes Wednesday; and another busy week of corporate earnings reports.

Investors will be watching the monthly jobs report, which has been a big spark for stocks this year, for any signs of a run-up in wage growth or other indications the economy is overheating. Last month's report kept Federal Reserve officials on track to hold rates steady at this week's meeting and didn't do much to change expectations that the central bank will next raise interest rates in September.

Meanwhile, a big burst of corporate earnings reports will hit the tape, including numbers from Caterpillar Inc. on Monday, Apple Inc. on Tuesday and Berkshire Hathaway Inc. on Friday.

To be sure, the broad stock-market index has made other runs at its record in recent months, only to be thwarted by issues including Facebook Inc.'s data-privacy scandal—which sparked a big selloff in tech stocks—or new tariff threats in the tit-for-tat trade dispute with China.

S&P 500



This week 140 companies in the S&P 500 are on tap to report quarterly results, the last big week of the corporate earnings season.

With results in for 53% of the companies in the index, 83% have posted stronger-than-expected profits and 77% have beat revenue estimates, according to FactSet.

Earnings as a whole are on track to rise 21%, which would mark the second-highest rate since the third quarter of 2010, according to the data provider.

S&P 500 second-quarter earnings, change from a year earlier*

Energy	124.3%
Materials	50.4
Telecom	31.0
Technology	22.4
S&P 500	21.3
Financials	19.7
Consumer disc.	18.2
Industrials	16.1
Health care	14.5
Consumer staples	9.4
Utilities	7.0
Real estate	6.7

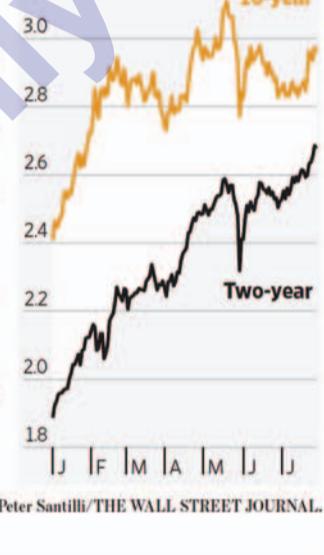
Apple has reported sluggish growth in iPhone shipments in recent quarters as people hold on to their smartphones longer and competition intensifies in China. But higher average prices for the new devices have helped drive iPhone revenue, which is expected to be in focus again Tuesday when the company reports its fiscal third-quarter results.



The Fed isn't expected to boost interest rates when it concludes its two-day policy meeting Wednesday, but it has signaled it could do so twice more before the end of the year. That has pushed up yields on two-year Treasuries, which tend to be sensitive to expectations around monetary policy, and helped narrow the gap with yields on longer-term Treasuries.

The dispersion between shorter-term and longer-term rates, known as the yield curve, is a crucial indicator of sentiment. Investors monitor the curve closely because short-term rates have exceeded longer-term ones before each recession since at least 1975.

Treasury yields



Lauren Pollock and Peter Santilli/THE WALL STREET JOURNAL.

*Data represent reported earnings and estimates through Friday.

Source: WSJ Market Data Group (S&P 500); FactSet (earnings, revenue estimate); Apple (revenue); Ryan ALM (yields)

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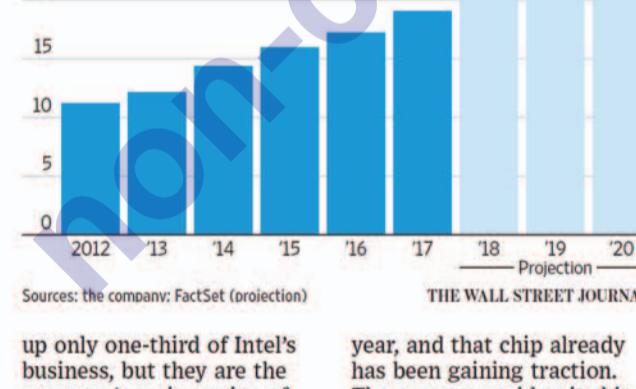
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Intel Serves Up Chance for AMD

Chip Away

Intel's data-center segment revenue



up only one-third of Intel's business, but they are the company's main engine of growth. Intel's data-center sales jumped 19% year over year to \$21.2 billion for the 12-month period ended in June. PC chip sales grew by less than 2% in that time.

Intel's delays create a nice window for Advanced Micro Devices, Intel's much smaller but recently resurgent rival. AMD launched a new server processor called Epyc last

year, and that chip already has been gaining traction.

The company said unit shipments jumped more than 50% in the second quarter from the first quarter, which had logged a similar surge. It also says a 7-nanometer version of that chip manufactured under contract by Taiwan Semiconductor Manufacturing Co. will be shipping next year—potentially beating Intel's 10-nanometer version by a year.

Smaller chips are typically faster and more efficient, so AMD's ability to field such processors will likely cost Intel some valuable share. Intel controls about 97% of the server-chip market now, according to IDC. But this is a demanding space, increasingly dominated by customers like Amazon.com, Microsoft and Alphabet's Google, which are spending billions on cutting-edge data centers and want the best-performing chips available. That puts AMD in a good position; Cowen analyst Matthew Ramsay expects Intel's data-center revenue to decelerate to 6% growth next year from an estimated 18% this year as a result.

The delay is already costing Intel's investors. The stock slumped nearly 9% Friday, adding to losses since the surprise exit of CEO Brian Krzanich last month. The loss of its manufacturing advantage to TSMC already was a major problem Intel's new chief will have to address. That loss now looks like it will come with a bigger bill.

—Dan Gallagher

OVERHEARD

If you are feeling skittish about selling the family silver then you can always try pawning it.

That appears to be Saudi Arabia's strategy now that it has had a long time to think about selling Saudi Aramco. As the name suggests, the company once had "American" in its name, courtesy of the predecessor of Chevron. But the sentiment that led countries to nationalize their resource companies had nothing to do with its reluctance to sell it back to Western investors. An initial public offering for Aramco would have raised too many tricky financial questions.

Instead, Aramco will help fund by state budget by buying a Saudi state-owned chemical company using cash borrowed from banks. The lenders will ask fewer questions because Aramco is obviously swimming in cash at today's oil prices. Unfortunately, Saudi Arabia's state budget isn't. How soon can those loan documents be ready?

Disney Path After Deal Is Unclear

On Friday, 21st Century Fox shareholders approved Walt Disney's \$71 billion offer. That means the mouse will be absorbing quite a lot of Fox—including its film and television studios and its stakes in Sky and Hulu, the video-streaming service. Disney, already the world's largest entertainment company, will be an even more formidable force in media. With its share price back to where it was before the bidding war began, is it time to buy?

It is too early to say. For one, it isn't clear whether Disney is going to continue pursuing the rest of Sky. There may be another bidding war to come. Comcast currently has the leading bid at \$34 billion, but Disney has indicated that it isn't interested in conceding.

Another question is how much Disney will get for Fox's regional sports networks. The Justice Department approved the deal on the condition that Disney divest itself of them since they compete with its own ESPN. If Disney only gets something in the mid-single-digit billions of dollars, the Fox deal is very expensive, said Rich Greenfield of BTIG Research.

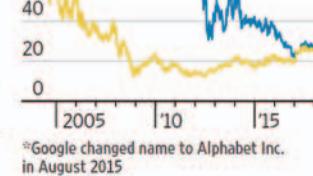
Finally, what is Disney's streaming strategy going to be? The need to invest heavily could spook investors. Disney has said it plans to launch a streaming service for children and another service for adults. Then there is Hulu, where it now has majority control. Disney has a record of boosting the value of entertainment assets it acquires, but it is new to the distribution business. It will have a lot to learn to catch up with Netflix. Winning the bidding war may have been the easy part for Disney.

—Elizabeth Winkler

Facebook's Battered Shares Aren't as Cheap as They Look

Bad Precedent

Forward price/earnings multiple



sharply growing bottom line. Facebook's multiple dropped to 21 times excluding net cash, which puts it at a 16% discount to Google parent Alphabet Inc. on the same

measure.

So it is little surprise that many Wall Street analysts had a singular reaction to the selloff.

Despite a few downgrades, more than 85% of brokers still have a "buy" rating on the shares.

Most cite the fact Facebook is still a profit machine growing at a rate unmatched by its peers.

Several also believed that the company's longer-term outlook for operating margins in the mid-30% range is overly conservative, perhaps in part to placate regulators who have been scrutinizing Facebook's business model of late.

But it is precisely that level of scrutiny that makes Facebook's case unique—and makes traditional valuation measures less reliable.

While new laws in Europe and California affect the business models of all internet companies, Facebook has yet to face harsh regulatory actions for its own missteps regarding the privacy of user data.

Those controversies also have damaged the company's image and likely contributed to the first notable decline in users in the key U.S. and European markets during the second quarter. It is simply too early to tell if that decline is a blip or the begin-

ning of a sustained downturn. Combined, the U.S. and Europe account for less than one-third of the company's daily active users but still generate more than 70% of its revenue.

Tech companies priced for growth tend to pay dearly when that growth slows. Eric Sheridan of UBS, who downgraded Facebook to "neutral" on Thursday, noted that Google came under similar growth pressure between 2010 and 2013. The search giant's stock stayed below 20 times earnings for most of that period. That is good incentive for Facebook to keep its two billion friends happy.

—Dan Gallagher