

THE WALL STREET JOURNAL.

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What's News

Business & Finance

Qualcomm plans to scrap its \$44 billion purchase of Dutch chip maker NXP after failing to secure approval in China. A1

◆ **Facebook** warned that its growth is slowing, sending its stock price plummeting as much as 23% in after-hours trading. A1

◆ **Detroit's Big Three** auto makers lowered their profit outlooks for 2018, each citing fallout from U.S. tariffs on steel and aluminum. B1

◆ **China is letting** the yuan slide to combat a slackening economy, but observers say Beijing won't actively devalue to hit back at Trump. B1

◆ **Arconic is weighing** takeover approaches from at least two private-equity groups, in what would be one of the biggest recent LBOs. B1

◆ **U.S. stocks surged** late in the session after Trump secured some trade concessions from the EU. The Dow gained 172.16 points to 25414.10. B1

◆ **Boeing boosted** its revenue outlook amid soaring global demand for passenger and cargo planes. B3

◆ **Mattel plans** to cut more than 2,200 jobs as it grapples with slumping sales and deep losses. B3

◆ **Coca-Cola posted** rising drink volumes, but said it would raise prices on its carbonated soft drinks. B3

◆ **Deutsche Bank's** second-quarter net income dropped 14%, due in part to weak trading results. B10

◆ **Visa reported** double-digit percentage growth in profit and revenue. B10

World-Wide

◆ **Trump and the EU's** Juncker turned down the heat on a trade dispute between two of the world's biggest economic powers, suggesting they would hold off on further tariffs while talking through their differences. A1

◆ **Pompeo faced** an impatient and critical panel of senators as he defended the administration's handling of top foreign-policy initiatives. A4

◆ **Trump won't hold** another official bilateral meeting with Putin until next year. A4

◆ **Federal investigators** are examining Cohen's ties with the publisher of the National Enquirer, amid a wide-ranging probe into his personal business dealings. A1, A10

◆ **House conservatives** filed articles of impeachment against the Justice Department's Rosenstein. A4

◆ **Preliminary voting results** in Pakistan showed the party of former cricket star Imran Khan was poised to come into power for the first time. A7

◆ **Iran's central-bank chief** was replaced as Tehran's ruling elite pushes to contain a deepening economic crisis. A8

◆ **Turkish authorities freed** an American pastor held for nearly two years on controversial terrorism charges. A8

◆ **Researchers have found** signs of a hidden lake deep under Mars's south pole. A3

◆ **Eisai and Biogen revealed** new data on their experimental drug for Alzheimer's. A5

◆ **Died: Sergio Marchionne**, 66, auto executive who melded Fiat and Chrysler. A1

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U.S., Europe Call a Truce on Trade

Trump, Juncker agree to hold off on further tariffs as they work to take down barriers

WASHINGTON—President Donald Trump and European Commission President Jean-Claude Juncker turned down the heat on a trade dispute between two of the world's largest economic powers, suggesting Wednesday they would hold

off on further tariffs while they talk through their differences.

Speaking at a joint news conference in the Rose Garden on Wednesday, the two leaders agreed to begin discussions on eliminating the tariffs and subsidies that hamper trade across the Atlantic and to resolve the steel and aluminum tariffs the Trump administration had imposed this year, as well as the retaliatory tariffs the European Union imposed in response.

By Valentina Pop,
Vivian Salama
and Bob Davis

The package of measures announced by Messrs. Trump and Juncker would have the EU buying more liquefied natural gas and soybeans from the U.S., and the two sides would begin a "dialogue to reduce differences on regulatory standards between the two economies," Mr. Trump said.

The two sides also suggested they would hold off on further tariffs—a nod to Mr. Trump's threats to apply tariffs on imported cars.

While the two sides said the deal was contingent on negotiating in good faith, there was no schedule set to complete the talks, meaning that what amounted to a temporary truce could turn into a permanent one—or fall apart if one side accuses the other of lagging behind. To complete a deal, the

EU would also face the difficult task of forging a consensus among all its 28 members, including both France and Germany, who often have divergent trade priorities.

Through the deal, the Trump administration seeks to reduce trade barriers to lower the \$152 billion U.S. deficit in merchandise trade with the

Please turn to page A6

◆ Auto makers trim forecasts as metals tariffs exact toll... B1

Election in Pakistan Marks a Shift in Nation's Political Landscape



TIGHT RACE: Supporters of Pakistan's cricketer-turned-politician Imran Khan celebrated Wednesday in Lahore as early results showed his Tehreek-e-Insaf party making gains in the general election. The results were challenged by other political parties. A7

Facebook Sinks After Growth Warning

By DEEPA SEETHARAMAN

Facebook Inc. warned that its growth is slowing, sending its stock price plummeting as investors feared the social-media titan's fortunes aren't immune to the multiple controversies it has faced this year.

After touching record highs earlier on Wednesday, Face-

book shares dropped as much as 23% in after-hours trading, a plunge that would wipe roughly \$130 billion from the company's value if it holds when the markets open on Thursday. That would be more than the entire market value of McDonald's Corp., although after-hours declines don't always correspond to market

prices the next day.

Facebook has shown few business effects from the negative headlines that have dogged it in recent months. But winding up a quarter during which its privacy practices stirred fresh controversy, the company late Wednesday reported slower-than-expected revenue growth for the pe-

riod—albeit logging in at more than 40%—and said it expected quarterly revenue growth to decline over the rest of the year.

The Menlo Park, Calif., firm also showed sluggish user

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◆ Heard: Facebook loses some of its best customers..... B1

Foreign Policy Draws Fire in Senate



HOT SEAT: Secretary of State Mike Pompeo on Wednesday defended President Trump's foreign-policy moves at a tense Senate hearing. A4

Days After Illness Disclosed, Fiat Chrysler Visionary Dies

By CHESTER DAWSON

Sergio Marchionne, the longtime auto executive who engineered a merger of the auto industry's weakest companies—Fiat and Chrysler—and turned the combination into a profit generator, died Wednesday at the age of 66, days after the company said unexpected health problems had forced him to step away from his job.

Mr. Marchionne was treated at Zurich's University Hospital for complications after undergoing what Fiat Chrysler Auto-

mobil NV said was a surgical procedure on his right shoulder earlier this month. The health issues forced the company to unexpectedly remove him as chief executive on Saturday, speeding up a departure planned for early 2019 after a decade at the helm of the Italian-American auto maker.

Exor SpA, the company that controls Fiat Chrysler, on Wednesday announced Mr.

Please turn to page A8

◆ Agnelli heir is thrust into spotlight..... B2

China Tensions Torpedo Chip Deal

BY ELIOT BROWN
AND BOB DAVIS

Qualcomm Inc. plans to scrap its \$44 billion purchase of Dutch chip maker NXP Semiconductors NV after failing to secure approval in China, making the deal one of the most prominent victims of spiraling U.S.-China trade tensions and derailing a central part of the U.S. chip giant's strategy.

China was the last of nine markets that needed to approve the deal, which would have been among the biggest ever between technology companies. The acquisition was announced in October 2016 and extended in April as the chip makers sought approval from China's competition regulators.

Instead, the deal became mired in Beijing's trade fight with Washington.

Qualcomm said Wednesday it won't again extend the agreement, which was set to expire just shy of midnight ET, though it said its decision was pending any new material developments.

Qualcomm's decision to walk away follows a round of last-minute lobbying on the company's behalf by senior U.S. officials including Treasury Secretary Steven Mnuchin and Commerce Secretary Wilbur Ross, who tried to persuade their Chinese counterparts to separate the deal's approval process from broader trade tensions, U.S. industry executives said.

Chief Executive Steve Moltenkoff told analysts Qualcomm's decision was "a difficult one," but that the company didn't believe "a change in the current geopolitical environment" was likely in the near future.

The deal's demise puts a leading U.S. technology company atop a list of those affected by the trade battle, which has produced tit-for-tat

Please turn to page A4

◆ Yuan's drop targets economy, not Trump..... B1

Brushing Teeth In Shower—OK or Gross?

Fans say it saves time and water; it appalls others

By PATRICK THOMAS

While moving into her dorm for her sophomore year at State University of New York College at Cortland, Annalise Hoffman entered the bathroom and was appalled at what she saw. A toothbrush was perched on a shelf in the shower.

"I think it's sickening that people would brush their teeth in the shower," Ms. Hoffman says. "Every shower is full of germs that are getting sprayed all over your toothbrush."

The culprit was one of her five roommates, Cassie Special, who admitted she brushes in the shower every morning.

"I didn't see why it was so

Please turn to page A10

Prosecutors Examine Cohen's Tabloid Ties

National Enquirer traded favors with Trump lawyer for years; the Omarosa mediation

Michael Cohen and the publisher of the National Enquirer forged an alliance over the years, looking out for the interests of Donald Trump and each other. Now,

By Michael Rothfeld,
Joe Palazzolo,
Lukas I. Alpert
and Rebecca Davis
O'Brien

federal investigators are examining those ties as part of a wide-ranging probe into Mr. Cohen's personal business dealings and his self-described role as Mr. Trump's fixer.

In previously unreported interactions, some of which are memorialized in emails now under review, Mr. Cohen

mediated a dispute between Omarosa Manigault-Newman, who had been a star on Mr. Trump's "Apprentice" reality TV show, and the Enquirer over a story about her brother's murder. He intervened in a separate legal case on behalf of David Pecker, chief executive of Enquirer parent American Media Inc. And when American Media paid a doorman who alleged that Mr. Trump fathered a child with one of his employees, a company executive ordered reporters to stop investigating after speaking with Mr. Cohen.

The revelations show a re-

Please turn to page A10

◆ Cohen taped conversation with reporter..... A10

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

The Case Against a Stealth Productivity Boom



Why hasn't the technology revolution lifted the U.S.'s miserable productivity growth rate? Silicon Valley evangelists have a ready answer: The growth is there, we're just not measuring it.

Popular though the stealth productivity boom is, it is a myth. A new study finds that official statistics do tend to underestimate productivity, but by less than two decades ago. So even if all the benefits of social networks, online shopping and less invasive surgery were being measured, it probably wouldn't change the overall picture much: Productivity growth is historically slow.

The study was released Wednesday by the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution. Author Brent Moulton worked on federal statistics from 1985 until 2016 when he retired as associate director of the Commerce Department division that computes gross domestic product.

When the dollar value of GDP rises, part of it is because of inflation, and part of it is because workers and

firms are pumping out more or better products. If statisticians overestimate inflation, they will underestimate how fast actual output is growing, and thus productivity.

In 1996 a commission led by the economist Michael Boskin concluded the consumer-price index overstated inflation by 1.1 percentage points. Mr. Moulton calculates the bias has since dropped by a quarter of a percentage point.

For the personal-consumption expenditures price index, which is used to calculate productivity data, the bias has dropped half a point. He concludes that overall, productivity growth was understated by 1.1 percentage points in 1996, but just 0.65 point last year.

Mr. Moulton's estimates of bias are in line with what other economists have found, but unlike many of those others, he concludes the bias hasn't grown; it has shrunk.

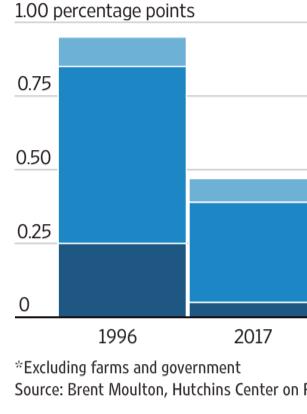
He bases this in great part on the extensive changes statistical agencies have made to price data since 1996, which were retroactively incorporated into the productivity statistics.

How Much Productivity Are We Missing?

Upward bias in consumer prices has fallen...

Sources of upward bias in PCE price index

- Problems in averaging prices within sample
- New Products/Quality Change
- Migration to New Outlets



*Excluding farms and government
Source: Brent Moulton, Hutchins Center on Fiscal and Monetary Policy

...less productivity is being missed.

Sources of unmeasured productivity growth in percentage points

	1996	2017
Personal consumption	0.72	0.36
Information Processing Equipment	0.26	0.18
Other Equipment	0.02	0.02
Structures	0.09	0.08
Intellectual Property	0.06	0
Exports	0.03	0.03
Imports	-0.09	-0.1
Government	0.05	0.02
Total	1.08	0.65

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Except for computers, the impact was generally slight, which Mr. Moulton sees as evidence that not a lot of quality is going unmeasured. In fact, quality is sometimes overstated: This happens when a company raises the price for a new item that isn't much better than the old, yet the entire price increase is attributed to higher quality. This turned out to be the case with audio equipment.

Mr. Moulton says the data still don't fully capture the benefits of an entirely new product, i.e., one that isn't simply replacing an older model. The first smartphones were better and cheaper than a combination of a cellphone, music player and camera, but the price data don't capture that. But this problem isn't new: the same was true of cars, home appliances and antibiotics.

"When it was discovered, aspirin, an extremely inexpensive drug, worked well for heart attacks and strokes, that led to an improvement in health and quality of life, but not a change in consumer spending patterns," Mr. Moulton says. In any case, the Bureau of Labor Statistics is updating its smartphone sample every six months to capture

the evolving quality.

The data do count Google search and Facebook: They are treated as an input to companies that pay for the ads. True, they also have large benefits to consumers who get them free, but, Mr. Moulton points out, so did television. Also, as their benefits have risen, some benefits of other "free" ad-supported media like newspapers and magazines have shrunk. Economic data simply can't capture all the benefits of innovation, but those benefits aren't necessarily larger now than when Americans got indoor plumbing and electricity.

Mr. Moulton estimates the shift from shopping in brick-and-mortar stores to online has driven prices down—the so-called Amazon effect—by more than the official data capture. But he estimates this effect is smaller than when consumers shifted to big box and warehouse stores decades ago, which similarly wasn't captured in the data.

This won't be the last word on the subject. But for now, it appears that if a technology economic boom is coming, it will need more than just a different set of measuring sticks.

Chincoteague Pony Swim in Virginia Marks 93rd Year



MANE ATTRACTION: Spectators cheer as wild ponies arrive on Chincoteague Island from Assateague Island. Some are auctioned off.

Facebook Tanks on Warning

Continued from Page One

trends in some of its most lucrative markets, including the U.S. and Canada, in the second quarter.

Daily active users in the U.S. and Canada measured at 185 million, flat with the first quarter and up slightly from a year earlier. Facebook's daily user base in Europe edged down to 279 million accounts, from 282 million in the prior quarter. Facebook executives said that decline stemmed from a tough new European privacy law that went into effect in the second quarter.

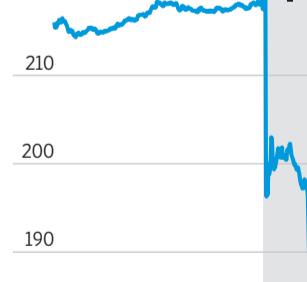
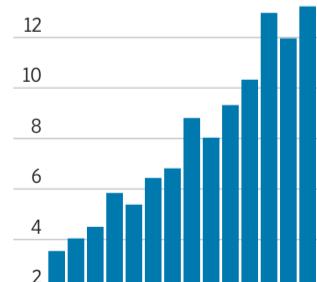
Some worried that the results suggest growth could be threatened not just for Facebook but also for other tech companies that depend on consumers spending ever-more time on their digital devices.

"I can't help but wonder if this is an early warning sign that the market's assumptions about tech companies' growth failed to account for the fact that each of us only has 24 hours in a day," said Jim Anderson, CEO of SocialFlow, a platform for publishers to post stories on Facebook and other social-media sites.

Before Wednesday's report,

Not So Likable

Facebook shares plunged in after-hours trading after the company reported slower-than-expected revenue growth for the second quarter.



most analysts expected Facebook to continue its streak of impressive growth that seemed impervious to controversies about the platform's operations.

For the second quarter, Facebook reported earnings per share of \$1.74, up from \$1.32 a year earlier. Revenue increased 42% to \$13.23 billion. Analysts, on average, expected earnings of \$1.72 a share on revenue of \$13.36 billion, according to Thomson Reuters.

The last time Facebook missed analyst estimates for revenue was in the first quarter of 2015.

In a call with analysts, Facebook Chief Executive Officer Mark Zuckerberg called the results "another solid quarter"—

the mid-30s over the next several years, due to higher spending on product and infrastructure. The second-quarter margin was 44%.

Facebook's global reach and impact have been under scrutiny since the 2016 U.S. presidential election, when the social network attracted criticism for allowing fabricated news articles to flourish on the site.

Those issues intensified in March, when it suspended political analytics firm Cambridge Analytica for improperly accessing data from as many as 87 million Facebook users. That disclosure forced Mr. Zuckerberg to testify in front of lawmakers on both sides of the Atlantic in early April.

On the call Wednesday, Mr. Zuckerberg acknowledged that Facebook needed to invest more in security. He also pledged that the company wouldn't stop building new products "because that wouldn't be the right way to serve our community and because we run this company for the long term, not for the next quarter."

Despite those controversies, advertisers broadly speaking have remained on the site, largely because there are few other outlets that can match its reach and ability to target narrow slices of consumers.

"It's going to take a lot more than the scandals they have had to change to the way that advertisers are using their dollars," said Aaron Goldman, chief marketing officer of marketing technology firm 4C Insights.

A photo with a World News article Tuesday about soccer star Mesut Ozil's departure from the German national team showed Mr. Ozil giving Turkish President Recep Tayyip Erdogan an Arsenal jersey. The caption incorrectly said it was a German national team jersey.

Analysts expected Alphabet Inc. to generate \$25.6 billion in second-quarter revenue, excluding payments to advertising partners, according to a poll by FactSet. A Page One article Tuesday about the Google parent's earnings incorrectly said the analyst estimate was \$20.9 billion. Also, Google is

expected to control 31% of the global market for digital ads this year, according to eMarketer. The article incorrectly cited that figure as Google's share of the overall ad market.

A graphic with a June 25 Markets article about the Russell 2000 index showed the index threshold and market capitalization of First United Corp. in millions of dollars. The chart was labeled incorrectly as billions of dollars.

A Review article Saturday about bucket lists referred to an Otis Elevator Museum in Queens, N.Y. No museum by that name exists.

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

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Signs of Vast Hidden Lake Found on Mars

By NISHANT MOHAN

Deep under the ice of the Martian south pole researchers have discovered signs of a hidden lake that could hold liquid water year-round, a crucial condition needed for life to develop.

An advanced satellite radar has found a massive anomaly—a 12-mile-long lake that researchers believe must be at least a meter deep. Previous discoveries on Mars have indicated liquid water that existed only seasonally.

"This is the first potential habitat," said researcher Roberto Orosei at the Italian National Institute for Astrophysics. "We don't know if it is inhabited, but if you're looking for life on Mars, this is one of the prime places to look."

Dr. Orosei and an international team of researchers probed through to the bottom of about a mile of ice on the planet's south pole using a radar aboard the Mars Express Satellite, a European Space Agency mission.

The Italy-based researchers published in *Science* on Wednesday the results of four years of radar readings. The lake, they say, was found because it produces different radar readings than the surrounding ice and bedrock.

"If the result can be confirmed, it would be the largest known occurrence of present-day liquid water on Mars," said Jeffrey Plaut at NASA's Jet Propulsion Laboratory in Pasadena, Calif., who is the U.S. leader on the joint U.S.-Italy project that developed the radar system.

The technology used to find the lake has been pointed toward our own planet where it has effectively identified vast lakes under the ice in Antarctica.

The indirect nature of the observation, however, leaves

the Mars data open to alternate interpretations. The lake could turn out to be frozen carbon dioxide, or dry ice.

The search for water on Mars has seen numerous false leads, including gullies more likely to have been caused by frozen carbon dioxide and ridges more likely to have been caused by sand than by water.

Scott Murchie, planetary geologist at the Applied Physics Laboratory at Johns Hopkins University, who wasn't involved in the study, said more research is needed to ensure nothing about the unique environment of Mars could interfere with the results.

"Mars, as an alien world, can surprise us in operating in ways very different from how Earth operates," Dr. Murchie said. "We need to keep an open mind to other explanations."

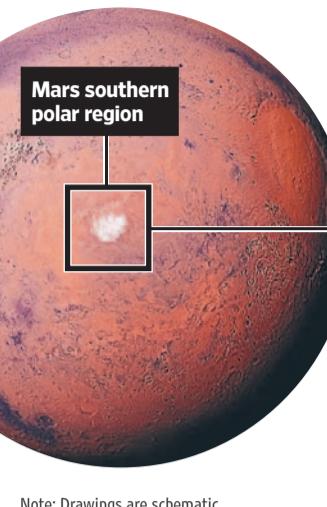
Dr. Orosei said that the team examined other possible explanations. They concluded that the lake isn't carbon dioxide and that the possibility it is metal is too unlikely, he said.

The researchers also faced the challenge of explaining why the water they found isn't frozen. The temperature under the ice cap is too low for pure water to exist as a liquid, so the researchers propose the water is kept from freezing the same way ocean water is on Earth—by salt, in this case, perchlorate salt from surrounding soil.

"There is certainly water available in the ice cap, but the mystery is whether the temperature and the composition are right to maintain melting," Dr. Plaut said.

Waterworld

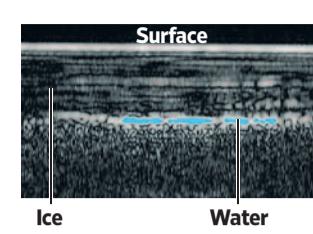
Scientists discovered what they believe is a huge underground reservoir of liquid water on Mars.



Note: Drawings are schematic

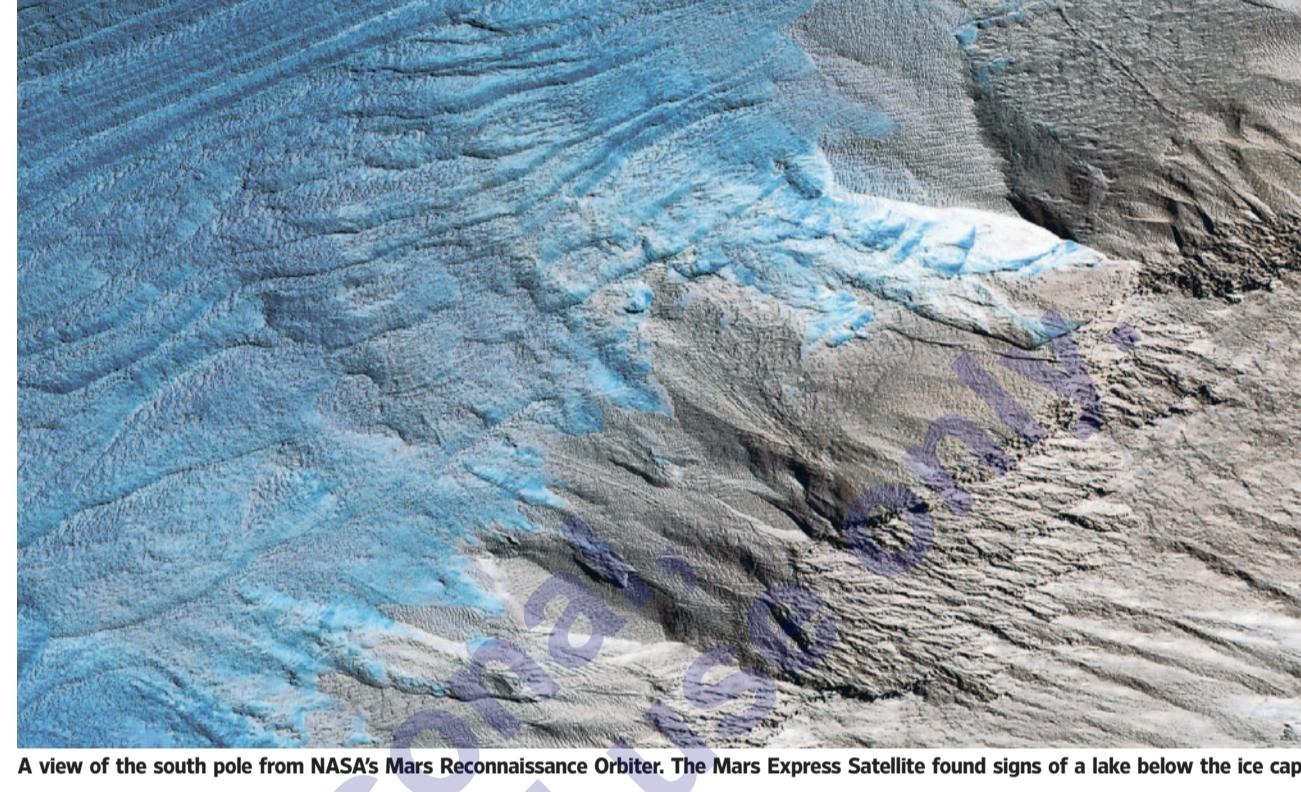
Sources: *Science* magazine; European Space Agency; Photos: 3D illustration with elements by NASA/Shutterstock (Mars); ESA, INAF (radar image)

Radar cross section from the southern polar layered deposits



A 12-mile body of water was found about 1 mile below the surface.

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A view of the south pole from NASA's Mars Reconnaissance Orbiter. The Mars Express Satellite found signs of a lake below the ice cap.

UNIVERSITY OF ARIZONA/JPL-CALTECH/NASA

Tighter Rules Proposed to Forgive Student Loans

By MICHELLE HACKMAN AND JOSH MITCHELL

WASHINGTON—The Trump administration is proposing to tighten the criteria that dictate when former college students who accuse their schools of fraudulent behavior can have their student loans forgiven.

The Education Department said the plan was designed to help genuine victims of fraud, while limiting frivolous claims by former students.

The plan faces stiff opposition from congressional Democrats and consumer advocates, who have warned that any effort to limit debt forgiveness would limit the legal options of students with debts

they can't afford to repay.

Under the plan, the Education Department has proposed two alternative standards, and has said it would welcome comments before it publishes final rules on Nov. 1.

Under one option, the department may require students seeking loan relief to be in default, rather than allowing students to apply for forgiveness while they remain in good financial standing.

Under the alternative, students would continue to submit "affirmative" claims, though the department would hold those claims to a higher standard. Either way, former students would have to show that their colleges had an "intent to deceive" or showed a

"reckless regard for the truth" in their advertising or recruitment efforts.

"Our commitment and our focus has been, and remains, on protecting students from

Critics say the result will be that fewer defrauded students will get money back.

fraud," said Education Secretary Betsy DeVos. "The regulations proposed today accomplish that by laying out clear rules of the road for higher education institutions to fol-

low." She said the rules would hold institutions accountable, rather than taxpayers.

Critics such as Sen. Patty Murray of Washington, the top Democrat on the Senate Education Committee, said the result would be that fewer students who were defrauded could get their money back.

"This rule would cut billions in debt relief to students who were simply trying to better themselves and instead were cheated out of their education and savings," Ms. Murray said.

Those standards would be more stringent than a set of rules in an Obama administration policy. That policy, released in early 2017 but never implemented, required former

students to document false advertising, but it didn't require proof of intent to deceive.

The new rules would also permit schools to present evidence to counter students' claims.

The Trump administration proposed the new rules under a 1993 law designed to help students if their schools had committed fraud, such as inflating their graduates' earnings in recruiting brochures.

The law was used in only a handful of cases until 2015, when the Obama administration turned to the statute to reimburse former students of Corinthian Colleges Inc., a now-defunct chain of for-profit schools accused of widespread fraud.

The administration granted relief to tens of thousands of borrowers, while drafting a set of permanent rules to spell out when the government would spare borrowers filing claims in the future.

Through January 2017, the government had granted relief to nearly 32,000 borrowers owing about \$450 million in student loans, the Education Department's inspector general reported in December.

The government has received more than 60,000 additional claims since January 2016, according to figures Mrs. DeVos submitted to Congress, but it has declined to rule on most of them until the new criteria are completed.

Firms Opt to Sell, Not Use, Tax Credits

By KATE KING

New Jersey's corporate tax breaks, designed to lure and keep companies in one of the country's highest-taxed states, are sold for cash more often than they are used to lower tax bills.

Like many other states, New Jersey allows companies to sell tax credits they receive in exchange for building new offices, hiring more workers or moving to the state. Most take advantage of this, with state records showing that companies—including Panasonic and Prudential Financial Inc.—have sold or transferred about 78% of the \$595 million in state tax credits doled out since 2011.

Buyers include insurance firms and big companies such as Apple Inc. and Verizon Communications Inc., according to a Wall Street Journal analysis of more than 250 transactions. The average tax-credit sale nets about 91 cents on the dollar, according to the analysis.

New Jersey Treasurer Elizabeth Muoio said it wasn't clear the state's tax-incentive programs are being used as intended, given that three-quarters of businesses have sold their tax credits instead of using them to lower their tax burdens.

"The value for the majority of these companies is the actual cash value, it turns out," she said.

Money Transfer

Since 2011, 78% of corporate tax credits in New Jersey were sold or transferred by the company that originally received them.

Credits issued

Credits sold or transferred



Source: New Jersey Department of the Treasury

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Ken Wisniewski, chief executive of the internet marketing company WebiMax, said the tax-credit market was a key factor in the company's decision to stay in New Jersey. WebiMax was awarded \$6 million in state tax credits in 2014 for moving to Camden from Mount Laurel, N.J., and renovating a waterfront office building that now houses 75 employees.

The company has so far collected \$2.2 million in tax credits, but hasn't owed enough in taxes to use them all, Mr. Wisniewski said. WebiMax has instead sold the credits for just over \$2 million in cash and reinvested the proceeds in business operations.

"It guaranteed that there was going to be value there," he said. "If we hadn't had a big enough tax liability, the credits in essence wouldn't really have any value to us."

As the company's revenue and tax liability grows, Mr. Wisniewski said he wants to apply the credits directly to the company's tax liability rather than selling them.

Panasonic is one of the biggest sellers of tax credits in New Jersey, state records show. The electronics company, which was awarded \$102.4 million in subsidies to move its North American headquarters to Newark from Secaucus, has sold about \$41 million in credits since 2014 for about \$38 million in cash.

Insurance companies are top buyers, including Horizon Blue Cross Blue Shield of New Jersey, which since 2015 has bought \$80 million in tax credits for about \$74.5 million, or 93 cents on the dollar, according to state records. The transactions saved the Newark-based company more than \$5 million on the state tax it pays on the premiums it collects from customers.

New Jersey has approved \$8 billion in corporate tax breaks since 2010. An April analysis by the New Jersey Economic Development Authority found that the state budget could lose out on \$1 billion a year in revenue from 2020 through 2023 if all businesses meet the requirements of their subsidy agreements and cash in their full incentive amounts.

The tax incentive program has received broad bipartisan support from lawmakers. Sen. Paul Sarlo, a Democrat and sponsor of several tax-incentive bills, said the incentives were necessary to jump-start the economy postrecession but are worth re-examining. New Jersey's biggest incentive programs are set to expire next year.

"The state was so devastated after the great recession that this was the only way to compete," he said. "Is it a perfect solution going forward? No."

DAVID YURMAN

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U.S. NEWS

Pompeo Defends Trump Policies

Senate panel criticizes the administration's handling of talks with Russia, North Korea

BY JESSICA DONATI

WASHINGTON—Secretary of State Mike Pompeo faced an impatient and critical panel of senators at a hearing Wednesday, drawing criticism for the Trump administration's handling of talks with Russia and North Korea and for other top foreign-policy initiatives.

Sen. Bob Corker (R., Tenn.), chairman of the Senate Foreign Relations Committee, opened the hearing by assailing President Trump for failing to disclose agreements reached with President Vladimir Putin, undermining the North Atlantic Treaty Organization and doling out aid to U.S. farmers.

"You come before a group of senators today who are filled with serious doubts about this White House and its conduct of American foreign policy," Mr. Corker said. "From where we sit, it appears that in a ready-fire-aim fashion, the White House is waking up every morning making it up as they go."

Senators summoned Mr. Pompeo to testify after Mr. Trump met with Mr. Putin in Helsinki last week.

The White House has provided few details of the Helsinki meeting, information that typically would be shared rapidly with administration officials and key figures on Capitol Hill.



Mike Pompeo was summoned to testify before the Foreign Relations panel after President Trump met with Vladimir Putin in Helsinki.

Mr. Trump drew widespread criticism in particular for appearing to side with the Russian leader over U.S. intelligence agencies on the subject of Russian election interference.

Mr. Pompeo, at times appearing to be under duress, insisted that Mr. Trump had provided him a comprehensive readout of his two-hour meeting with Mr. Putin, but offered senators little clarity

on the scope of any agreements that had been reached.

He confirmed to the panel that Mr. Trump discussed ways to work on a political resolution to the Syrian civil war and the return of millions of displaced Syrian refugees. But Mr. Pompeo declined to elaborate or to say whether the question of Iran's expanding influence in Syria had been discussed.

"It's not for me to disclose

the contents of those conversations," Mr. Pompeo told the frustrated panel.

Mr. Pompeo insisted that no promises had been made to relax sanctions or make other concessions toward Russia, such as recognizing Moscow's move to annex Crimea.

"No commitment has been made to change those policies in any way," he told the panel, insisting that the administra-

tion had taken a tougher approach on Russia than its predecessor.

Senators also questioned the progress of Mr. Pompeo's talks with North Korea, citing evidence that leader Kim Jong Un was still working to enhance the country's nuclear program, including a plan to launch weapons via submarine.

—Courtney McBride contributed to this article.

GOP Launches Bid To Oust Rosenstein

BY SADIE GURMAN AND BYRON TAU

House conservatives Wednesday night took the first step toward removing Deputy Attorney General Rod Rosenstein from office, marking a dramatic escalation in a dispute over lawmakers' requests for information about the government's most politically charged probes.

Reps. Mark Meadows (R., N.C.) and Jim Jordan (R., Ohio), along with nine co-sponsors, filed articles of impeachment against Mr. Rosenstein in the House.

The move comes after a tense, monthlong tug of war over the Justice Department's production of documents and information related to investigations involving Hillary Clinton and President Trump.

Mr. Meadows and other congressional Republicans who are close allies of Mr. Trump say the push for more information is part of routine oversight of federal law enforcement.

Democrats say it is an effort to undermine the current special counsel investigation that Mr. Rosenstein oversees.

The special counsel probe is looking into possible collu-

sion between the Trump campaign and Russia, and possible obstruction of justice. Mr. Trump has denied wrongdoing and called the probe a "witch hunt."

Mr. Meadows, head of the conservative House Freedom Caucus, said in a statement that the impeachment effort is "the result of nearly nine months of unsuccessful congressional attempts to force the Department of Justice to comply with oversight requests" and accused Mr. Rosenstein of "intentionally withholding embarrassing documents" and hiding information from Congress.

A Justice Department spokeswoman declined to comment on Mr. Meadows's move.

But earlier Wednesday, department officials said they had accommodated nearly all lawmakers' requests for documents and other information related to the investigations.

The officials said the requests from several Republicans were unusual and possibly unprecedented, given that information from sensitive investigations generally is closely held, to avoid compromising the probe or endangering people involved.



The White House will wait until next year for a second summit with Russian President Vladimir Putin.

YURI KADOBNOV/AGENCE FRANCE PRESSE/GETTY IMAGES

Putin Summit Is Pushed Back

BY REBECCA BALLHAUS

WASHINGTON—President Trump won't hold another official bilateral meeting with Russian President Vladimir Putin until next year, the White House said Wednesday, citing the continuing special counsel investigation into Russian interference in the 2016 U.S. election.

"The President believes that the next bilateral meeting with President Putin should take place after the Russia witch hunt is over, so we've agreed that it will be after the first of the year," national security adviser John Bolton said.

Following his return from a summit with Mr. Putin in Helsinki last week, where Mr. Trump drew widespread re-

bukes for appearing to side with the Russian leader over U.S. intelligence assessments that Russia interfered in the election, the White House said the president had invited Mr. Putin to visit Washington in the fall.

The move surprised Republican lawmakers and top administration officials, who said they still hadn't been told what Messrs. Trump and Putin agreed to in Helsinki. The decision to invite Mr. Putin to Washington around the time of the midterm elections—in which U.S. intelligence agencies have said Moscow is seeking to interfere—also drew criticism.

It is unclear what basis the White House has for believing special counsel Robert Mueller will conclude his investigation

by the beginning of next year. Mr. Mueller is looking into whether Trump associates colluded with Russia in the 2016 election—something the president has denied.

The president's lawyers in the 15 months since Mr. Mueller was appointed have repeatedly offered timelines in which they expected the investigation to conclude, only to see those timelines pass with no new developments.

The Mueller investigation earlier this month indicted a dozen Russian officials on charges of hacking Democratic computers during the 2016 election.

Mr. Trump's lawyers are still negotiating with Mr. Mueller's team over terms of a possible interview with the president.

Qualcomm to Abandon NXP Deal

Continued from Page One

tariffs by the U.S. and China on billions of dollars of goods across a range of industries.

"It's not just a trade war anymore," said Eswar Prasad, a Cornell University economist who was a senior International Monetary Fund China specialist. "It's becoming a more open economic conflict between the two countries." The deal's collapse, he said, "certainly is a strong signal that China is going to use every available lever."

The Chinese Embassy didn't respond to a request to comment. Chinese officials previously have said the deal presented potentially negative issues that were difficult to resolve.

Qualcomm said it plans to spend up to \$30 billion buying its own stock to placate shareholders, replacing an existing \$10 billion buyback plan. The collapse of the planned merger

also requires the San Diego chip maker to pay a \$2 billion termination fee to NXP, based on their renewed agreement in April.

The deal's planned termination came as Qualcomm said profit jumped 41% in its latest quarter on a 4% gain in revenue. The big jump in profit partly reflects a comparison to a year-earlier quarter that was the first in years to not include patent royalties from Apple Inc. devices.

Qualcomm executives also told analysts they expect their modems wouldn't be used in the next iPhone, a move expected by investors.

The end of the NXP pursuit caps a remarkable period of tumult for Qualcomm, the world's top producer of communications chips used in smartphones and other gear.

Just four months ago, the Trump administration intervened to save Qualcomm from a \$117 billion hostile takeover by Broadcom Ltd. on the grounds that Qualcomm's technology was vital to U.S. national security. Qualcomm is a U.S. leader in the development of so-called fifth-generation, or 5G, cellular technology that will help connect a slew of new

devices to wireless networks, and the White House's intervention effectively designated Qualcomm a national champion essential to battling China's rising might in 5G.

Qualcomm had billed the NXP deal, announced 12 days before Donald Trump was elected president, as transformational, expanding its reach beyond smartphones into areas such as automobiles and smart-home devices. The deal would have added a company with \$9.26 billion in revenue last year and some 30,000 employees to Qualcomm, which

had \$22.29 billion in sales in its latest fiscal year and a similar number of employees.

Qualcomm shares rose more than 5% in after-hours trading to nearly \$63, though they remain below the nearly \$69 level they traded at in January, when Broadcom pursued it. NXP, meanwhile, fell more than 3% as it now faces a future as a standalone company.

Originally expected to close by the end of last year, the NXP deal was approved by eight other regulatory bodies, including in the U.S. and Europe. But it dragged with

China's antitrust authority, which has broad reach to claim say over deals in which at least one party has a significant presence in the Chinese market.

As the deal languished, trade tensions between the U.S. and China escalated from bellicose rhetoric to tariffs by each side that are aimed at \$50 billion of imports from the other.

Mr. Trump has threatened to put tariffs on all \$505 billion of Chinese imports into the U.S.

With the clock ticking down to Wednesday's expiration, Mr. Mnuchin spoke with Chinese Vice Minister Liu He to push for approval, and Mr. Ross did the same with China's ambassador to the U.S., Cui Tiankai, according to the U.S. industry executives.

The U.S. officials argued the Qualcomm decision should be made on the merits of the deal. Spokesmen for the Treasury and Commerce departments declined to discuss the U.S. government's efforts.

Their moves came after President Trump worked to ease U.S. penalties on ZTE Corp. so that the Chinese telecommunications giant could continue to operate after it

was found to have violated U.S. sanctions on North Korea and Iran. Some U.S. government and industry officials had expected the ZTE efforts would prompt China to reciprocate and approve the Qualcomm-NXP deal.

Qualcomm reported \$1.22 billion in net income for its fiscal third quarter. Revenue came in at \$5.6 billion. The results were buoyed by a \$500 million partial settlement in a patent dispute with an unnamed company that licenses Qualcomm technology. The company has previously been identified as Huawei Technologies Co. A Huawei spokesman didn't respond to a request to comment.

Still, the NXP deal's collapse adds pressure on Qualcomm and Mr. Mollenkopf, who failed to win majority support from shareholders in a March board-election vote. Closing the NXP deal was seen as an important step toward restoring investor confidence after Qualcomm's shares lost over a quarter of their value in the past four-plus years, while the PHLX Semiconductor Index has more than doubled.

—Yoko Kubota contributed to this article.

Court Rejects FCC Rule Challenge

BY JOHN D. MCKINNON

WASHINGTON—A revised federal rule that eased limits on the size of TV-station groups dodged a challenge on Wednesday, with an appeals court handing down a decision that could bolster local broadcasters—including **Sinclair Broadcast Group Inc.**—seeking approval for mergers.

The U.S. Court of Appeals for the District of Columbia Circuit said that the activist groups challenging the Federal Communications Commission had failed to show they would be harmed by the FCC's 2017 easing of limitations on TV-station ownership.

"We do not reach the merits of petitioners' challenge because they failed to demonstrate their...standing to petition this court," the three-judge panel wrote.

The challenge was brought by a coalition of generally left-leaning groups, including Free Press, a nonprofit advocacy organization.

The rule change in question involves a longstanding federal ownership cap that limits local TV groups to a 39% national audience share. For years, the government said station owners didn't have to fully count ultrahigh frequency (UHF) stations in calculating their national audience share because UHF was typically a less powerful signal.

Under the Obama administration, the FCC eliminated the so-called UHF discount, contending that the reason for the distinction had disappeared because of technological changes. That change brought several big TV station ownership groups up against the national cap, preventing them from expanding.

Last year, the GOP-run FCC voted to largely revert to the previous rules, giving broadcast groups more room to grow.

Weeks later, Sinclair and Tribune Media Co. announced plans to merge. The court challenge to the rule change became potentially significant for the fate of that deal.

But the FCC last week ordered an administrative review of the merger, after raising questions about the legitimacy of several of Sinclair's planned station divestitures. That order has effectively put the deal on hold and raised doubts about whether it will occur.

President Trump said in a Twitter post on Tuesday that it was "disgraceful" that federal regulators had blocked the acquisition.

"So sad and unfair that the FCC wouldn't approve the Sinclair Broadcast merger with Tribune," Mr. Trump wrote. He said the acquisition would have created a "much needed conservative voice by and for the people."

FCC Chairman Ajit Pai said in a statement that he was "pleased" by Wednesday's court ruling.

U.S. NEWS

Alzheimer's Drug Shows Benefit, but More Tests Sought

BY PETER LOFTUS

CHICAGO—Eisai Co. and Biogen Inc. revealed new data showing their closely watched experimental drug slowed the worsening of Alzheimer's disease, but some experts who saw the latest results said more testing is needed to validate whether the drug is truly providing a benefit.

Eisai and Biogen said in early July that the drug, known as BAN2401, showed positive results in the mid-stage study but offered few details at the time. The news sent shares of both companies soaring on hopes that the industry may finally have found a drug that slows the underlying course of the memory-eroding disease, rather than temporarily improve symptoms as some current treatments do.

Eisai, which has led development of the drug, presented final results on Wednesday, saying early Alzheimer's patients receiving the highest dose had 30% less decline than those taking a placebo 18 months after the start of treatment. The results, presented at the Alzheimer's Association International Conference in Chicago, are based on an efficacy measure that Eisai developed, testing patients' memory and ability to care for themselves.

Lynn Kramer, chief medical officer of Eisai's neurology business group, called the results "fairly conclusive" and said the company has begun setting up meetings with drug regulators to discuss the next steps, in hopes of receiving marketing approval.

Outside experts said there was reason for caution in the data, noting that the study missed its original goal of BAN2401 showing a benefit after 12 months of treatment. Also, the drug didn't show a

significant benefit when analyzed in certain other ways.

"I would not say shock and awe," Julie Schneider, associate director of the Rush Alzheimer's Disease Center in Chicago, said at the conference. "More work needs to be done in order to determine how much of a clinical effect this has. There are still a lot of questions."

Using an older measure that is widely accepted in the Alzheimer's disease research field, known as ADAS-COG, Eisai said the highest dose of the drug conferred 47% less decline in patients' disease at 18 months, versus placebo.

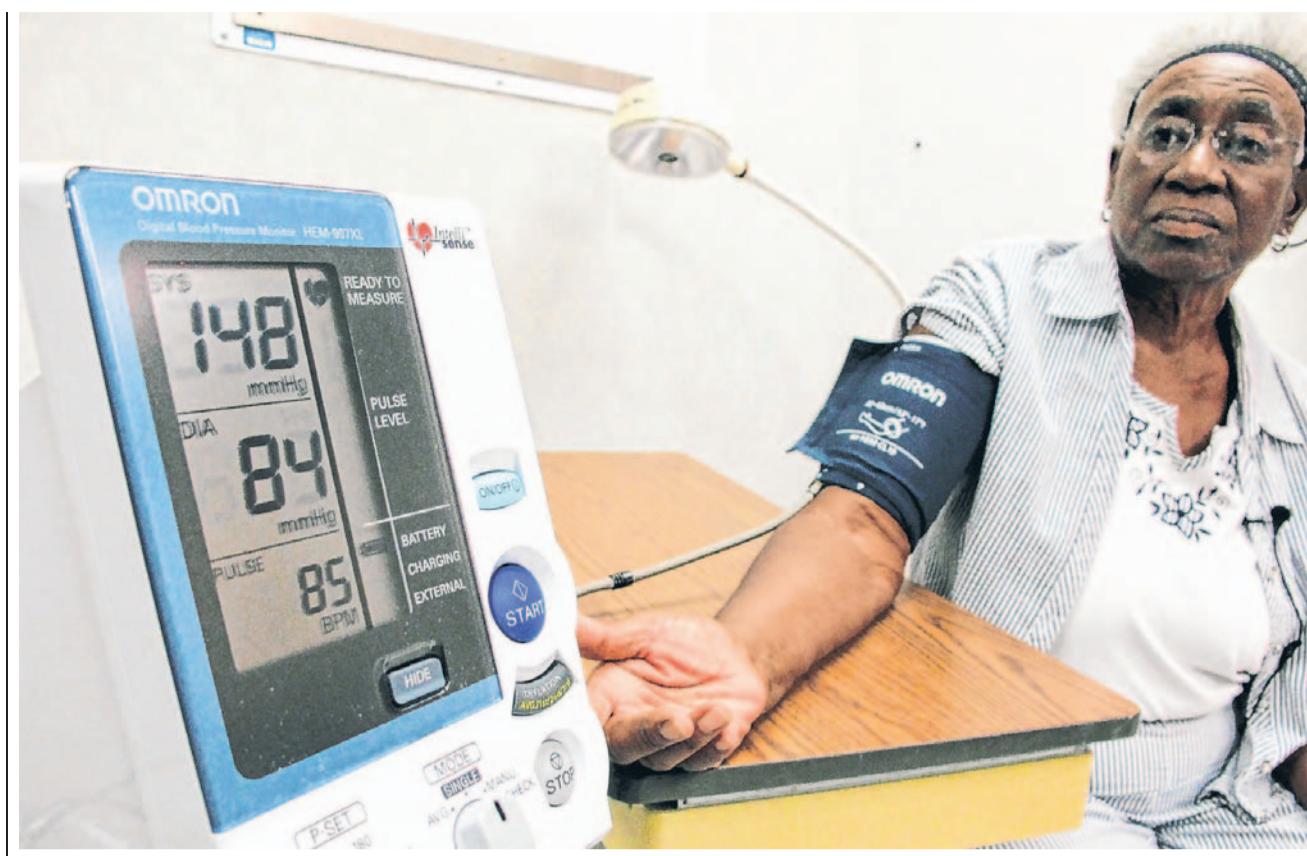
But with another older measure known as the clinical dementia rating, the 26% improvement wasn't statistically significant, meaning it could have been due to chance.

The measure developed by Eisai, dubbed "Adcoms," borrows certain elements of the older measures and is designed to better detect changes in patients at the early stages of disease.

The infused drug has its roots in research by Swedish scientists who discovered a mutation that causes familial Alzheimer's. Japan's Eisai acquired global rights to BAN2401 from Sweden's Bio-Arctic in 2007, and in 2014 Eisai formed a partnership with Biogen to further develop and potentially commercialize BAN2401 and other experimental Alzheimer's drugs.

It works by binding to and clearing from the brain clusters of a sticky compound known as amyloid beta. Many researchers believe the accumulation of amyloid beta in the brain leads to cell death and Alzheimer's.

The new study showed that BAN2401 reduced amyloid in patients' brains, as detected by imaging scans.



New research covering more than 9,300 patients bolsters the case for treating systolic blood pressure more aggressively.

Study Finds Memory Boost

BY PETER LOFTUS

CHICAGO—Aggressive treatment of high blood pressure may have another benefit beyond reducing rates of cardiovascular disease in people with hypertension—it could also reduce the risk of memory impairment, a study has found.

The study showed that using common medications to reduce systolic blood pressure to below 120 reduced the risk of mild cognitive impairment by about 19% compared with lowering to less than 140—the standard target until a few years ago.

Mild cognitive impairment is a slight but noticeable decline in memory and other thinking skills and is considered a potential precursor to dementia. It increases a patient's risk of Alzheimer's disease, the dementia-causing disorder that affects about 5.7 million Americans.

The new findings, from a study that started in 2010 and

was funded by the National Institutes of Health, included more than 9,300 patients with high blood pressure. Its main purpose was to test whether more-aggressive treatment could improve heart health.

In 2015, the NIH stopped the trial early and shared results showing that the more-

Aggressive treatment of hypertension was shown to reduce mild cognitive impairment.

intensive treatment reduced the risk of heart attacks and strokes by almost a third and death by nearly a quarter when compared with the standard treatment at the time.

After that study was halted, researchers continued to ana-

lyze the effect of the more-aggressive treatment on dementia and mild cognitive impairment.

The new analysis shows that for those with hypertension, "there is something people can do to lower their risk for developing significant memory impairment," said Jeff Williamson, lead researcher for the study and professor of geriatric medicine at Wake Forest University School of Medicine in Winston-Salem, N.C.

Researchers released the results on Wednesday at the Alzheimer's Association International Conference in Chicago.

Systolic pressure is the top number in a blood-pressure reading and is the pressure exerted on arteries when the heart contracts and sends blood to the rest of the body. The lower, or diastolic, figure is the pressure in the arteries as the heart fills with blood between beats. Optimal blood pressure is considered to be below 120/80.

Patients in the more-aggressive treatment group took an average of 2.8 medications daily, versus about 1.8 in the less-intensive group, Dr. Williamson said. Drugs included diuretics and beta blockers.

Researchers assessed participants by using memory tests. The rates of mild cognitive impairment in both treatment groups were relatively low. Researchers found that 285 participants receiving intensive blood-pressure treatment, or 6.1% of the group, developed mild cognitive impairment, versus 348, or 7.4%, in the standard treatment group.

Still, "on a population level, treating high blood pressure more seriously will have an impact on reducing new cases" of mild cognitive impairment, David Knopman, a clinical neurologist at the Mayo Clinic in Rochester, Minn., said in an interview. He wasn't involved in the study.

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U.S. NEWS

Chinese Deals Lose Luster in U.S.

BY KATE O'KEEFFE

Some states and cities in the U.S. are growing wary of Chinese investment after a deal boom that raised national-security concerns and failed to deliver promised jobs.

Chinese developer Tan Zhixing rolled into rural Tyler, Texas, in September with a plan to spend \$1.6 billion on a housing complex that promised to bring thousands of Chinese students to attend local schools and create more than 1,000 jobs for the surrounding county.

But local officials and their constituents are now raising concerns—including potential security risks, doubts about Mr. Tan's ability to fund the project and the cost to taxpayers of new infrastructure.

City officials haven't approved necessary zoning changes, and it is unclear if Mr. Tan will try to move forward. A spokeswoman for Mr. Tan didn't respond to requests for comment.

Critics have singled out Chinese deals as national-security risks on the grounds that the companies may be directed and subsidized by the government of China, an economic and military rival.

The Committee on Foreign Investment in the U.S., a secretive, interagency committee that reviews foreign deals for national-security concerns, has stepped up its scrutiny of Chinese deals in recent years, and Congress is about to further strengthen its mandate.

Beijing, for its part, has also sought to curb outbound investment to establish firmer control over companies whose international shopping sprees have rattled the country's currency and foreign-exchange reserves.

The result of both countries' policies is a plunge in Chinese deal making. After tripling in a year to a record \$46



A sign marks the site of a planned Faraday Future plant in Nevada. The China-backed electric-car maker abandoned the project last year.

billion in 2016, Chinese investment in the U.S. fell to \$2.1 billion during the first half of 2018, according to Rhodium Group, a New York-based research firm. If asset sales are factored in, the figure is negative, Rhodium found.

"Two years ago I would try to tell people, 'I know they're Chinese, but they don't have the money' and no one would believe me," said Derek Scissors, a China scholar at the American Enterprise Institute in Washington.

Mr. Scissors' message is now starting to resonate.

Back in Texas, local businessman Brandon Steele said of Mr. Tan: "We're concerned he's all hat and no cattle."

Republican state Rep. Matt Schaefer said Mr. Tan's stu-

dent complex could present a national-security concern if it is aimed at exploiting the university research system through the University of Texas at Tyler.

A spokeswoman for the city of Tyler said the nationality of the students and investors was irrelevant but that "the concern is that this is the type of growth that a city experiences over decades, not in a couple of years."

In Louisiana, legislators in the state House of Representatives in May adopted a resolution to request that the state "study predatory investments and other unfair trade practices" by companies based in or subsidized by communist countries. The resolution, introduced by Republican state

Rep. Beryl Amedée, also requests that the Louisiana treasurer certify that no state funds have been used to support such entities.

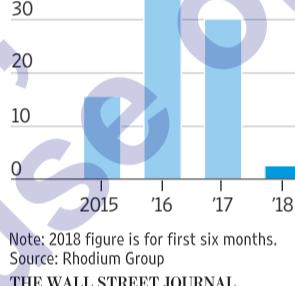
China's Yuhuang Chemical Inc. and Wanhua Chemical Group Co. are planning to open plants in the state that together could create about 400 direct and 2,000 indirect jobs, along with several thousand construction jobs, according to the Louisiana Economic Development department.

After Yuhuang said its project would create only half as many new direct jobs as initially promised, the department trimmed its offer for financial incentives, the department said. Neither firm responded to requests for comment.

Retreat

Chinese foreign direct investment in the U.S. has plummeted amid tougher national-security reviews and restrictions from Beijing.

\$50 billion



Note: 2018 figure is for first six months.

Source: Rhodium Group

THE WALL STREET JOURNAL.

U.S., EU Ease Trade Tensions

Continued from Page One
EU, while European counterparts want an end to repeated threats of new tariffs and other measures to restrict access to the U.S. market.

The proposed pact comes a day after the Trump administration faced criticism on Capitol Hill for its use of tariffs. The GOP-controlled Congress in recent days has spoken out against the prospect that the Trump administration could apply new tariffs on imported autos on top of aluminum and steel tariffs, with lawmakers considering legislation to counter the president's initiatives.

Before the Oval Office meeting, EU trade representatives had paid visits to Capitol Hill in an effort to recruit allies to pressure Mr. Trump to cut a deal. EU Trade Commissioner Cecilia Malmström also came to Washington to meet with U.S. lawmakers, trying to gauge the chances that the Republican-led Congress would advance legislation, according to a person familiar with the conversation.

Senate Finance Committee Chairman Orrin Hatch (R., Utah), who last week sent a letter to Mr. Trump warning of legislation if he didn't pull back from his threats to apply more tariffs, told Ms. Malmström that senators were evaluating their options, the person said. A spokeswoman for Mr. Hatch said he encouraged the commissioner to work with Mr. Trump.

Mr. Trump had been scheduled to meet with lawmakers from farming states after his talks with the European delegation. Instead, a hastily planned Rose Garden event was announced following the talks, with podiums and flags rushed outside the Oval Office for the announcement.

News of a deal was welcomed in Congress. "This is an important first step," said House Ways and Means Committee Chairman Kevin Brady (R., Texas), who was part of a group that met with Mr. Trump at the White House immediately after the president's meeting with the EU chief wrapped up. "This could lead to exempting Europe from



President Trump tweeted this image of himself with European Commission President Jean-Claude Juncker after their announcement Wednesday, adding that the EU and the U.S. 'love each other.'

Mexico, Canada Want Trilateral Deal

MEXICO CITY—Mexican and Canadian officials reaffirmed their commitment to a trilateral North American Free Trade Agreement.

"Canada very much believes in Nafta as a trilateral agreement, and that is simply a statement of the reality," Canadian Foreign Minister Chrystia Freeland said Wednesday at a news conference in Mexico City after a meeting with Mexican Foreign Minister Luis Videgaray and Economy Minister Ildefonso Guajardo.

Mr. Guajardo, who is Mexico's

chief negotiator in the Nafta talks, said bilateral meetings such as the one Mexico plans Thursday in Washington have been part of the year-old Nafta negotiation process. He noted that Ms. Freeland also met recently with U.S. Trade Representative Robert Lighthizer.

The subject of whether Nafta will continue as a three-member pact followed comments last week by President Donald Trump, who hinted the U.S. could be close to reaching a deal with Mexico and that two-way talks with Canada could come later.

Mexican officials say they are committed to completing a deal to rework the 24-year trade pact

this year if possible. But Mr. Guajardo and Ms. Freeland expressed their continued opposition to a U.S. proposal for a sunset clause under which Nafta would expire in five years unless explicitly renewed by its members.

The Canadian delegation on Wednesday also met with Mexican President-elect Andrés Manuel López Obrador. Mr. López Obrador has expressed support for a renegotiated Nafta and has approved of the steps taken by the current negotiating team. His designated chief trade negotiator, Jesús Seade, plans to travel to Washington with Mr. Guajardo to participate in this week's talks.

—Anthony Harrup

steel and aluminum tariffs."

Mr. Juncker, meanwhile, came bearing gifts for Mr. Trump, offering to engage in extensive reviews of barriers for U.S. goods to reach European markets. Mr. Juncker also gave Mr. Trump a picture of the military cemetery in his native Luxembourg where U.S. Gen. George Patton, who led U.S. troops in France and Germany at the end of World War II, is buried.

On the picture, Mr. Juncker wrote "Dear Donald, let's remember our common history," the EU official said.

The effort to set aside the trade fight with the EU would help the U.S. focus its economic firepower more specifically on China, which Mr. Trump and his advisers see as the bigger trade priority.

The EU also has concerns about China, and had expressed hopes, earlier in the

Trump administration, that it could join forces with the U.S. for a unified front in addressing Chinese trade practices. The U.S. alleges that China pressures U.S. companies to transfer technology to their Chinese partners and unfairly subsidizes its companies, leading to a massive U.S. trade deficit.

Before the Trump-Juncker meeting, Qualcomm Inc. said it planned to scrap its \$44 billion purchase of Dutch chip maker NXP Semiconductors NV because it couldn't get approval in China, adding yet another irritant to the U.S.-China trade fight.

China and the EU have retaliated against U.S. tariffs with their own levies on U.S. farmers, a core Republican constituency. The U.S.-EU deal specifically calls for the EU to import more soybeans, a crop targeted by Chinese tariffs.

The U.S. and the EU, as part of their agreement, agreed to try to use the World Trade Organization to deal with issues of intellectual-property theft, government pressure on companies to transfer technology to local partners, and excess capacity in many industries—the heart of the U.S. concerns about China. That would be a big change in tactics for the U.S., which has relied mainly on unilateral actions—including tariffs on \$34 billion in Chinese goods—to get Beijing to change course.

Whether the deal with the EU goes further and will result in zero tariffs on autos and trucks is an open question. The joint statement put out by the EU and U.S. said that zero-tariff initiative involved "non-auto industrial goods."

—Rebecca Ballhaus and William Mauldin contributed to this article.

Big Tech Companies To Testify On Russia

BY BYRON TAU

WASHINGTON—Representatives from Facebook Inc., Alphabet Inc.'s Google and Twitter Inc. have been invited to appear before the Senate in September for another hearing on foreign activity on their networks.

According to two people familiar with the matter, the three tech companies have been invited to appear before the Senate Intelligence Committee during the first week of September as part of the panel's work on investigating Russian activity during the 2016 election.

Tech companies have been under scrutiny from regulators over the use of their platform by Russians during the 2016 election.

U.S. government investigators have said that social-media networks were used by a Russian-government backed propaganda group to sow discord in U.S. politics and inflame public opinion during the last presidential campaign.

More than 3,000 Facebook ads were purchased by a pro-Kremlin group called the Internet Research Agency during the 2016 election.

Those ads were released publicly by congressional investigators in May.

Facebook has acknowledged that data from as many as 87 million of its users may have been improperly shared with Cambridge Analytica, a now-closed political consulting firm that did work for President Trump's campaign.

Twitter also has said it found and suspended more than 3,000 accounts on its platform tied to the Internet Research Agency.

Trump Changes His Trade Tactics With Olive Branch

BY JACOB M. SCHLESINGER

WASHINGTON—President Trump, free trader?

For months, the president has insisted that his escalating tariff campaign was a hardball negotiating tactic in pursuit of expanding global commerce, not a plan to restrict it.

That message got lost amid his harsh rhetoric blasting allies and declaring "trade wars are good." But the surprise truce announced Wednesday with the European Union was the first major sign that Mr. Trump

is actually open to launching ambitious market-opening negotiations that his aides have so far talked about, yet failed to deliver.

The new trans-Atlantic talks come as Trump aides are scrambling to strike a deal as soon as next month with Canada and Mexico to modernize the quarter-century-old North American Free Trade Agreement—a pact Mr. Trump had tried to kill at the outset of his presidency. Mexico's chief negotiator will arrive in Washington Thursday to accelerate those talks.

Trump aides believe such discussions will ramp up pressure on Japan to come to the negotiating table as well, so Tokyo can find its own way to avoid Mr. Trump's threats for global auto tariffs that he has, at least for now, suspended for Europe.

It is way too soon to declare an end to the global trade hostilities.

The joint statement from the two presidents included a pledge to cooperate on overhauling world trading rules "to address unfair trading practices, including intellectual-property theft, forced technology transfer, industrial subsidies, distortions created by state-owned enterprises, and overcapacity"—all transgressions the Trump administration has accused China of committing.

The agreement reached with the EU was also longer on rhetoric than action. The two sides agreed to discuss lifting tariffs they have slapped on each other over the past three months, but haven't fixed a timetable for doing so. Mr. Trump's own trade policy making has proved so

It is way too soon to declare an end to global trade hostilities.

unpredictable and volatile it is hard to forecast just how long the peace will last.

Still, Mr. Trump's decision to stand down Wednesday is a significant moment. After months when Mr. Trump's words and actions were largely oriented to taking an ever-harder trade line, oblivious to consequences and criticism, he showed a susceptibility to intense pressure from American business and Republican lawmakers, and an openness to an alternative approach.

Mr. Trump, who for decades has frustrated economists by portraying trade as a zero-sum game with only "winners" and "losers," and by calling the EU a "foe," instead hailed a new "phase of close friendship; of strong trade relations in which both of us will win."

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WORLD NEWS

Opposition Star Heads for Pakistan Win

Imran Khan, a former cricketer, looks set to take premiership and tilt political landscape

By SAEED SHAH
AND BILL SPINDLE

Preliminary voting results in Pakistan showed the party of former cricket star Imran Khan was poised late Wednesday to come into power for the first time, upending the political landscape in the fragile democracy.

Mr. Khan's Pakistan Tehreek-e-Insaf was performing far better than predicted by pre-election polls, which showed the party marginally in front of that of former Prime Minister Nawaz Sharif.

A victory for Mr. Khan would break Pakistan's two-party system and create a new force in national politics. He has promised to clean up corruption and provide better education, health and other public services.

Mr. Khan's party, if the early results hold, may still need to forge a coalition with one or more other parties to control the country's Parliament before Mr. Khan can be nominated as prime minister. Full results are expected on Thursday.

Mr. Sharif's party and at least five other parties immediately complained of rigging, alleging that their representatives were locked out of vote counting on Wednesday in many constituencies, and in some cases of intimidation by soldiers. Some 371,000 soldiers were deployed at polling stations, for security.

In the weeks leading up to the vote, politicians in several parties and human-rights groups alleged that the military helped the campaign of Mr. Khan's party. Mr. Khan and the armed forces denied that any help was given or received.

Asad Umar, a senior member of Mr. Khan's party, said late Wednesday that they weren't aware of any irregularities in the voting or counting.

"I congratulate the nation," said Mr. Umar. "Under the leadership of Imran Khan, Pakistan will become a nation that will not only make us proud, but also the entire world."

The election was marred



Members of a bomb-disposal unit, above, surveyed the site of a suicide blast that killed 30 people in Quetta on Wednesday, while a woman cast her vote in Peshawar.

earlier Wednesday after a bomber struck outside a polling station in the city of Quetta in western Pakistan. Police said the attacker was likely a suicide bomber who struck near a police vehicle parked outside a polling station in the suburbs of Quetta. Beyond the 30 people killed, another 35 were in critical condition, said Kamran Kasi, a doctor at Quetta's Civil Hospital. Most of the casualties were voters.

The election campaign had already been disrupted by a series of terrorist attacks, with the bombing on Wednesday pushing the death toll to well over 200 from all the attacks this month. Islamic State claimed responsibility for Wednesday's blast in Quetta, the capital of the sparsely populated Baluchistan province. The militant group had also claimed the bombing of an election rally in the same province this month that killed



149 people.

"This is Pakistan's most important election ever," Mr. Khan said earlier Wednesday, after casting his vote in the

suburbs of the capital Islamabad. "This is your opportunity to defeat those two parties which have always ruled over you."

Less than two weeks before the election, Mr. Sharif was jailed for 10 years, after being found guilty of corruption. He is appealing the verdict, which

his party claims was politically motivated and stemmed from Mr. Sharif's clash with the military when in office. The judiciary rejects the charge and says it works independently. Mr. Sharif had already been removed from the prime ministership by a court verdict last year.

His Pakistan Muslim League-N party's candidate for prime minister in the election is Mr. Sharif's brother Shehbaz, who had served as chief minister of the key province of Punjab. The party planned to rely on its traditional stronghold in Punjab to return to power.

Its campaign has blamed the military establishment for robbing the country of its leader of choice, pushing voters to pick between the party and the army. The military is popular in Pakistan, surveys have shown, and it has ruled for almost half of the country's history.

U.S. Envoy, Taliban Discuss Afghan Peace

The top U.S. envoy for South Asia met with Taliban officials this week to discuss ways to lay the groundwork for peace talks, in a fresh bid to end the 17-year war in Afghanistan, people familiar with the matter said.

By Jessica Donati
in Washington
and Dion Nissenbaum
in Doha, Qatar

The aim of the discussion was to build on momentum created by a recent three-day cease-fire that offered Afghans a tantalizing taste of peace after decades of war, these people said.

Ambassador Alice Wells, the State Department's deputy assistant secretary for South and Central Asia, led the U.S. delegation, which met with members of the Taliban's political commission in Doha, Qatar.

The Taliban's political office declined to comment. Ms. Wells didn't respond to an emailed request to comment.

"The United States is exploring all avenues to advance a peace process in close con-

sultation with the Afghan government," a State Department official said.

The State Department declined to comment specifically on the question of talks with the Taliban, but said Ms. Wells returned to the U.S. on Tuesday after discussing progress toward an Afghan-led process with Qatari officials.

"Any negotiations over the political future of Afghanistan will be between the Taliban and Afghan government," the

U.S. and Afghan officials warn that official negotiations, if they ever happen, could be months away, and that those efforts, like previous attempts, could collapse.

But U.S. officials said they had seen a serious, new interest from the Taliban in peace talks.

The Taliban set up a political

office in Doha in 2013 as part of a U.S.-backed plan to facilitate talks, but it was closed after an angry reaction from the Afghan government. Since then, Taliban representatives have continued to operate informally as envoys for the group.

The talks in Doha come nearly a year after President Trump announced a new South Asia strategy that sent more U.S. troops to Afghanistan and increased pressure on Pakistan to cut ties with the Taliban.

U.S. and Afghan officials have long accused Islamabad of supporting the Taliban, who are based in Pakistan.

Pakistan's government has acknowledged it has some influence over the insurgents, but insists it doesn't control the group. The strategy included an open-ended pledge by the U.S. to stay in the country until the threat to the democratically elected government was eliminated.

U.S. officials say even small steps, such as negotiating a second cease-fire during the next religious holiday in Afghanistan in August, could

serve as a stepping stone to more substantive talks.

Secretary of State Mike Pompeo in June said the U.S. was willing to work with the Afghan government and the Taliban to reach a peace agreement and to discuss the role of "international actors and forces"—a reference to the insurgents' longstanding demand for the withdrawal of all U.S. forces from Afghanistan.

The recent push marks the first significant step toward starting a negotiation process since high-level meetings were held between Afghan and Taliban officials, in the presence of the U.S. and China, in Pakistan in 2015.

The meeting, which took place in Murree, outside Islamabad, was one of the highest-level contacts between the two warring parties in recent years, offering hope that a formal peace process could soon begin.

However, it fell apart almost immediately following a revelation by the Afghan intelligence agency that the Taliban's supposed leader, Mullah Mohammad Omar, had been dead for more than two years.

Funds to Egypt Are Released

By JARED MALSIN

CAIRO—The Trump administration released \$195 million in military aid to Egypt, U.S. and Egyptian officials said, allowing Cairo to access funds Washington withheld last year over concerns about the country's human-rights record and relationship with North Korea.

A State Department spokesperson said the funds had been released in recognition of "steps Egypt has taken over the last year in response to specific U.S. concerns."

The decision ends a nearly yearlong standoff that strained relations with one of Washington's closest allies in the Middle East during a period of otherwise warm ties rooted in personal affinity between President Trump and President Abdel Fattah Al Sisi.

For decades Washington has considered Egypt a force for stability in the Middle East and a key partner in the fight against extremist groups.

The Trump administration initially withheld the funds in 2017 after Mr. Sisi signed a controversial law that restricts the work of nongovernmental organizations. Washington also objected to Egypt's ties with North Korea, including arms sales between the countries.

It wasn't clear what steps Egypt had taken to address American concerns.

The 2017 law limiting the work of NGOs remains in place, as does a 2013 conviction by a Cairo court of at least 16 Americans—most of them in absentia—working with democracy-promotion groups in Egypt.



Afghan security personnel took part in a military operation against Taliban forces in Kunduz province on Wednesday.

Islamic State Attacks on Assad Stronghold Kill Dozens

By NAZIH OSSEIRAN

BEIRUT—A series of attacks by Islamic State in southwest Syria killed and injured scores, a show of deadly force in an area where the government is pressing an offensive against an affiliate of the extremist group.

The attacks coincided with Islamic State assaults on government-held positions in nearby villages.

As its territorial control has shrunk, Islamic State has increasingly resorted to suicide attacks to show it is still

able to strike anywhere—especially in regime-controlled areas.

The violence marks the group's deadliest assault on the area in recent months, but the exact toll wasn't clear. The Syrian Observatory for Human Rights said 156 died as a result of the attacks, including 62 civilians and 94 pro-government fighters. It added that 38 Islamic State fighters also died.

State media, quoting local

officials, said more than 50 people were killed, but the government often plays down attacks in areas it controls.

Islamic State, which claimed responsibility for the attacks, said it killed more than 100 and wounded dozens.

Separate offensives by the Russia-backed regime of President Bashar al-Assad and U.S.-backed militia have routed Islamic State in most of Syria.

After retaking a large part of southern Syria from oppo-

sition forces in recent weeks, the regime has stepped up its military campaign to seize a last pocket near Sweida, home mostly to the minority Druse religious sect, that is held by an Islamic State affiliate, the Khaled bin Waleed army.

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

Raja Abdulrahim contributed to this article.

WORLD NEWS

Iranians Feel Pressure in Flailing Economy

Iranian leaders are pushing to contain a deepening economic crisis that is slashing the buying power of Iranians and pressuring Tehran's ruling elite even before the bite of looming U.S. sanctions.

*By Sune Engel
Rasmussen in Beirut
and Aresu Eqbali
in Tehran*

President Hassan Rouhani on Wednesday replaced the head of the central bank, who had come under harsh criticism for failing to stem a steep drop in Iran's currency. Ninety members of parliament signed a petition this week to impeach the economy minister, according to the semiofficial Mehr News Agency.

The moves came in the wake of hundreds of protests in recent months over rising prices, corruption and environmental damage, and as the Trump administration pre-

pares to impose sanctions that will target Iranian purchases of U.S. dollars.

Iranians say they are worried about being able to pay rent or buy food. Inflation is running at 12% and the price of imported items such as medicine is up markedly. Iran's oil exports have dropped 8% in the past two months.

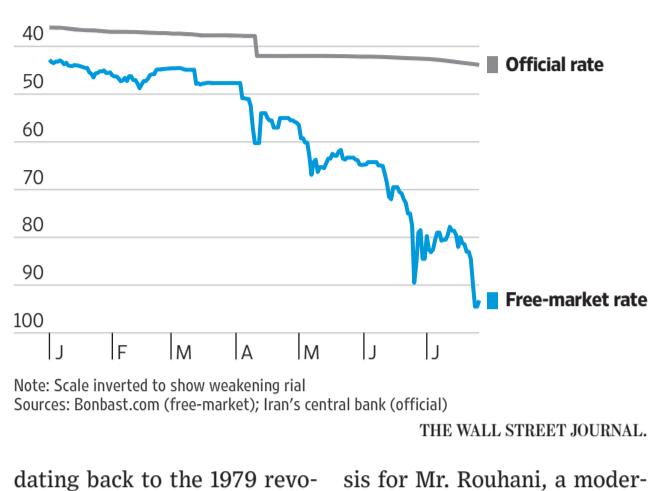
"One item that I used to sell three units per day is now sold three per week," said Ali, a shopkeeper who declined to give his last name. "There are people who have eaten no meat in weeks."

The economic situation is a more pressing concern for some Iranians than the sharp words between their leaders and President Trump. "We need bread and butter," said Mostafa Bayat, a 30-year-old Tehran resident. "I am not worried about war. I don't have anything to lose."

Iran has a nearly 40-year history of withstanding economic and political isolation,

Currency Crisis

Iran replaced its central bank chief after the rial's value recently hit a historic low. How many Iranian rials \$1 buys:



Note: Scale inverted to show weakening rial
Sources: Bonbast.com (free-market); Iran's central bank (official)

THE WALL STREET JOURNAL.

dating back to the 1979 revolution. While public discontent is common, protests rarely aim to topple the regime.

But the flailing economy has exacerbated a political cri-

sis for Mr. Rouhani, a moderate who has gradually fallen into step with the country's hard-liners in the face of mounting domestic and foreign pressure, asking Iranians

to unite in defiance of the U.S.

Mr. Rouhani's replacement of Valiollah Seif, the central-bank chief, is an indication of how dire the situation is. Mr. Seif, who had a few weeks left of his five-year term, was central to the government's drive to root out unlicensed financial institutions, many of which are run by religious and military bodies.

That drive triggered a backlash, with some of the targeted institutions flooding the Iranian currency market to discredit the government, exacerbating the devaluation of the rial, said Bijan Khajehpour, managing partner of Atieh International, a Vienna-based consulting firm specialized in building cooperation with Iran.

The unofficial value of the rial has roughly halved since the start of the year. Trade in the official rate, unavailable to most Iranians, is a major source of corruption.

BMI Research, a sister com-

pany of Fitch Ratings, predicts 1.8% economic growth in 2018, down from the 4.3% growth it projected before Mr. Trump withdrew the U.S. from the 2015 Obama-era deal that imposed curbs on Iran's nuclear activity in exchange for sanctions relief.

On Aug. 6, new U.S. sanctions will target Iranian purchases of U.S. dollars, among other things, and on Nov. 4, sanctions on Iranian oil and foreign financial institutions dealing with Iran's central bank will come into effect.

The sprawling bazaar in Tajrish, in northern Tehran, remains busy with shoppers. Yet, sales are down significantly, say shopkeepers, some of whom recall the impact of earlier U.S. sanctions from 2011 to 2015.

"The first round of sanctions was difficult, too, but people had a stronger economic ground to walk on," said Mehdi Aliari, whose shop sells electrical devices. "But today, we are economically exhausted."

wasn't afraid to fold early when dealt a losing hand—at the card table, or when assessing corporate strategy.

Mr. Marchionne canceled nearly all of Fiat Chrysler's sedans for the U.S. market—including the Dart and Chrysler 200 models—and moved aggressively to retool U.S. factories to ramp up production of Jeep sport-utility vehicles and Ram pickup trucks, which commanded premium prices. That move was later mimicked by Ford Motor Co., which this spring said it would phase out nearly all U.S. sedans.

Mr. Marchionne made waves in 2015 when he challenged his fellow auto makers to consider consolidation to unlock shareholder returns.

As Fiat Chrysler's fortunes turned upward, Mr. Marchio-



Sergio Marchionne

ne began to indicate he was prepared to have the company go it alone. By earlier this year, he said he was done looking for a merger partner.

Fiat Chrysler's stock price nearly quadrupled over the past four years of his tenure, earning him praise from Wall Street analysts, a group that once considered his quest to resuscitate Fiat and Chrysler as doomed. During a first-quarter conference call with analysts in January, Morgan Stanley's Adam Jonas admitted he was a one-time skeptic.

"In 2004, when you were first introduced to the auto industry, a lot of people were thinking, 'Who the hell is this guy?' Right? I was one of them, frankly," Mr. Jonas said. "There are many hundreds of thousands of families across many nations that are better off because of you and your team. God bless you, Sergio. We're never going to see anyone like you again."

—Mike Colias
and Eric Sylvers
contributed to this article.

Death Toll Rises in the Aftermath of Fires in Greece



SCORCHED EARTH: Houses and trees in the village of Mati, near Athens, burned by wildfires that raced through tinder-dry forests and tourist towns in recent days. At least 81 people have been confirmed dead, according to the fire services.

American Pastor Released In Turkey

BY DION NISSENBAUM
AND DAVID GAUTHIER-VILLARS

Turkish authorities freed an American pastor held for nearly two years on controversial terrorism charges, setting the stage for resolution of a case that has strained U.S.-Turkish relations.

Andrew Brunson, who was arrested in 2016 amid a nationwide crackdown in Turkey following a failed military coup, was released on Wednesday from jail and allowed to return to his home on the Turkish coast. His attorney said the pastor could be allowed to return to the U.S. within days.

"For those that have been praying for a miracle, we got it," Jay Sekulow, an attorney for both Mr. Brunson and President Donald Trump, said on his radio program.

Mr. Brunson was fitted with an electronic monitoring device and placed under house arrest while his attorneys worked to secure his return to the U.S.

Turkish prosecutors allege Mr. Brunson colluded with a group Turkey blames for the failed 2016 military coup against President Recep Tayyip Erdogan, as well as with Kurdish militants. If convicted, he faced as many as 35 years in prison.

The evangelical pastor, who has lived in Turkey for more than two decades and ran a small Presbyterian church in

Izmir when he was detained, has denied any illegal activity. The U.S. government denounced the case as politically motivated persecution.

Turkish officials said Mr. Brunson was freed for health reasons, but U.S. officials suggested that was an excuse that could pave the way for quick resolution of the pastor's case.

Secretary of State Mike Pompeo, who spearheaded ef-

orts to secure Mr. Brunson's freedom, praised the move but said during an appearance before the Senate Foreign Relations Committee that "our work is not done."

"We have seen no credible evidence against Mr. Brunson, and call on Turkish authorities to resolve his case immediately in a transparent and fair manner," Mr. Pompeo wrote on Twitter.

Turkey had given U.S. officials signs it was prepared to release Mr. Brunson when he appeared in court earlier this month. When Mr. Brunson was instead sent back to jail, U.S. officials and Mr. Brunson's legal team stepped up their campaign.

The case has been a major irritant between Washington and Ankara, two North Atlantic Treaty Organization allies.

"A total disgrace that Turkey will not release a respected U.S. Pastor, Andrew Brunson, from prison. He has been held hostage far too long," Mr. Trump said in a tweet last week.

They are saving water. Mr. Phelps, the swimmer, touted his shower-brushing habit in an interview with Parade about Colgate-Palmolive Co.'s "Turn Off The Faucet" campaign, aimed at getting people to conserve water. A spokesman for the swimmer said Mr. Phelps wasn't available to comment.

Water conservationists are skeptical. According to the American Water Works Association, a nonprofit founded to improve water quality and supply, modern shower heads use 2½ to 3½ gallons a minute, versus 1 to 3 for sinks. That means the deciding factor is whether the shower brushers can successfully multitask, which officials at the nonprofit doubt anyone can do.

Assuming the faucet is



Andrew Brunson, arrested in 2016 and accused of aiding coup plotters, was allowed to return to his home on the Turkish coast.

turned off until the brusher rinses and spits, "the sink brushers are the real heroes and should be appropriately recognized and praised," says association spokesman Greg Kail.

Nina Steinberg, a mother of five from Mamaroneck, N.Y., says she brushes in the shower, and sometimes takes it a step further—into the bath. In those cases, though, she uses less toothpaste and doesn't spit until she gets out.

Dr. Benjamin Johnson, founder of Acre Wood Dental in Waco, Texas, advises his patients with poor dental health not to brush in the shower partly because it could lead to flaws in brushing technique.

Within months, Mr. Guillotte had convinced him that brushing in the shower is a faster alternative. The couple, since married, now has two toothbrushes hanging in the shower.

Brushing Teeth in The Shower

Continued from Page One

"gross," says Ms. Special, who has known Ms. Hoffman since ninth grade. "I say to her all the time, 'How is it gross? It saves time and water.'

Americans are divided over whether it's OK to brush one's teeth in the shower. Advocates, including Olympic swimmer Michael Phelps, say it saves time and conserves water. Opponents say it does neither—and that it's disgusting.

A 2014 survey by Delta Den-

tal Plans Association, a dental-insurance provider, found 4% of Americans, or about 13 million people, say they brush most frequently in the shower. People between 18 and 44 were twice as likely to brush in the shower as older Americans, according to the survey.

The American Dental Association says there isn't any harm in shower brushing, as long as it gets done twice a day and that the toothbrush doesn't stay in there. It says a moist environment is more conducive to bacteria growth, and if the shower doesn't completely dry between uses, the toothbrush can be susceptible to bacterial growth.

The running shower-brush-

ing debate between Ms. Hoffman and Ms. Special dates back to high school, where one day

they are saving water. Mr. Phelps, the swimmer, touted his shower-brushing habit in an interview with Parade about Colgate-Palmolive Co.'s "Turn Off The Faucet" campaign, aimed at getting people to conserve water. A spokesman for the swimmer said Mr. Phelps wasn't available to comment.

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Dustin Guillotte, a 30-year-old hotel worker from New Iberia, La., says he first brushed in the shower eight years ago when he was running late for his job, and he has been a shower brusher ever since.

When his boyfriend spotted Mr. Guillotte's toothbrush in the shower two years ago, he was taken aback. "He was like, 'What are you doing? You really brush your teeth in the shower?'" Mr. Guillotte recalls.

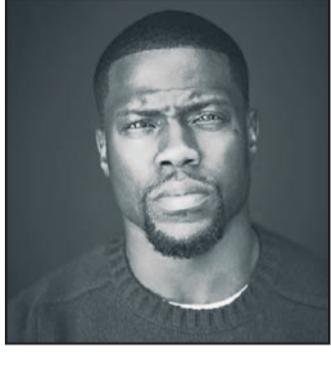
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IN DEPTH

Michael Cohen Taped Conversation With Reporter

Michael Cohen recorded a conversation he had with a reporter this year in which he said he arranged "on my own" a \$130,000 payment in 2016 to

*By Rebecca Ballhaus,
Michael Rothfeld
and Joe Palazzolo*

a former adult-film star who alleged an affair with Donald Trump, according to people familiar with the matter.

In the nearly two-hour conversation with CNN reporter Chris Cuomo, which the people

said appears to have been surreptitiously recorded by Mr. Cohen, the former Trump lawyer discussed at length the payment he arranged in October 2016, a month before the presidential election, to Stephanie Clifford, known professionally as Stormy Daniels.

"I did it on my own," Mr. Cohen said of the payment, according to the people familiar with the matter.

Mr. Cohen's claims of personal responsibility for the deal echoed his public comments after The Wall Street Journal in

January revealed that Mr. Cohen had arranged the payment to Ms. Clifford. Mr. Cohen said in a February statement that he "facilitated" the payment using his own funds, calling it a "private transaction."

Mr. Trump's lawyer, Rudy Giuliani, later disclosed that Mr. Trump reimbursed Mr. Cohen for the payment through a monthly retainer but hadn't learned of the deal with Ms. Clifford until afterward. The White House could use the tape to try distance Mr. Trump from the deal or to impeach

Mr. Cohen's credibility if he decides to cooperate with prosecutors and implicates Mr. Trump in the deal.

The recording is one of a dozen tapes Mr. Cohen kept of conversations referring to matters related to Mr. Trump that federal investigators obtained in an April raid of his premises. The Manhattan U.S. attorney's office is examining whether Mr. Cohen committed bank fraud or campaign finance violations and is investigating the payment made to Ms. Clifford.

Mr. Cohen has denied wrongdoing and hasn't been charged with any crimes.

On Monday, a former federal judge overseeing a review of materials seized in the raid released the 12 audio recordings to federal investigators, after Mr. Trump withdrew objections to the recordings. The recording of Mr. Cuomo was among them, according to people familiar with the probe. Mr. Cohen recorded his conversations with multiple reporters, according to a person familiar with the investigation.

Lawyers for Mr. Trump declined to comment on the recording with Mr. Cuomo. "We can't comment on a tape that hasn't been released," Mr. Giuliani said.

"It was Michael Cohen's habit for many years to record conversations in lieu of taking notes," said Lanny Davis, a lawyer for Mr. Cohen. "He had no intention of ever publicizing such tapes nor any intention to ever deceive anyone."

A spokeswoman for CNN declined to comment on Mr. Cuomo's behalf.

doorman, Dino Sajudin, \$30,000 for exclusive rights to his story alleging that Mr. Trump fathered a child with one of his employees, bucking its usual practice of paying sources upon publication, the people said.

Lie-detector test

Mr. Sajudin passed a lie-detector test but offered no proof of the relationship, the people said. Enquirer staff staked out the woman's home attempting to get a picture and learned that she, her husband and daughter all had worked at Mr. Trump's company.

Mr. Cohen called Mr. Howard after word got back to him that a National Enquirer reporter had reached out to Mr. Trump's assistant to ask about the alleged love child, said one person familiar with the conversation.

The reporter hadn't told her superiors about her plans to approach the Trump Organization, the person said.

"He is furious," Mr. Howard told Enquirer editors, referring to Mr. Cohen, the person said. He then ordered staff to stand down on any additional reporting on Mr. Sajudin's story.

A year later, other media organizations began to chase rumors about the doorman's story. A Journal reporter visited the home of the employee identified by Mr. Sajudin in late 2016. A couple of hours later, Mr. Cohen called the reporter unsolicited and said the allegations were "baseless."

American Media executives told the Journal in December 2016 that the company paid Mr. Sajudin because he had threatened to take his tip elsewhere and they didn't want to lose a potentially big scoop. The Enquirer didn't publish a story because Mr. Sajudin "was unable to provide one shred of information to support his fanciful claims," Messrs. Pecker and Howard said in a written statement at the time.

"I don't think they had any intention of doing a story," Mr. Sajudin said in an interview with the Journal at the time. "I think it was just about paying some money to make it go away."

Mr. Sajudin declined to comment for this article.

Because the Journal found no evidence to support Mr. Sajudin's claims and because the woman told the Journal she didn't have an affair with Mr. Trump, the newspaper didn't publish an article about the payment to Mr. Sajudin.

The stakes were much higher the following summer, as the election drew near, when Ms. McDougal, the former Playboy playmate, began considering telling her story alleging she had an affair with Mr. Trump in 2006.

At the same time, the former adult-film star Stephanie Clifford, also known as Stormy Daniels, tried to sell to American Media her story of an alleged sexual encounter in 2006 with Mr. Trump, according to people familiar with the matter.

American Media rebuffed her. Reports of that alleged sexual encounter had surfaced years earlier in the celebrity press and Ms. Clifford had denied them.

Without American Media's help, Mr. Cohen made a \$130,000 deal to buy Ms. Clifford's silence himself through a shell corporation, less than a month before the election.

Mr. Cohen's friends said he was doing his job as Mr. Trump's attorney when he tried to soften or kill stories about Mr. Trump. Mr. Cohen said in an interview this month with ABC News that he tried to make good-faith judgments in his work for Mr. Trump, adding, "I am not perfect."

*Nicole Hong
and Rebecca Ballhaus
contributed to this article.*



Michael Cohen, a former lawyer for Donald Trump, leaves a Manhattan hotel earlier this year.

JENNIFER MOON/REUTERS

Cohen's Collaborations

American Media Inc., the publisher of the National Enquirer, frequently worked with former Donald Trump attorney Michael Cohen.



2011

Former 'Apprentice' star **Omarosa Manigault-Newman** threatened to sue AMI after the organization sent a reporter to her brother's funeral. After Mr. Cohen's intervention, the organization hired her as an editor.



2015

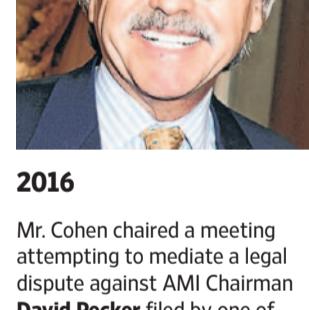
AMI executives contacted Mr. Cohen after paying former Trump-apartment doorman **Dino Sajudin** for the rights to his story alleging Mr. Trump had fathered a child with one of his employees.

Sources: staff reports; Getty Images (McDougal and Pecker); Zuma (Manigault-Newman); Dino Sajudin



2016

AMI brass talked to Mr. Cohen while negotiating a \$150,000 deal with former Playboy model **Karen McDougal** for the rights to her story of an alleged affair with Mr. Trump.



2016

Mr. Cohen chaired a meeting attempting to mediate a legal dispute against AMI Chairman **David Pecker** filed by one of Trump's longtime attorneys.

THE WALL STREET JOURNAL.

stad's lawyers at our firm to meet to discuss a resolution of the litigations, which Mr. Grimstad authorized his lawyers to do," Sheron Korpus, Mr. Kasowitz's partner who led the case, said in an emailed statement. "No resolution was reached."

The parties settled in 2017 with a payout to Mr. Grimstad valued at nearly \$20 million, according to court documents.

A spokeswoman for Paysafe Group, which acquired iPayment this year, declined to comment on Mr. Cohen's ef-

forts to resolve the litigation.

Mr. Trump's relationship with Mr. Pecker dates to at least the 1990s, when Mr. Pecker was president and chief executive of Hachette Filipacchi Magazines. The publisher put out *Trump Style*, a custom quarterly magazine distributed to guests at Trump properties. Mr. Pecker hosted a party for Hachette at Mr. Trump's Mar-a-Lago resort in Palm Beach.

When Mr. Pecker took over American Media in the late 1990s, he imposed a moratorium on negative stories about Mr. Trump, according to for-

mer employees of the company.

Mr. Cohen, who joined the Trump Organization in 2007 as special counsel to Mr. Trump, developed an independent friendship with Mr. Pecker, according to people who know both men.

A person who knows Mr. Pecker professionally and personally said he viewed himself as an outsider in polite society and gravitated to others similarly placed, like Messrs. Trump and Cohen. Mr. Cohen has praised Mr. Pecker as "a great guy," according to an acquaintance of both men.

Tips about Mr. Trump poured into the Enquirer during the height of the popularity of "The Apprentice" and its spinoff, former employees said. Enquirer editors rejected any that painted Mr. Trump in a bad light, knowing Mr. Pecker wouldn't allow them, they added.

Scrawled edits

At the time, National Enquirer editors faxed or emailed stories and printed them out, scrawling edits in pen on hard copies before sending them to other editors or reporters. Sometimes Trump stories would have changes labeled "per Pecker" that seemed aimed at flattering Mr. Trump, such as identifying him as a "multibillionaire" instead of merely a billionaire, Mr. George recalled.

Throughout Mr. Trump's 2016 presidential campaign, American Media used its pages to bolster the candidate and bash his opponents. Mr. Cohen, as Mr. Trump's fixer, privately communicated with the company on a range of issues, according to people familiar with the matter.

He developed a close working relationship with American Media's chief content officer, Dylan Howard, who joined Mr. Cohen to drink at Mr. Trump's victory party at the New York Hilton in Manhattan on the night of Nov. 8, 2016, people familiar with the matter said.

During Mr. Trump's campaign, the National Enquirer sent some of its unpublished stories about Mr. Trump or his rivals directly to Mr. Cohen for review, said people familiar with the practice. The tabloid also cobbled together columns under Mr. Trump's name—"I am the only one who can make America great again!" one began—and cleared them with Mr. Cohen, according to one of the people.

American Media executives also talked to Mr. Cohen in late 2015, as Mr. Trump prepared to enter primary season with a major lead on his opponents in opinion polls, about a tip the National Enquirer received from a former doorman who had been fired from a Trump-branded apartment building, people familiar with the matter said.

American Media paid the

Playboy model

Lanny Davis, an attorney for Mr. Cohen, declined to answer a list of questions "out of respect for the process" but added, "I ask everyone to remember the difference between innuendo and fact."

An American Media representative declined to comment. The White House didn't respond to a request for comment.

American Media's deal with the former Playboy model, Karen McDougal, surfaced days before the 2016 presidential election, when The Wall Street Journal reported that the company paid \$150,000 to buy—but not publish—her story of having an affair with Mr. Trump.

American Media briefed Mr. Cohen on the deal, people familiar with their communications said; the publishing company said it was simply seeking his comment for a possible article.

In September 2016, Mr. Cohen and Mr. Trump discussed the possibility of buying the rights to the model's story from American Media.

A recording Mr. Cohen made of that conversation was seized by federal agents investigating the attorney, said people familiar with the matter. While Mr. Trump seemed open to the idea, the rights remained with American Media

Mr. Pecker's problem

Federal investigators have obtained emails showing that Mr. Cohen intervened in another legal dispute on Mr. Pecker's behalf in 2016, shortly after American Media completed the \$150,000 deal to buy the rights to Ms. McDougal's story—and as he was contemplating buying those rights from American Media.

Mr. Pecker had recently joined the board of payment-processing company iPayment Inc. After the board ousted the iPayment Chief Executive Carl Grimstad in August 2016, he sued the firm, its investors and its directors.

The iPayment board that forced Mr. Grimstad out was controlled by the same investors who had taken American Media private several years earlier.

Marc Kasowitz, a longtime attorney for Mr. Trump, represented Mr. Grimstad.

Mr. Cohen's emails show him trying to mediate the dispute, according to people familiar with the records. He reached out to Mr. Kasowitz, and they arranged for a settlement meeting overseen by Mr. Cohen. Mr. Pecker went, along with lawyers for other defendants.

"Mr. Cohen asked Mr. Grim-

forts to resolve the litigation.

Mr. Trump's relationship with Mr. Pecker dates to at least the 1990s, when Mr. Pecker was president and chief executive of Hachette Filipacchi Magazines. The publisher put out *Trump Style*, a custom quarterly magazine distributed to guests at Trump properties. Mr. Pecker hosted a party for Hachette at Mr. Trump's Mar-a-Lago resort in Palm Beach.

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had been fired from a Trump-

branded apartment building,

people familiar with the mat-

ter said.

American Media paid the

tabloid \$30,000 for exclusive

rights to his story alleging that

Mr. Trump fathered a child with

one of his employees, bucking

its usual practice of paying

sources upon publication, the

people said.

GREATER NEW YORK

Ridership Declines Hurt MTA Finances

Even with expected fare and toll increases, the agency predicts steep operating deficits

BY PAUL BERGER

The Metropolitan Transportation Authority has wiped \$376 million from its farebox revenue forecast over the next four years because of declining ridership on New York City's subway and buses.

Even with expected fare and toll increases of 4% in 2019 and again in 2021, MTA Chief Financial Officer Robert Foran predicts steep operating deficits beginning in 2020 unless the authority substantially cuts costs and finds new, sustainable sources of revenue.

"It's going to be tough," Mr.

Foran said Wednesday.

One new revenue stream will kick in soon. The MTA expects to receive \$435 million in 2019 from a new congestion charge on taxis and for-hire vehicles entering the busiest parts of Manhattan, Mr. Foran said. The charge goes into effect in January.

The MTA launched a subsidy rescue plan last year following a spate of high-profile service outages that arrived on the back of years of declining reliability and performance.

Mr. Foran said the first \$300 million from the congestion charge will finance efforts to stabilize the subway system. The next \$50 million will be spent on transit projects within the five boroughs, and any remaining money will go toward other MTA projects, he said.

Still, the authority faces



While the MTA has identified \$1 billion in savings over the next four years and aims to double that, Mr. Foran still forecasts a \$262 million deficit by 2020 and expects that figure to grow to \$634 million by 2022.

The MTA is the largest transit authority in the U.S. Each day, it carries 5.6 million riders on the subway and about 2 million passengers on buses. Hundreds of thousands more ride the Long Island Rail Road and Metro-North Railroad. The authority also operates nine bridges and tunnels, which continue to see strong revenue growth.

Annual subway ridership plateaued in 2015 before falling 0.3% in 2016 and 1.7% in 2017, according to the MTA. So far this year, it is down 2.1%. Bus ridership has fallen every year since 2014. Last year, it dropped 5.1%.

So far this year, it is down 4.4%. MTA Chairman Joe Lhota on Wednesday blamed the drop in ridership on a combination of poor service, competition from ride-sharing companies and fare evasion.

Just more than half of the MTA's \$16 billion operating budget comes from fares and tolls. For the past decade, the MTA has instituted fare and toll increases every two years, subject to public hearings and an MTA board vote, with a target hike of 4%.

The debate about the coming fare boost is expected to begin in the fall. Some MTA board members are starting to question the automatic 4% fare increases, especially those representing suburban commuters who live farthest from the city and now pay fares totaling \$6,000 or more a year.

Funeral Held for Five Children Killed in New Jersey House Fire



TRAGEDY: Caskets were carried from St. Anthony of Padua Roman Catholic Church in Union City after a service for Jason Gonzalez, 2 years old; Shamira Lopez, 4; Mayli Wood, 5; Christian Josue Mendez, 7; and Jose Felipe Tejada, 13. The children, four siblings and a relative, died of injuries suffered in a July 13 blaze.

Cuomo Slams GOP Senators On Cameras

BY MELANIE GRAYCE WEST AND LARA KORTE

As the law authorizing speed cameras in New York City school zones expired, Gov. Andrew Cuomo on Wednesday blamed state Senate Republicans, calling for lawmakers to sign a bill passed by the Democratic-controlled state Assembly earlier this year.

"They don't want to admit they're against it so they come up with excuses and point fingers," Mr. Cuomo, a Democrat, said at a news conference.

An issue is legislation that would renew and expand the city's speed-camera program. The city has 140 cameras placed at school zones around the five boroughs. With the law's expiration, the majority of the cameras will immediately stop issuing summonses.

According to Mayor Bill de Blasio's office, the cameras have resulted in a 63% decline in speeding violations at a typical location.

In the weeks since the regular legislative session ended in June, lawmakers have sought to shift responsibility on the mechanics of calling the Republican-controlled Senate back to Albany. Advocates and the governor have said it is up to the Republicans to decide when to reconvene, specifically pressuring Senate Majority Leader John Flanagan, who represents Suffolk County, and Sen. Marty Golden, who represents parts of Brooklyn, to make the call.

Mr. Cuomo can call lawmakers back to Albany, but in a GOP-controlled chamber, senators can opt simply not to vote. It was on this point, that the governor had strong words for Mr. Golden. "If Senator Golden wanted to pass the bill, you know what would happen? Senator Golden would pass the bill," Mr. Cuomo said.

Mr. Golden said he agrees with the legislation to renew and expand the speed camera program and has encouraged Mr. Flanagan to return to Albany. On Tuesday, Mr. Flanagan blamed the governor and the Assembly for an "unwillingness to engage senators with a larger vision for street safety to protect children."

—Katie Honan contributed to this article.

Trump Tower Owners Still Out After April Fire

BY JOSH BARBANEL

The fatal fire that raged on the 50th floor of Trump Tower in April was put out in just more than two hours. But a dispute about what to do with the boarded-up one-bedroom apartment is smoldering in Surrogate's Court in Manhattan.

The fire, which was confined to a single apartment, killed Todd Brassner, a 67-year-old collector and art dealer, who lived there with an art collection he once valued at more than \$2.5 million and hundreds of vintage guitars, ukuleles and banjos.

Now, the condo board at Trump Tower on Fifth Avenue, home of President Trump and headquarters of his real-estate empire, has asked the court to quickly appoint someone—either one of Mr. Brassner's relatives or a public administrator to represent the estate—so that damage can be repaired and other residents can move back in.

In filings, the condo board

said it had reached out to Mr. Brassner's relatives, including his brother Howard, an art dealer in Lake Worth, Fla., who hasn't agreed to step forward.

Howard Brassner declined to comment on the filing.

During the fire flames flared outside the sleek glass facade of the Midtown building. Since then, the glass wall of the apartment has been covered with plywood, and the charred furnishings and collectibles inside, including musical instruments, have remained untouched, the condo board said. An acrid smell of smoke fills the entire floor.

Asked about the filing, Thomas DeMicco, a lawyer representing the board, said, "Once a fiduciary is appointed, repairs can immediately begin."

In its filing in Surrogate's Court, Trump Tower's resident manager, Beqir Ukaj, said that in addition to Mr. Brassner's apartment, a dozen units remain unoccupied because of the smells, including all six

apartments on his floor.

"The owners of those units cannot move back into their residences because of the acrid smoke smell emanating from the charred remains in Unit 50C, which is overwhelming, inescapable and unbearable," he said.

After an administrator is

appointed, the board said it would move to conduct "critical repairs" and clean up the burned contents of the apartment, which was creating a nuisance for other condo owners nearby.

The fire was reported at about 5:30 p.m. on April 7, and Mr. Brassner was taken to a

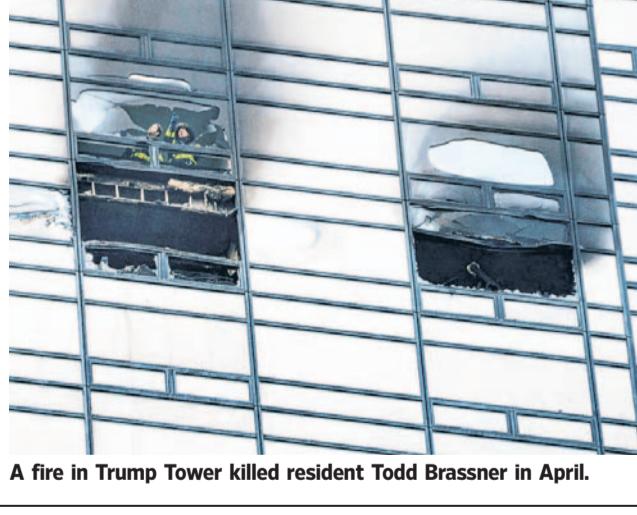
local hospital, where he was pronounced dead.

After an investigation, fire marshals said the blaze was accidental, caused by interconnected power strips—"sequenced power strips powering multiple components." It noted that a smoke alarm wasn't installed in Mr. Brassner's apartment.

Insurance investigators, however, want to take a second look. The filing said the board also would seek permission for a "multiparty forensic fire scene inspection" to preserve evidence from the blaze, in case issues come up in future litigation. The board said it wants to have its own investigators present.

Mr. Ukaj said that many of the apartments were damaged by smoke and water, including 17 represented by Pacific Indemnity Co., a member of the Chubb Group of Insurance Companies, with reported damage of more than \$12 million. It is unclear how many of

Please turn to page A10B



A fire in Trump Tower killed resident Todd Brassner in April.

CRAIG RUTTLE/ASSOCIATED PRESS

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GREATER NEW YORK

Owners Still Out After Fire

Continued from page A10A
the tower's roughly 238 residences are affected.

Mr. Brassner's apartment is slightly more than 1,100 square feet, and like many Trump Tower condos, it came with a large, 39-foot-long living room, suitable for a display of art and collectibles.

After living in Trump Tower for nearly two decades, Mr. Brassner filed for bankruptcy court protection in 2015, to delay a foreclosure on his apartment.

In his filing at the time, he valued his residence at \$2.5 million and his artwork and collections at \$3.5 million.

At the time, he said his home collection included works by Robert Indiana and Andy Warhol, and more than 100 early electric guitars, 44 rare amplifiers, 150 ukuleles and \$25,000 worth of vintage banjos.

In court papers, Mr. Brassner said he had been ill and was expecting an inheritance that would solve his financial problems. Eventually, he said, his brother Howard Brassner advanced him the funds he needed to stave off the foreclosure.

Trump Tower is a 664-foot-high mixed-use skyscraper on Fifth Avenue between 56th and 57th streets built during the early 1980s. Mr. Trump developed it with the help of what is now AXA Equitable Life Insurance Co., and has a penthouse residence and his corporate office in the building.

More recently, it has been the site of many large demonstrations against Mr. Trump and his policies. Condo sales have stalled there amid a broader slowdown in Manhattan transactions.

On the evening of the fire, Mr. Trump tweeted, "Fire at Trump Tower is out. Very confined (well built building). Firemen (and women) did a great job. THANK YOU!"



The Manhattan venue serves alcohol until 4 a.m., its manager said.

Noisiest Bars: From Brighton Beach to Upper West Side

By ZOLAN KANNO-YOUNGS

The bars alleged to be the noisiest in New York City include an Eastern European lounge in Coney Island, a heavy-metal bar in Brooklyn and an Upper West Side venue that the state says described itself as a coffee shop when it applied for a liquor license.

The Velvet Rope Lounge, a nightclub offering karaoke in Brooklyn's Brighton Beach, was ranked as the most consistently raucous venue, according to a report by Localize.city, a website providing local information about New York City. The report analyzed noise complaints made by residents to the city and ranked the bars based on the number of days at least one noise report was lodged by a resident.

Residents reported noise complaints against the Velvet Rope Lounge on 93 days from June 2017 to June 2018, more than any other bar. A bar manager didn't respond to requests for comment.

The West End Lounge on the Upper West Side came in second with complaints on 66 different days, the report said.

The bar also has been at the center of heated debate in the neighborhood.

The State Liquor Authority in May accused the West End Lounge of applying for its license using the description that it was a coffee shop that served alcohol until midnight, according to the agency's spokesman. The

'People complain they can't sleep at night,' says Roberta Semer, of the Upper West Side.

venue features live music, comedy shows and serves alcohol until 4 a.m., said John Forslund, manager of West End Lounge.

"The whole thing is unusual," said Roberta Semer, chairwoman of Manhattan Community Board 7, which covers the neighborhood. "People complain they can't sleep at night."

Mr. Forslund said the state authority has an "outdated" document from 1999, stating that the lounge was a coffee shop when it was under previous ownership.

Keep It Down

Ten New York City bars that have the most days with noise complaints made against them:

Bar	Days of complaints*
Velvet Rope Lounge	93
The West End Lounge	66
Brooklyn Nights	66
Union Pool	65
Saint Vitus Bar	59
Cafe Erzulie	58
Gold Sounds Bar	58
Ethyl's Alcohol & Food	57
Woodland	53
City Swiggers	52

*Between June 2017 to June 2018

Source: Localize.city

THE WALL STREET JOURNAL.

Staten Island Politician Dies

By KATIE HONAN

Former congressman and Staten Island Borough President Guy Molinari, a power broker who helped launch the political career of former Mayor Rudy Giuliani, died Monday. He was 89.

Mr. Molinari, a Republican, was a lawyer and fought in the Korean War as a Marine. He represented Staten Island in the state Assembly and later in Congress before he was elected borough president in 1990, a role he held until 2001.

As borough president, he advocated for the closing of the Fresh Kills Landfill, known as the Staten Island dump. He was part of a lawsuit against the city that fought to have it shut down. The vast area is now a public park that is nearly three times the size of Central Park.

"Few public servants in New York City fought with more passion for their borough than Guy Molinari," Mayor Bill de Blasio, a Demo-

crat, tweeted on Wednesday. "His impact will forever be felt on Staten Island and across the city."

Mr. Molinari also was instrumental in Mr. Giuliani's mayoral win in 1993, supporting him and pushing a vote for Staten Island's secession, which drew people to the polls. A majority of residents voted to leave New York City, although the measure never went through.

Mr. Molinari remained active in politics even after he left office, endorsing candidates including the disgraced former congressman Michael Grimm, who recently lost in a re-election attempt. Mr. Grimm served prison time after pleading guilty to tax evasion.

"Guy was not just a mentor—he was a brother at every level and a friend I can never replace," Mr. Grimm, a Republican, said Wednesday in a statement.

Mr. Molinari is survived by his daughter Susan, who succeeded him in Congress, and two granddaughters.

GREATER NEW YORK WATCH

NEW JERSEY

Catholic Order Says 30 Alleged Sex Abuse

Leaders of a Catholic order say 30 people have come forward alleging sexual abuse by monks or lay faculty associated with a private school. The head of St. Mary's Abbey and the Delbarton School headmaster say the order has settled eight lawsuits with alleged victims, while seven others are pending.

The abuse allegedly took place while many of the victims were students at Delbarton School in Morristown, which is managed by the Order of St. Benedict of New Jersey. The reported assaults occurred from 1968 to 1999.

—Associated Press

9/11 ATTACKS

Victim Is Identified By DNA Retesting

The remains of a 26-year-old securities analyst who worked at the World Trade Center on 9/11 have been identified nearly 17 years after the attacks.

The New York City medical examiners' office on Wednesday identified the victim as Scott Michael Johnson, an employee at the investment banking company Keefe, Bruyette & Woods.

The medical examiner said he was identified through improved DNA retesting of remains originally recovered in 2001. About 40% of those who died have yet to have any remains identified.

—Associated Press

You can help end AIDS

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Ending AIDS is everybody's business – please join us in leveraging your resources to:

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• Keep your community healthy

Strengthen health systems and prevention programs and reach people with information

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LIFE & ARTS

MUSIC

The Man Quietly Saving Heavy Metal

A British producer is making classic groups like Judas Priest and Accept sound cool again in new albums

BY NEIL SHAH

BEFORE BRITISH producer Andy Sneap entered the studio with the heavy-metal band Accept, he made the German rockers listen to their own classic records from the '80s.

Mr. Sneap, one of metal's most in-demand producers, singled out the chant-like background vocals he considered core to Accept's DNA. He "told us to be more German," Accept's 58-year-old guitarist Wolf Hoffmann says. "We initially didn't even know—what the hell is that?"

Four successful Accept studio albums later, Mr. Sneap has carved out a niche by helping other metal veterans such as Judas Priest, Saxon and Megadeth revive their youthful sound without lapsing into nostalgia. Mr. Sneap, who is 49, fits neither the mold of the musical Svengali nor the bottom-line-obsessed A&R executive. Instead, he uses his intuition as a fan to remind older bands why listeners love them.

He and old-school producer Tom Allom co-produced Judas Priest's 18th full-length studio album, which was released in March. "Firepower" won critical praise and sold nearly 100,000 copies in the U.S., according to Nielsen Music. It also rose to No. 5 on the Billboard album chart—the highest spot in Judas Priest's 50-year career. "Andy had always been a big fan of Judas Priest," the group said by email. "He brought all of that love and sound knowledge into the studio."

Mr. Sneap's success reflects the enduring appeal of classic metal in the age of hip-hop. In the first half of 2018, rock, including metal, accounted for 41% of U.S. physical and digital album sales, compared with 16% for hip-hop/R&B, according to Nielsen Music. Including streaming, Metallica was America's third-most popular rock act, after the Beatles and Imagine Dragons.

The resurgence of bands like Judas Priest comes amid a swing back to the traditional in metal. For years, younger acts enlisted dizzying chord



CLOCKWISE FROM TOP: SIMON TICKLE; GONZALEZ/JAN-ERIK ERIKSEN/AVALON/ZUMA PRESS (2)

changes and growly vocals in a bid to sound less commercial. Now, bands like Ghost, Kvelertak and Deafheaven are re-embracing the hummable melodies of metal's glory days.

Mr. Sneap uses instinct and digital tools to make metal that is precise, yet punchy. "Not only does he know how to make something sound like a classic metal record...he knows how to do so without making it sound dated," says Joseph Schafer, a metal critic and an editor at DOPE Magazine.

"He's the Rick Rubin of metal," says Mark Strigl, producer and co-host of the "Talking Metal" podcast, referring to the music producer who guided artists like Johnny Cash back to their roots.

Growing up in England, Mr. Sneap learned to play guitar, had a photo of Mr. Hoffmann, the Accept guitarist, on his wall and skipped a chemistry final exam to buy a rare version of

Andy Sneap, above, in the studio at his home in England, works with classic heavy-metal bands. At right, guitarist Richie Faulkner and singer Rob Halford of Judas Priest, a group that has worked with Mr. Sneap.

Accept's 1983 album "Restless and Wild" from a local record store.

As a musician, he had some success playing with Sabbat, an English thrash-metal act. The group released a highly regarded 1988 debut album but imploded three years later. Mr. Sneap turned to mixing, recording, engineering, producing and mastering for metal acts and realized he "could make a career out of it." He describes his approach as "the modern-day and the old-school coming together."

In 2001, he built a studio on a 15-acre former dairy farm in Derbyshire that dates back to the 17th century. Since the early 1990s, he has worked on about 150 albums for bands including Saxon, part of the so-called New Wave of British Heavy Metal of the early 1980s.

Biff Byford, Saxon's 67-year-old singer, met Mr. Sneap in the late 1980s when his band and Sabbat

shared a festival bill.

"He's pretty choosy," Mr. Byford says. "He won't just work with anybody if he doesn't like the band or the music."

Saxon's latest album, "Thunderbolt," was released in February.

Mr. Sneap also is performing. When Judas Priest guitarist and songwriter Glenn Tipton, who has Parkinson's disease, wanted to cut back his live performances, the group brought in Mr. Sneap to help out on guitar.



Accept, which disbanded a few times over the decades, reunited in 2009. The group took on a new singer, Mark Tornillo, who had been with the New Jersey band T.T. Quick. It was a make-or-break moment: For many bands, replacing the lead singer is like an organ transplant. There's a risk that fans will reject the new member.

Through a mutual friend, Mr. Sneap contacted Accept and offered to produce them. Eventually, he flew to Mr. Hoffmann's Nashville residence. He started hanging out and drinking with the band, and dissecting their classics like 1984's "Balls to the Wall." Mr. Sneap explained to Accept what fans would want from a comeback.

"Most of the fans are from my age group anyway," Mr. Sneap says.

Bands often don't listen to their records after making them, he says. Songs change over the course of many performances, and musicians

can forget the details that hooked listeners. Among the "Accept-isms" Mr. Sneap cited: Mr. Hoffmann's use of an early guitar pedal called an "octave divider" that creates a tone an octave below the played note; the band's classical-influenced musical transitions; and the sing-songy, German beer hall, stein-swinging choruses that made Accept sound more European to American and British ears.

"In the 1980s, we really didn't want to sound German at all," Mr. Hoffmann says. Accept's 2010 album, "Blood of the Nations," was a success, metal experts say. The group's 2014 record, "Blind Rage," became its highest-charting U.S. album.

"They nail the details. They double down on the essential twists that make Accept" special, says Mr. Schafer, the metal critic. "These are probably the best comeback records of any metal band."

TRENDING

'BOO'D UP' BECOMES SUMMER'S SLEEPER HIT

BY JAEWON KANG

CONTENDERS FOR song of the summer include singles from household names like Drake, Cardi B and Ariana Grande—and one released over a year ago by a previously little-known British R&B artist.

"Boo'd Up," Ella Mai's tribute to falling in love, last week was No. 5 on Billboard's Hot 100, its 15th week on the chart. It also made the top 10 for the publication's R&B/hip-hop, radio, digital song sales and streaming songs charts, an unusual feat considering it was part of Ms. Mai's EP "Ready" that came out in February 2017.

"It crept out of nowhere," said Lorraine Dopson, co-producer of the song and chief executive of hip-hop ensemble 1500 or Nothin'. "It's hard for R&B artists to get to that level of the charts."

The song didn't immediately take off, but as Ms. Mai was on tour, opening for fellow R&B singer Kehlani last year, she noticed that fans kept requesting it.

"I didn't realize that it would be as big as it is now," said Ms. Mai, who signed with 10 Summers Records and Universal Music Group's Interscope Records in 2016. She is kicking off her own tour next month and plans to release her debut album in the fall.

She worked on "Boo'd Up" with Mr. Dopson, who has produced for Kendrick Lamar and Sam Smith, and Mustard, a producer and founder of 10 Summer Records. Mr. Dopson said he wanted to build the song around Ms. Mai's vocals and a traditional R&B melody inspired by Teddy Riley and the Underdogs.

Word spread among club DJs, leading to radio and streaming services taking notice. According to Joie Manda, executive vice president of Interscope, the song's trajectory "instantly changed" when San Francisco-based radio personality Big Von played it on his station early this year. The song took off in the Bay Area, followed by pockets of the South, before it took hold more broadly across the country. In June, the Recording Indus-

try Association of America certified the track platinum.

"It was definitely one song we were looking at and were paying attention to as fans," said Mjeema Pickett, global programming head of R&B and soul at Spotify. "Sometimes it takes people a second to be aware and connect."

"Boo'd Up," slang for being in a committed relationship, has stood out for its pared-down feel and upbeat lyrics. "It's very simplistic and catchy," said TT Torrez, an on-air personality at the New York radio station Hot 97.

The song has sparked remixes, some by bigger-name artists like Nicki Minaj and Migos member Quavo. The rapper T-Pain released another version, while jazz musician Tadric Jermaine, who wanted to create an instrumental version after hearing the song through his wife, issued his in April.

"I just wanted to give something that people can vibe with," Mr. Jermaine said. "To me, good music has no expiration date. It's going to catch on."



'I didn't realize that it would be as big as it is now,' Ella Mai said of her 2017 song 'Boo'd Up,' which has gone platinum more than a year after its release.

LIFE & ARTS



LEAH NASH FOR THE WALL STREET JOURNAL

YOUR HEALTH | By Sumathi Reddy

A Tech Test to Keep Seniors In Their Homes Longer

Portland, Ore.

JAMES MOORE had his house reconfigured so it can track his every move.

One morning earlier this month the 75-year-old Portland resident watched as a research assistant from Oregon Health & Science University tested and placed eight sensors in his studio apartment.

Mr. Moore is part of a large, national study called CART—Collaborative Aging (In Place) Research Using Technology Initiative. Researchers will monitor his daily activities using sensors and other technology installed in his home.

The motion sensors will feed real-time data on Mr. Moore's movements throughout the day. They will measure things like how often he enters different rooms, how often he enters and exits his home, his computer use and what his walking speed or gait is.

The goal: to see if researchers can monitor and detect health changes in older adults and enable them to live longer in their own homes. For example, early signs of cognitive decline may be detected through changes in computer use or driving. Changes in gait and movement may flag frailty issues.

"The technologies that we install are designed to detect changes that are basic to people's daily function and their ability to stay independent," says Jeffrey Kaye, director of the Oregon Center for Aging and Technology, part of OHSU, and lead researcher on the study.

The \$7 million, four-year study is funded by the National Institutes of Health and Department of Veterans Affairs. Researchers installed the technology in about 50 homes, but ultimately hope to outfit about 250 homes. The participants have consented to having the system in place at least through 2020.

Mr. Moore is part of a group of low-income seniors in the Portland area. A second group includes veterans in rural Oregon and Washington.



James Moore, a 75-year-old resident of Portland, Ore., allows sensors to track his activity at home. Researchers track his pill consumption, computer use, weight and the number of steps he takes in a day. He says the monitoring hasn't intruded on his daily life. It's part of a study focusing on early detection of health problems in elderly people.

There is also a site consisting largely of African-Americans in Chicago, and another group of primarily Spanish speakers in Miami.

Laurie Orlov, founder and principal analyst of Aging in Place Technology Watch, a Florida-based consulting firm, says a number of commercially available, sensor-based products monitor elderly people at home. But no company has had a "breakout success" due to the logistics of installing the sensors and configuring them so someone acts when an alert occurs.

A system like CART could present a big opportunity for managing patients sent home from the hospital who need monitoring, she says: "It's not just alerting that someone has fallen down, but it's looking at behavior change."

At the recent installation, re-

search assistant Nathaniel Rodrigues surveyed the small studio apartment, filled with the acrylic landscapes that Mr. Moore paints and prescription medicine bottles.

Mr. Rodrigues placed small, white, barely noticeable sensors on the walls of the bathroom, kitchen, living space and front door, as well as four on the ceiling. They're also easy to remove should the need arise.

"There's no cameras, no video. It's just getting real-time, passive data as Jimmy goes about his day in his apartment," explains Jennifer Marcone, a CART project coordinator. (If Mr. Moore were to have a medical emergency, someone would need to call 911, as before. This program monitors only its participants' behavior.)

Zach Beattie, director of data acquisition and analytics at OHSU,

notes that a slowed gait can suggest several health problems, including a decline in cognitive abilities. Leaving the house less often could signal depression. "The hope is to be able to find early digital biomarkers of problems much earlier than they'd be found in the clinic," he says.

Mr. Rodrigues gave Mr. Moore a pillbox for each day of the week, with sections for morning and evening. The pillbox is embedded with small sensors that measure when Mr. Moore uses it. "So now we know every single time one of these boxes are open for each day of the week," he told Mr. Moore.

Mr. Moore takes about a dozen pills each day, including blood thinners he's taken since he had a heart valve replaced. He has medication for high blood pressure and an enlarged prostate, one for neu-

ropathy in his feet and some to help him sleep.

Mr. Rodrigues also gave him a watch, which will help researchers track his daily steps and sleep. The watch, Mr. Moore says laughing, was a big incentive in joining the study. It replaces his flimsy, multi-colored plastic watch.

Mr. Rodrigues handed him a scale and instructed him to step on it daily. The scale can measure body composition, weight, heart rate and arterial stiffness, a measure of cardiovascular health.

Participants have software installed to measure how much time they spend on their computers. And for those still driving, a sensor goes under the dashboard to monitor how often they get behind the wheel.

Most information doctors get is based on patient recall, Dr. Kaye notes. It can be difficult for patients to remember something from weeks earlier. The use of technology provides a more objective measure of ongoing health.

"With this more objective and much more frequent data, you can really determine the true trajectory of change over a short amount of time with fewer people," Dr. Kaye says.

The computer monitoring doesn't look at emails or specific URLs. Instead, it tracks time spent on the computer, the name of applications in use and how users maneuver the mouse and keyboard, Dr. Kaye says.

Ms. Orlov says privacy is always a potential issue with home monitoring systems, depending on where the data goes, how it's managed and who gets to see it. "It's the same problems with all data collected: the risk that the data is mismanaged or hacked," says Ms. Orlov. She says it's less of an issue for a system like CART used as part of a research study than with a commercially available product.

Dr. Kaye says the data is all de-identified and the study's participants consent to its use.

He adds that it would be extremely difficult for anyone outside of his research team to interpret or know which sensor any information is coming from.

The data is also encrypted and uses a system that undergoes an independent safety review. It isn't stored in a cloud, but through their university's advanced computing center, which lends an extra level of security.

Mr. Moore says he's fine with the monitoring. He's noticed the sensors a few times since they were installed. But they don't bother him as he goes about his normal daily activities: meditating, painting, napping and walking his dog, Oly.

"If someone was taking pictures of me or watching what I did on the computer, that might bother me," he says. "But this is quite anonymous."

Carol Kendig, a 70-year-old, semiretired Portland resident, also had her home outfitted. She says Mr. Rodrigues put sensors in all the rooms she uses.

"It seems like a very noninvasive study," she says. "It doesn't require that I take anything or particularly do anything. Basically they just want me to live my normal life. If they can extrapolate some information from this study that is helpful to following generations, that's great."

The researchers hope that with more funding, they will be able to scale the project to thousands of homes.

"Ten thousand homes is the pipe dream," says Nina Silverberg, program director at the Alzheimer's Disease Centers, part of the National Institute on Aging, and project scientist for the CART study.

FILM REVIEW | By Joe Morgenstern

'PUZZLE': LESS THAN THE SUM OF ITS PIECES

'PUZZLE' IS LESS puzzling than exasperating. What's good is exceptional—a meeting of minds, and then more, between two jigsaw-puzzle prodigies—while the rest is perfunctory or lifeless. One of the puzzlers, an attractive mother and wife named Agnes (Kelly Macdonald), doesn't know she's a prodigy until she gets a 1,000-piece puzzle in a box for her birthday. What she does seem to know is that she's unhappy. Agnes has two sons and a hardworking, heavy-snoring husband who takes her for granted, and isn't impressed when she puts the puzzle together with the speed of a Mozart dashing off a score.

This is one of those films in which

Given how little we get to know, it's hard to imagine how she has functioned within her family until now.

These concerns fall away temporarily when Agnes meets a puzzle master, Robert, who is played by the great Irrfan Khan. Any movie that brings together Mr. Khan ("The Namesake," "The Lunchbox") with the endearing Ms. Macdonald ("Gosford Park," "The Girl in the Café") deserves our gratitude. Robert has been looking for a tournament partner. Agnes has been looking for a way out of her mundane life, though she doesn't realize it until the two meet by plot-expedited chance.

He has been written sketchily, an inventor of great wealth who lives alone in a beautiful cavern of a Manhattan apartment. She has been written for maximum poignancy, a lost soul with a magical mind who keeps her meetings with him secret. The script calls for Robert to explain the significance of their shared passion—how putting to-



from beautifully nuanced cinematography by Chris Norr.)

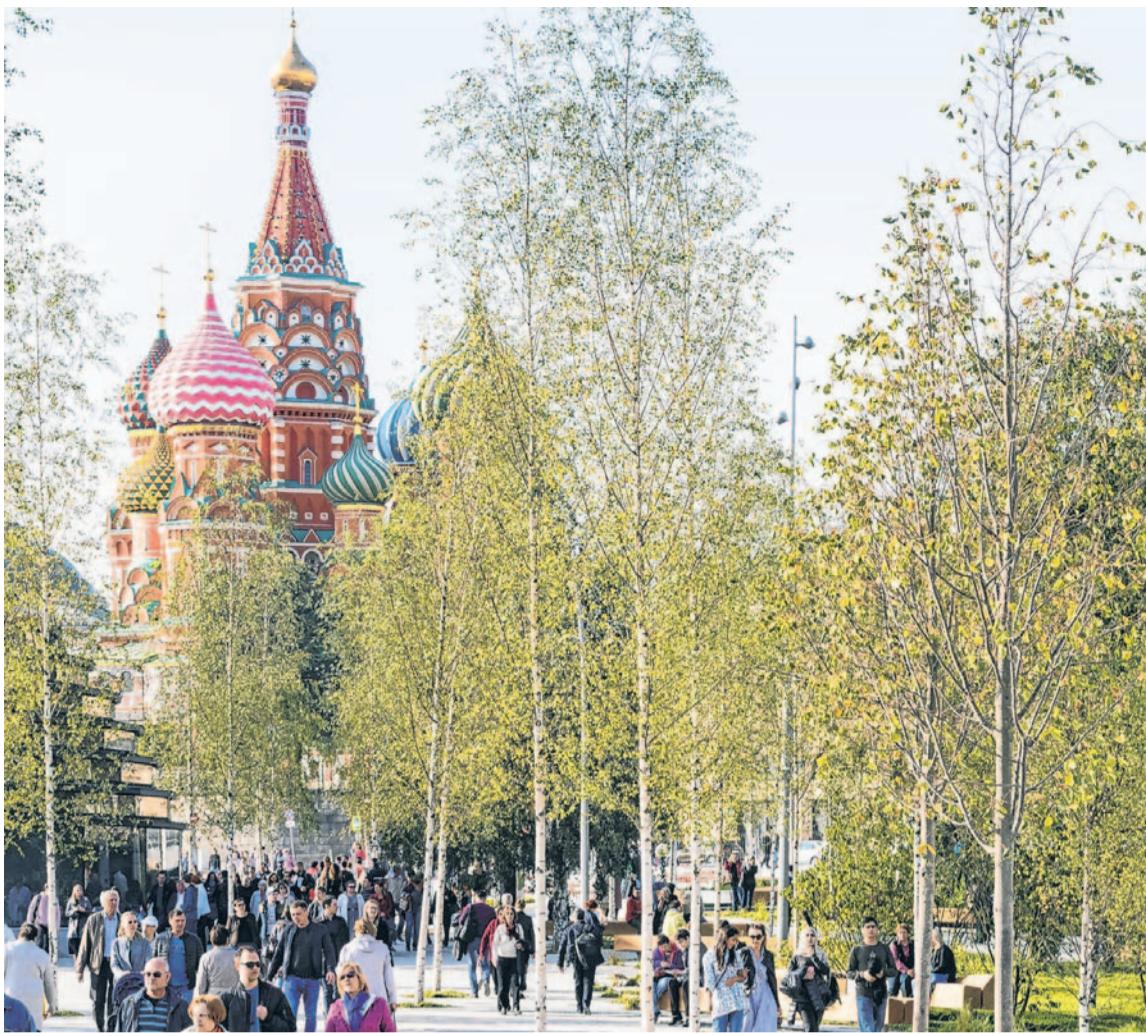
The credits for this film are unusual. Marc Turtletaub directed from a screenplay by Oren Moverman and Polly Mann, and the writers based their script on an Argentine film, "Rompecabezas," by Natalia Smirnoff. That version is currently unavailable to American audiences, but, to judge from a trailer on Amazon, the new one follows the plot of the original closely. (Another possible influence might have been "Queen to Play," a film about chess with Kevin Kline and Sandrine Bonnaire.) Maybe it's the derivative nature of the material, or just plain old schematic writing, but the vivid center of "Puzzle" is surrounded by dead zones of domesticity and feminist awakening. It's not that pieces of the film are missing; plot elements interlock all too neatly. There's simply no sense of an organic whole, of lives being lived beyond the edges of the scenes.

Kelly Macdonald as Agnes, who discovers she's a puzzle prodigy

gether a puzzle confers a reassuring, almost sexual sense of control in a frighteningly random world. But their time together transcends explanation, and rises to romance.

He gets her, appreciates her, is astonished by her lovely self as well as her gift, and she takes nourishment from his love. (These sequences, like many others, benefit

LIFE & ARTS



Aerial view of Zaryadye Park, with its cantilevered concrete bridge; above; the Forest Landscape Zone, entrance to the park from St. Basil's and Red Square, left

ARCHITECTURE REVIEW

The Most Ambitious Park in Russia

BY JULIE V. IOVINE

Moscow

A FEW STEPS from the cobblestones of Red Square, pedestrians find themselves thigh-high in meadow grass and wild roses with the sound of birch leaves rustling in the air. It's a surprising change of pace in the shape of the newly completed, 35-acre Zaryadye Park.

In one direction, paths lead to ponds filled with lily pads; down another, a smooth arc of white concrete rears up from beneath an earthen lid. Covered with moss, lichen, juniper and shaggy dwarf pine, it's the Media Center, where visitors can consult interactive information kiosks, buy event tickets, or embark on a vertiginous virtual flyover of Moscow.

This is a park, yes. But there is much more at stake here, as indicated when President Vladimir Putin paid a surprise visit last week, the day after the last piece of the park, a Philharmonic Concert Hall, officially opened.

From the A-list international team hired as designers to the state-of-the-art digitally interactive features and commitment to sustainability, Zaryadye Park is not only an advertisement for the beauties of Russia's lush

cious landscapes. It is a clear indication of Moscow's broader ambition to be seen by the world as an enlightened developer of urban infrastructure.

The Media Center is one of six pavilions tucked wholly or partly underground, giving the park a rolling topography that takes in the varied landscapes of Russia, from evergreen forests and tundra to steppes, meadows and coastal waterways. Urban

Zaryadye Park grafts interactive culture onto wilder urban landscapes

partner. Unlike the formal park affairs typical of Moscow, Zaryadye is very much in keeping with the new approach to wilder urban landscapes with bits of interactive culture grafted on, or as here, dug in. Similar effects can be seen at Chicago's Millennium Park, New York's High Line and Governors Island, and London's Queen Elizabeth Olympic Park (some of the same architects worked on the last three). But here there is a far-more-complex building program, not to mention an ambition to be the emblematic park of the 21st century in the same way Central Park was for the 19th century.

In his speech at the Concert Hall on the eastern edge of the park, President Putin proclaimed the importance of setting "audacious" new standards for today's megacities. The 322,917-square-foot hall is bold. It was designed by Moscow architects TPO Reserve with a retro-looking front that faces a historic neighborhood. But on the park side, DS+R has buried the building in a sloping mound of lawn and hooded it with a gigantic glass bonnet. The idea is a green place with amphitheater seating for 1,600 that will be protected and usable through all seasons. To that end, the bonnet is outfitted with both operable air vents and photovoltaic cells. On hot days, misters enrobe the whole thing in a cool fog. Along one side where the sod-covered roof is quite steep, a rough path invites the ruggedly shod to climb up to a panoramic view over the parks' young forests toward the Kremlin and St. Basil's Cathedral.

The \$242.7 million park is packed with event spaces, as new urban landscapes tend to be: There are two restaurants (one with a Sputnik theme). A Nature Center is equipped with an aeroponic florarium and labs offering classes on genetic engineering and biotechnology. An Ice Cave is lined with refrigerant tubing encrusted with 70 tons of frozen water that was sculpted by a local art-

ist. And a 230-foot boomerang-shaped concrete bridge cantilevers out over the river, offering a selfie-photographer's dream of a view.

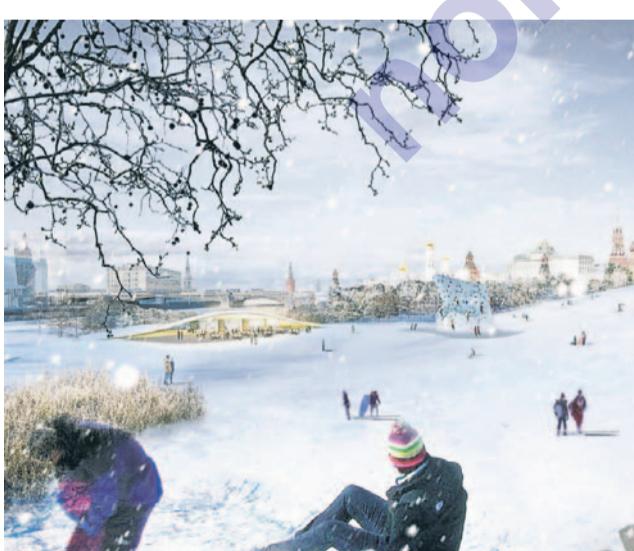
The never-quite-invisible-though-buried pavilions (double their originally planned size, according to the architects) risk overwhelming the whole. But, happily, it is still possible to lose oneself in nature, if only momentarily, thanks to the complicated network of paths. The most heavily trafficked pavers are artfully staggered at the edges, allowing smaller species to

creep in a little closer; narrow dirt and gravel paths just trail off into clumps of trees. Seating, which is plentiful and blends well into the overall rustic ambience, is made of massive log-like timbers contoured for comfort. Unfortunately, the idyllic mood is sundered every so often with tinny canned music blared over loudspeakers attached to lampposts throughout.

Every age has its style of park. Across the river, the 90-year-old Gorky Park was designed to be flat, formal and ceremonial. Zaryadye,

built using the rubble from the hulking Soviet-era Rossiya Hotel that was Europe's largest in the '60s but demolished in 2006, answers new needs and aspirations—to be a showcase of the most up-to-date green urbanism. With time, however, it may be the trickling streams and the swaying larch, the yarrow and the cornflowers where peacock butterflies already flit that will make the most lasting impression on people happily astray in these carefully calibrated wilds.

—Ms. Iovine reviews architecture for the Journal.



A rendering of the Great Lawn in winter, above; the Amphitheater with its glass canopy and artificial hill, below.



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CYCLING

THOMAS EXTENDS LEAD

BY JOSHUA ROBINSON

Saint-Lary-Soulan, France

Chris Froome spent the months before the Tour de France fighting battles on two fronts. His first was a legal struggle behind the scenes, defending himself against allegations of doping. The second was trying to win the Giro d'Italia. Froome prevailed in both.

During that time, his teammate Geraint Thomas stayed away from the limelight. He pointed his entire season at the Tour, not knowing whether he'd be there in a support role for Froome or as Team Sky's outright leader. Either way, he rode the same warm-up races that Froome had raced last season and quickly rounded into form.

But there is nothing quiet about Thomas's season anymore. With yet another powerful ride on Wednesday here, the 31-year-old took control of the Tour de France.

Barring a crash, Thomas is now set to ride into Paris on Sunday wearing the yellow jersey. And Froome, the four-time Tour champion, will be expected to ride for him until they get there.

"I think I'm in a good position now," Thomas said with typical understatement.

Thomas and Froome came into Wednesday's Stage 17 separated by 1 minute 39 seconds, with Thomas wearing yellow. It was only with around 4 kilometers to go that Froome delivered a message: he was in trouble.

So when Team Lotto-Jumbo's Primoz Roglic, who started the day fourth overall, launched an attack, Thomas went with him and Froome stayed behind. The end result: a 1:59 overall lead for Thomas with just three stages remaining before the ceremonial run into the Champs-Elysées. Tom Dumoulin moved into second place while Froome tumbled to third, 32 seconds further back.

"[Thomas] deserves to be in yellow," Froome said.



A study has, for the first time, established just how much riding in a bunch reduces drag.

TOUR DE FRANCE

Cycling's Best Performance Enhancer: Riding in the Peloton

BY JOSHUA ROBINSON

EVERY DAY at the Tour de France is like cycling through a postcard, from the beaches of the Atlantic Coast to the mountain passes of the Alps and Pyrenees.

But for most of the riders most of the time, the view is the same: a mess of bikes, brightly-colored jerseys and exhausted skinny men. That's because they spend the majority of the 80-plus racing hours from the start of the Tour to the Champs-Elysées tucked inside the peloton, the main bunch that coagulates in every stage and moves like a school of fish.

The peloton exists by practical necessity. Riding in a big group reduces drag and saves energy for the people in the middle. Cyclists have known this for a century. But only now, in 2018, is anyone able to put a number on just how efficient it is.

As it turns out, riding in a tight peloton makes life easier than anyone thought.

According to a new study published in the Journal of Wind Engineering and Industrial Aerodynamics, riders in the belly of a peloton are exposed to 95% less drag than they would experience riding alone. Which explains the sensation all riders describe of being sucked along by the bunch while barely having to pedal.

This is critical to understanding the dynamics of a pro race. Because every ounce of energy saved in the peloton can then be recycled in decisive climbs, sprints and attacks.

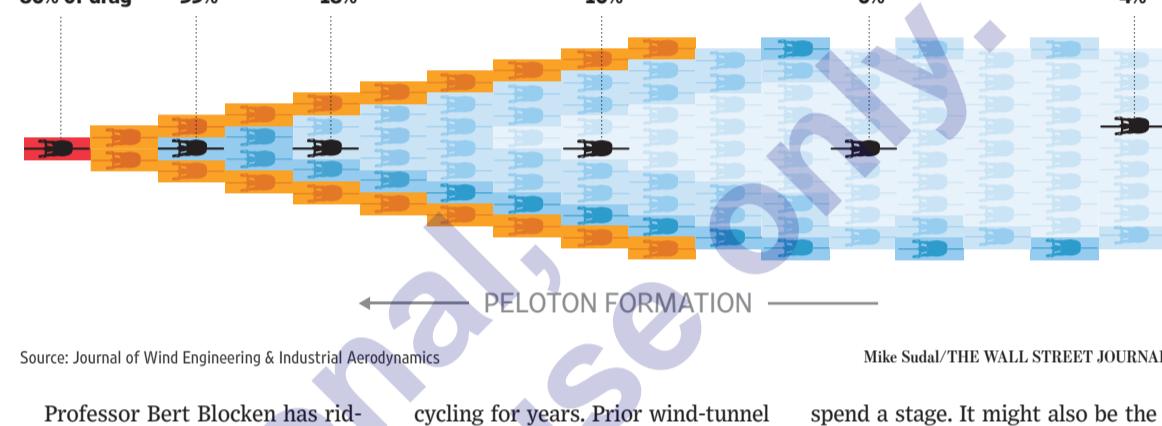
"The wind and how it affects you is everything about the sport,"

Team EF Education First sports director Charly Wegelius said at the Tour. "But if you haven't ridden the bike at a certain speed in a group, it's always going to be hard to understand cycling."

Team Sunweb's Chad Haga said,

Wind Drag Inside the Pack

Percentage of wind resistance experienced by every cyclist in tightly packed peloton compared to riding alone.



Source: Journal of Wind Engineering & Industrial Aerodynamics

Professor Bert Blocken has ridden into the headwinds of the Low Countries his whole life. So as a keen cyclist who teaches civil engineering at the Eindhoven University of Technology in the Netherlands and the University of Leuven in Belgium, he became obsessed with modeling efficiencies. Blocken and his team, backed by both universities and the U.S.-based computing companies Ansys and Cray, decided to simulate two 121-rider pelotons, packed together at different densities.

What they found were that the group of riders in the middle and the back of the peloton were so shielded that they bore less than 10% of the wind. That meant, according to Blocken, that the same effort riding alone would normally have them going a third or a quarter of the speed.

These are, of course, theoretical scenarios that assume the peloton is on a wide, straight road. But Blocken's findings were already enough to dispel some of the numbers that had been floating around

cycling for years. Prior wind-tunnel testing of cyclists in single file had shown that riders in the back experienced 50% to 70% of the drag of the person on the front. Somehow, that became the accepted figure for pelotons too. The issue was that didn't fit with the anecdotal evidence of pro cyclists who reported far greater benefits.

The study took Blocken's team a year and a half, in part because of the computing power required. The 121-rider simulation involved a staggering three billion calculation points, Blocken said, in order to reflect every dynamic right down to the 1-millimeter pocket of air that surrounds each rider. "We have a problem now," Blocken said when he finished, "because no one is going to believe us."

At the Tour, riders and coaches are well aware of Blocken's study—and they believe it. But they also understand that his simulations are only one piece of the shifting puzzle that is a bike race.

Sitting in the peloton is indisputably the most efficient way to

spend a stage. It might also be the most stressful.

"There's a balance," said Team Sunweb's Chad Haga. "The guys saving the most energy are also totally trapped. So if it's an important moment, that's the worst place to be."

Nothing changes how a team conducts its Tour like holding the yellow jersey. Once your guy is in the overall lead of the race, you quickly discover that other teams no longer want to help you and, suddenly, you're taking over the responsibility of setting the pace on the front of the peloton.

Which is exactly what has happened to Team Sky, the Tour's dominant squad dating back to 2012. Its support riders, known as domestiques, must be prepared to ride into the wind all day.

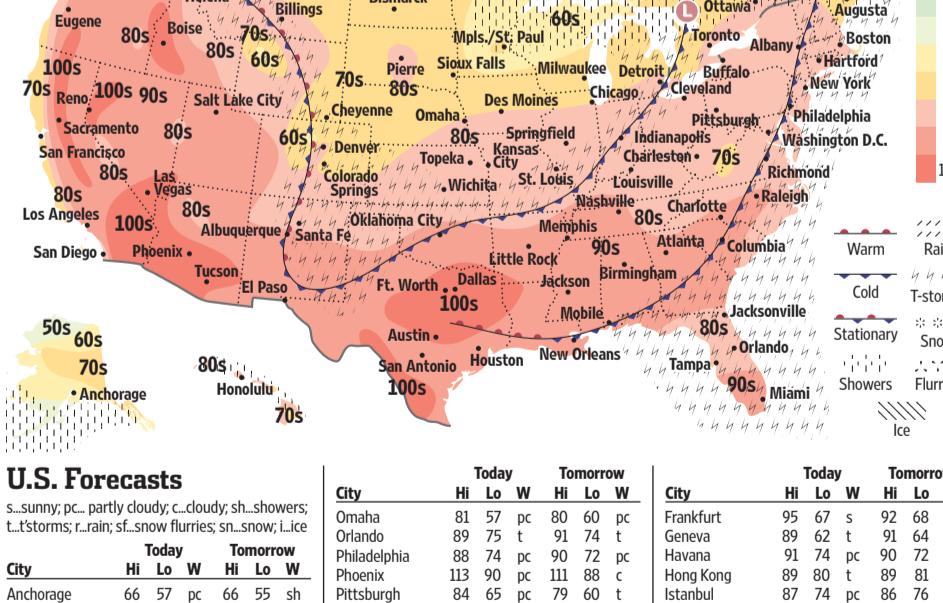
"If you crash one time there, then it's not worth it," Sky domestique Wout Poels said. "So we are burning some riders to keep the leaders in good positions. But on the other hand, we don't need to be fresh in Paris—just to win the race."



Geraint Thomas during Stage 17.

Weather

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



U.S. Forecasts

s.sunny; pc.. partly cloudy; c.cloudy; sh.shower; t.tstorms; r.rain; sf.snow flurries; sn.snow; lice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	66	57	pc	66	55	sh
Atlanta	91	72	pc	92	73	s
Austin	102	75	s	101	74	s
Baltimore	87	69	pc	89	68	t
Boise	100	67	s	98	65	s
Boston	82	72	t	86	73	s
Burlington	86	66	sh	85	63	t
Charlotte	91	71	pc	92	72	pc
Chicago	80	60	pc	76	60	pc
Cleveland	84	63	t	77	62	pc
Dallas	103	78	pc	99	77	pc
Denver	80	61	t	86	60	pc
Detroit	83	62	t	77	59	pc
Honolulu	90	78	pc	90	78	pc
Houston	99	76	s	98	78	s
Indianapolis	85	61	t	79	59	s
Kansas City	81	60	pc	82	63	pc
Las Vegas	112	91	s	112	90	pc
Little Rock	96	73	s	84	69	t
Los Angeles	92	70	s	90	70	s
Miami	91	79	t	90	79	t
Milwaukee	78	58	c	75	59	pc
Minneapolis	70	57	s	78	58	pc
Nashville	91	70	s	87	67	pc
New Orleans	95	76	pc	94	76	s
New York City	84	73	sh	87	72	pc
Oklahoma City	91	70	pc	85	71	pc

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	93	72	t	93	70	pc
Athens	85	72	t	84	73	t
Baghdad	113	85	s	108	84	s
Bangkok	92	81	t	92	79	t
Beijing	91	75	s	90	75	s
Berlin	88	66	s	86	69	t
Brussels	94	70	pc	95	69	pc
Buenos Aires	58	52	c	60	50	pc
Dubai	104	93	s	106	94	s
Dublin	74	57	pc	69	51	sh
Edinburgh	77	56	t	75	58	t
Zurich	88	59	pc	89	61	pc

The WSJ Daily Crossword | Edited by Mike Shenk



OPINION

Sobering News for the House GOP

By Karl Rove

The savvy "Crystal Ball" election prognosticators, led by the University of Virginia's Larry Sabato, issued their latest midterm forecast Tuesday. It is sobering for the GOP. The UVA team increased Democrats' odds in 17 House races and, for the first time this cycle, declared "Democrats are now a little better than 50-50" to flip the lower chamber.

Mr. Sabato and his colleagues now rate 34 Republican-held seats as "toss-ups." Four GOP seats "lean Democratic," two are "likely Democratic" and one is "safe Democratic." Only two Democrat-held seats are labeled "toss-ups," though Mr. Sabato calls one open seat "safe Republican." If Democrats win the seats tilting their way and just over half of the toss-up races, they'll take control of the House.

The report called last quarter's Democratic fundraising "alarming for Republicans." Seven of the eight Republicans whose races were downgraded to toss-ups were outraised this spring by their opponents. But the report glossed over the fact that all but one of those Republicans still have more cash on hand. Maybe the "Crystal Ball" will raise the GOP's odds if these Republican candidates outraise their opponents next quarter and keep their cash-on-hand advantage.

Still, the report rightly notes that the generic ballot

"has shown a consistent Democratic lead." Republicans are likely to keep the House if the gap on election day is three points or less; they are unlikely to do so if it's seven points or more. As recently as May 31, Democrats had only a 3.2-point lead on the generic ballot, according to the Real Clear Politics average of recent polls. Now the Democratic lead has grown to 7.8 points. And President Trump's approval remains within the danger zone.

Republicans have to reach beyond Trump's base to prevent a Speaker Pelosi sequel.

When Mr. Sabato's report came out, Republicans were still basking in the results of the NBC News/Wall Street Journal poll released Monday that showed 88% of Republicans "approve of the job Donald Trump is doing as president."

This is the highest approval rating within his party that Mr. Trump has enjoyed since his inauguration. Only President George W. Bush after Sept. 11, 2001, reached a higher level of support among Republicans. In total, 45% of all voters approved of Mr. Trump's performance; 52% disapproved.

These solid numbers overshadowed the poll's bad news: Mr. Trump's job approval among independents fell to 40%. Fifty-eight percent of

independents disapprove, with 46% strongly disapproving. The 29% who strongly approve of Mr. Trump's performance are dwarfed by the 44% who strongly disapprove.

The midterm elections cannot be won with a base-only strategy. Republicans represent less than a third of the electorate. Their support for the president is already as strong as it could ever be, and their enthusiasm will only increase as Senate battles over Mr. Trump's Supreme Court nominee ramp up and Election Day approaches.

The president and his political team must turn their attention to independents, especially swing voters in suburban and rural districts who applaud his policies more than his behavior. If Mr. Trump's approval rating among those voters doesn't increase, Nancy Pelosi is likely to be the next House speaker.

The economy is critical to the GOP's prospects for victory. The NBC/WSJ poll found that 50% of voters approve of Mr. Trump's handling of the economy while only 34% disapprove. By comparison, 26% approve of his handling of the U.S.-Russia relationship while 51% disapprove. The administration was right to announce that it is nixing its plans for a fall summit with Russian President Vladimir Putin. This is not a winning issue for the president.

As Rep. Trey Gowdy said, if there is nothing untoward about Mr. Trump's relationship

with Russia, he should act like it. In a Quinnipiac poll released Tuesday, 51% of Americans believed "the Russian government has compromised information about President Trump." Though there is no evidence for this, Mr. Trump has raised suspicions with his attacks on the Mueller investigation and lavish praise of Mr. Putin.

Team Trump also must remember that the 2018 campaign is about persuading swing voters, not winning the adulation of crowds at rallies. Offhand remarks or flip observations on the campaign trail will hurt candidates whose support the president needs in Congress. Less of Mr. Trump in certain districts in October will also enhance the GOP's chances to win.

Mr. Trump demonstrated surprising discipline in the 2016 contest's closing weeks. Though he mocked aides who urged him to stick to the script, he largely did, convincing enough voters he was less risky than the Democrats said. That same discipline is necessary now if the president wants to avoid relentless investigations, obstruction and impeachment proceedings from a Democratic House.

Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

Daniel Henninger is away.

BOOKSHELF | By Kelsey Thomas

In Search Of America

Our Towns

By James Fallows and Deborah Fallows
(Pantheon, 413 pages, \$28.95)

After "Nice to meet you. What's your name?" what is the next thing you say upon meeting a stranger? The nature of this "second question," as it's labeled by James and Deborah Fallows in "Our Towns: A 100,000-Mile Journey Into the Heart of America," seems to vary with the cultural temperament of a particular place. In connection-driven cities like New York, "What do you do?" or "Where do you work?" quickly sizes people up. In small Southern towns, "Where do you go to church?" opens the conversation.

Asking the second question communicates the "currency" of a social setting; answering it orients a particular person on a localized spectrum of wealth, values and other socially relevant variables. Chicagoans once asked one another what parish they lived in—that changed with economic growth and religious diversification. A town and its second question develop together.

A discussion of this phenomenon is one of many perceptive asides in "Our Towns," an account of the authors' four-year trip dipping in and out of small and smallish towns across the country. From 2013 to 2016, Mr. and Mrs. Fallows landed their Cirrus prop plane in a variety of places: St. Marys (Georgia), Guymon (Oklahoma), Riverside (California), Chester (Montana), Dodge City (Kansas) and 24 others. They engaged in a campaign to discover, in Mrs. Fallows's words, stories about "the backbone and character" of these places and their residents and, beyond that, something about "the character of the country."

Each of the campaign's stops earns a chapter, cut roughly into halves by reports from each author. In the portrait of San Bernardino, Calif., among others, the couple's interests plainly diverge; Mr. Fallows remarks on the still-healing wound inflicted by the 2008 recession, while Mrs. Fallows comments on the city's education system, whose students stress the "difficulty and importance of getting out of town."

Mr. Fallows is a former speechwriter for Jimmy Carter and a longtime correspondent for the Atlantic, but the contributions from Mrs. Fallows, who holds a Ph.D. in linguistics, are often more appealing than her husband's. She characterizes people and their communities in novel ways, reflecting on topics like rural radio, which offers up "local crop prices and advice on pest control" and entire stations "dedicated to Willie Nelson, or Bruce Springsteen." Some of the best observations in the book are her snippets on regional linguistic quirks: People say "Are you coming?" or "Are you coming with?" depending on whether or not their home town has a strong German heritage.

A journalist and a linguist visit 30 small towns in search of local stories that reveal the grit, character and regional particulars of our country.

Mrs. Fallows's writing can feel a little cutesy (she describes a pool "filled with kids who had ridden their bikes . . . propped them against the chain-link fences, and were whiling away their afternoons until it was time to ride home for dinner"), but she avoids the travel-writer habit of reducing rural America to vignettes about contemplative-but-simple old guys at a doughnut counter. Mr. Fallows, by contrast, palpably fears the undeserved or uninformed generalization, and he hesitates to shed even the most minute details of a town's history. Straining to accommodate as many proper nouns as possible, he lists and explains the acronyms of various local organizations, names the directors of foundations who will never be mentioned again, and remarks on the 20-point economic history of each locale. His overstuffed paragraphs feel worthy of framing in the town community center.

At every stop, the authors interviewed a regular cast: a librarian, a school principal, a "civic leader," an entrepreneur. In the smallest towns, one person often fills several roles. Rick Danner operated a large landscape-design firm before becoming mayor of Greer, S.C.; Bob Peacock, of Eastport, Maine, is a boat captain, pilot and the chief operating officer of a global seafood business who "seems to be everywhere."

And this stock character—the one whose name answers the question, "Who makes this town go?"—is everywhere. Every town in the book has one, each eerily similar to the one before. He, and he is always a he, speaks quickly and gestures energetically. His sentences end in exclamation marks. He "just can't believe" the town's success in small-plane manufacturing (Duluth, Minn.) or in intercontinental pregnant-cow transport (Eastport, Maine). At the end of the book, the authors declare the presence of this local patriot as a litmus test for a town's health.

Yet this patriot is also a salesman. The only prominent figures in "Our Towns" are those with a motivation to advertise; the only conversations with ordinary citizens happen in the lines of ice-cream shops and grocery stores—and such encounters offer hardly enough time for people to share a serious critique of the town where they live. As a result, references to deeper matters are comically quick. The opioid crisis, present in many of the places the authors traveled to, earns only a few mentions.

Such sobering issues—along with the fraught topic of national politics—stay on the periphery. Mr. Fallows writes: "Given the places we were traveling, I imagine that many of the people we interviewed were Trump supporters. But it just didn't come up." Perhaps so, but the authors themselves allude to national politics so many times that a lack of actual, local commentary makes their narrative feel incomplete. Their optimistic, upward-striving America sometimes feels like a Potemkin village ready to tip over.

The ordinary citizens of towns suffering from manufacturing loss or an entrepreneurial lull don't necessarily feel lost or paralyzed. They can be thoughtful, intelligent and, even if it's a cliché to say it, kind. They may welcome the opportunity to rebrand their communities. I wish the Fallowses had asked more of them a "second question," and a third and fourth one, too.

Ms. Thomas is a Robert L. Bartley Fellow at the Journal.

Washington Is Biased Against Babies

By Leonard M. Lopoo
And Kerri Raissian

Demographers get their day in the sun each spring when the U.S. government announces new population statistics. This year's headline was that, after years of steady decline, the Centers for Disease Control and Prevention announced the lowest number of births in the U.S. since 1987. But is this good news or bad?

It's complicated, and it depends on what you care about. The decline is largely the result of what most people would consider progress: improvements in contraceptive technology and increased educational and job opportunities for women. The birthrate among teenagers has plummeted since peaking in 1991—a crisis that led Bill Clinton to call teen pregnancy the country's most serious social problem. Most Americans would probably agree it's good that girls are delaying childbearing beyond their teenage years, and environmentalists are uneasy about the impact of a growing population.

But the decline could also be a harbinger of difficulties on the horizon. Social Security and Medicare depend on a large future labor force, and both programs have had to dip into their trust-fund principal, in part because of the low worker-to-retiree ratio. Other potential problems include fewer young people to enter

the military and to innovate in business.

That's why most developed nations are deeply concerned about declining populations and have attempted to increase fertility. Singapore has the lowest total fertility rate in the world, with the average woman bearing 0.83 child in her lifetime. In hope of increasing fertility, Singapore literally pays for children: \$8,600 (about US\$4,400) each for the first two, \$8,000 for the third and fourth and \$10,000 for five and more. Australia, Canada, France, Japan and Russia all have offered "baby bonuses" or similar monetary payments. The Czech Republic provides up to 70% of one's salary during maternity leave, and Italy allows as much as 10 months of paid parental leave.

European leaders acknowledge that their continent's future competitiveness requires increased fertility and that policy has a role in achieving that goal. The European Union has convened conferences like Europe 2020 and the Barcelona Summit to address fertility-policy gaps, such as the availability of child care for working families.

It's not clear that all of these pro-natalist policies work. There is little evidence that paying women to have children has increased fertility. Our review of the scientific research suggests that policies that increase fertility tend to be those that assist

parents with maintaining their labor-force attachment. For example, evidence from the Austrian parental-leave system suggests that more generous family-leave policies increase fertility. Similar results have been found in Finland, Germany, Norway and Sweden. Policies that depress fertility are often related to health care, like family-planning services and abortion access.

Policies encouraging underpopulation pose a long-term threat to America's vitality.

Unlike many other developed nations that seek to stimulate births, the U.S.—whose TFR is 1.87, below the 2.1 "replacement rate"—does not have an explicit population policy. Nor does government seem to weigh the costs and benefits of reduced fertility when debating any policy. For this reason, you might think that U.S. policy is agnostic when it comes to fertility. But at least in practice, U.S. policy tends to be antifertility. The federal government funds family-planning services through Medicaid and Title X. Abortion legalization has been shown to have reduced fertility considerably.

While a woman's ability to control her fertility is fundamental, we note a striking

absence of policies that promote fertility. The Child Care and Development Fund provides support for child care, but only for low-income families. A handful of states provide paid family leave, but the U.S. is still the only developed country that does not make it mandatory for employers. Even unpaid leave under the 1993 Family and Medical Leave Act is not accessible to all mothers. Only 15 states require private insurers to cover fertility treatments, and coverage gaps remain even under generous policies. The Pregnancy Discrimination Act exists, but there is no Motherhood Discrimination Act, despite evidence of a demonstrated need.

Government incentives matter. The imbalance in policy may be unintentional, even unknowing, but it exists. We don't want to turn back the clock on women's rights and opportunities, but there is room for pro-natalist policies that support working women who want to have children. Given that declines in fertility will not be undone in a year or even a decade, it is important that the U.S. take seriously the threat of underpopulation.

Mr. Lopoo is a professor of public administration and international affairs at Syracuse University's Maxwell School. Ms. Raissian is an assistant professor of public policy at the University of Connecticut.

Why Does Facebook Think I'm 'Political'?

By Yoram Hazony

The robots at Facebook always urge me to "boost my post." This sounds kinky, but it's Zuckerspeak for buying advertising. I've avoided these offers because I'm no computer genius. For me, high-tech is writing down my password somewhere.

But then I kept seeing ads for Yossi Klein Halevi's new book, "Letters to My Palestinian Neighbor." I have a book coming out called "The Virtue of Nationalism." Like a knucklehead, I figured if Yossi could boost his post, so could I.

I pressed "Boost Post." Soon thousands of people were seeing my ad, and I was psychotically checking the click count every four minutes. "Your ad is doing better than most promotions on Facebook," the robots flattered me. I was like Fast Eddie playing big-time pool. How could I lose?

It lasted two weeks. Then a red announcement appeared: "Your ad was not approved because your Page has not been

authorized to run ads with political content." My boost was now stamped with a verdict in red letters: "Rejected."

I found a window for submitting appeals. "My book is concerned with the historical

The robots won't let me advertise my book on nationalism.

development of the nation-state and the case for preferring it to imperialism," I growled. I offered to send the robots a copy so they could see for themselves.

Facebook's sentient programs don't wear dark glasses or have menacing names like Agent Smith. A response came from "Veronica": "The text and/or imagery you're using qualifies as political, based on the definition we're using for enforcement," it said. "You must authorize your page to run political ads."

Me? Run political ads? I

scoured Facebook's definitions, which said "political content" is support for candidates, ballot initiatives or legislation. "Dear Veronica," I pleaded. "I don't see anything in the ad that qualifies as 'political' based on Facebook's definition. Could you specify which aspects of the ad qualify as 'political'?"

A reply came from "Sol": "The text and/or imagery you're using qualifies as political."

A friend put me in touch with a Morpheus-like figure struggling to liberate mankind from Facebook. "You're not alone," he said. "Even major media like the New York Times and small businesses that aren't political are being told to register."

I figured if the Times could register, so could I. For days I answered the robots' questions and uploaded personal documents. Finally, they mailed me a paper letter with a secret code. I entered it. The robots were pleased: "You're all set. When the Page admin has completed the next step you'll be able to run ads."

Who was "the Page admin"? What "next step" was it contemplating? I recruited a computer-genius friend to help. He spent days hacking through the Zuckerspeak. After a dozen runs, the robots issued a green check-mark saying I'd "linked my ad accounts" (to the mother ship, I believe).

Ads with political content were "approved." I was in. I brought up the ad and clicked "Boost Post." The robots replied: "Your ad was not approved because your Page has not been authorized to run ads with political content."

After 10 weeks, I have no ads. But I'm left with a question, like a splinter in my mind, driving me mad: Did Facebook get its "political ads" policy from Monty Python, while outsourcing customer service to HAL from "2001"? Or is it simply unwilling to run ads for a book about the virtue of nationalism?

Mr. Hazony is author of "The Virtue of Nationalism," out Sept. 4 from Basic.

OPINION

REVIEW & OUTLOOK

Some Good Trade News

The meeting on trade Wednesday between President Trump and European Commission President Jean-Claude Juncker had all the makings of a potential crackup, but in the event it provided the best economic news in weeks. Financial markets were clearly pleased, as stocks rose across the board before the closing bell on the statements by the two presidents after their White House session. Call it a relief rally.

The two sides essentially declared a tariff truce, pending negotiations on a larger trade deal between the 28-nation European Union and the U.S. Mr. Trump agreed to step back from his threat of 25% tariffs on European car imports, while the two sides pledged to resolve the current U.S. steel and aluminum tariffs and Europe's retaliatory levies on U.S. goods.

Europe also agreed to buy more soybeans immediately, and much more liquefied natural gas from the U.S. in the future as its import capacity expands. U.S. LNG export capacity is expected to nearly triple by 2020 to 9.6 billion cubic feet a day, as more export terminals come online and the fracking boom continues.

Most important, the two sides agreed to negotiate a larger trade deal that Mr. Trump said would have as a goal "zero tariffs, zero non-tariff barriers and zero subsidies on non-auto industrial goods." This suggests that Europe has taken Mr. Trump up on his offer, floated at the last minute at the G-7 meeting in June, to work toward zero tariffs. The question at the time was whether this was serious, or political misdirection, and now we'll find out.

The zero tariff target won't be easy to reach. Europe has a 10% tariff on U.S.-made cars and the U.S. charges only 2.5% on cars made in Europe. But the U.S. charges a 25% tariff on imported trucks, which Europe will want the U.S. to take to zero. That won't please Ford and U.S. companies that make the bulk of their profits from trucks and SUVs. But perhaps they'll be willing to consider zero on trucks as an alternative to the disaster that would come from Mr. Trump's threat of 25% on cars.

The White House will crow that Europe

Europe and the U.S. call a truce and pledge to negotiate 'zero tariffs.'

blinked, but it's more accurate to say the two sides are stepping back from mutually assured economic destruction. The car tariffs would certainly have punished Germany, the locomotive of Europe's economy.

But Mr. Trump also had ample political and economic incentive to call a truce. The retaliatory tariffs from China, the EU, Mexico, Canada and Japan are beginning to hurt U.S. farmers and manufacturers. Mr. Trump felt obliged this week to bail out U.S. farmers by providing up to \$12 billion to buy surplus crops that can't find a foreign market. Harley-Davidson and other firms are moving plants abroad to avoid higher import costs and duck retaliatory tariffs. All of this in turn is beginning to have political consequences as more Republicans in Congress are finding their voice in favor of free markets.

The protectionist threat is far from over. The talks with Europe could founder on any number of issues, especially European barriers to competition from America's more efficient service industries or genetically modified foods. France will be a particular problem.

Then there's the fast-closing deadline for getting a Nafta deal done during the current U.S. Congress and before the Mexican presidential handoff on December 1. A Nafta modernization that can pass Republican muster on Capitol Hill would remove a big threat to business investment.

Deals with Europe and the Americas would let Mr. Trump focus on China trade with some allies to back him up. Fighting trade wars on multiple fronts makes little sense and lets China play Western countries against one another. Beijing would have to take seriously a united front of the world's largest importers against, say, intellectual property theft.

The U.S. economy has broken out of its Obama doldrums and is growing at a faster than 3% pace for the first time in 12 years. Mr. Trump's trade policies are the biggest threat to that economic progress. The faster Mr. Trump concludes his new deals, the more likely the economic revival will continue.

Erdogan and Pastor Brunson

A court in Turkey Wednesday released American pastor Andrew Brunson to house arrest, following nearly two years in prison on trumped-up terrorism charges. The court says its decision was based on concerns for Mr. Brunson's health, but it's likely the gesture also has something to do with growing protests from Washington over his fate.

Mr. Brunson has become a personal cause for President Trump, who has lobbied Turkey's President Recep Tayyip Erdogan for the pastor's release. But high-level diplomacy wasn't getting results. Mr. Erdogan sees Mr. Brunson as a bargaining chip as he campaigns for the U.S. to extradite Fethullah Gulen, an imam living in Pennsylvania who Mr. Erdogan blames for a 2016 coup attempt without enough evidence to justify extradition under U.S. law.

Enter the U.S. Congress. In April, 66 Senators sent a letter to Mr. Erdogan assailing the charges against Mr. Brunson and threatening to take "other measures" to ensure "law-abiding citizens and employees of the United States" can travel to, live and work in Turkey. Senators James Lankford (R., Okla.) and Jeanne Shaheen

(D., N.H.) threatened to pursue "targeted sanctions" against Turkish officials involved in Mr. Brunson's case.

Turkey releases the American hostage to house arrest.

the country borrows heavily from the International Finance Corporation and European Bank for Reconstruction and Development.

Then came word Tuesday that the House-Senate conference report for the 2019 National Defense Authorization Act includes a provision that would prohibit delivery of F-35 aircraft to Turkey until the Pentagon issues a report to Congress on the status of U.S.-Turkey affairs.

Mr. Erdogan wants the latest U.S. fighter technology, and his diplomats no doubt relayed the news. And what do you know, Mr. Brunson was released to house arrest.

Secretary of State Mike Pompeo called Mr. Brunson's improved circumstances "long overdue" but "not enough." The charges should be dropped, and the U.S. should keep up the pressure until they are.

Europe's Iran Options

Europe is girding for the return of U.S. nuclear sanctions on Iran next month, and the spectacle in Brussels isn't exactly edifying. The Continent is choosing resistance to the U.S. that is likely to fail.

Europeans howled when President Trump announced in May that the U.S. would withdraw from the 2015 Joint Comprehensive Plan of Action (JCPOA) and reimpose sanctions on foreign companies doing business with Iran starting Aug. 6. Their disappointment was understandable, since the European Union and its three national parties to the deal—France, Germany and the U.K.—viewed the Obama-era agreement ostensibly freezing Iran's nuclear program as a diplomatic and commercial victory.

Yet European leaders also understood the 2015 deal had major defects. Those include insufficient inspections to guarantee Tehran isn't developing weapons technologies; sunset clauses that would let Iran sprint toward a nuke in the future; no limits on Tehran's ballistic missiles that could deliver a nuclear warhead or other weapons; and silence on Iran's military interference across the Middle East.

So it's puzzling that the EU is now fighting so hard to defend an agreement with so many flaws. Brussels has updated a "blocking statute" that theoretically prohibits European companies from complying with U.S. sanctions on Iran. In practice, this will become a nuisance fine for companies that decide to abide by U.S. sanctions because they have more to fear from U.S. enforcers than from EU bureaucrats.

Maybe EU officials hope they can use this statute as leverage to negotiate exemptions from Washington, as Europe did with a previous version of this law in the 1990s. That seems unlikely,

however, given the strategic threat Iran now poses and longstanding hostility to the JCPOA in Congress and among American voters. European companies understand this, and they are preparing to abide by U.S. sanctions whatever Brussels says.

Europeans also are floating improbable schemes to circumvent U.S. financial sanctions. One option would be for European central banks to re-open channels for their Iranian counterpart to facilitate trade financing, or allow the European Investment Bank to extend non-dollar credit to EU firms engaged in such trade.

That might overcome the refusal of private European banks to expose themselves to Washington's ire. But it would only be practical for the largest transactions, perhaps involving oil. Every other trader would still pay a steep price to move money, especially if Washington sticks to its plan to deter Swift, the secure global financial messaging system, from handling Iranian banks' business.

All of which points to the reality that there isn't much Europe can do to force Washington to change course—except join the Trump Administration in pressing for a better deal. French President Emmanuel Macron has tried to keep the door open to this option, as when he suggested during his April state visit to Washington that the U.S. and Europe could cooperate to close holes in the 2015 pact.

Progress on that score becomes harder the tighter Europe clings to the 2015 pact. If Europe wants to preserve the commercial opportunities promised by the 2015 agreement, leaders should admit the deal is fatally flawed and focus their diplomacy on securing a pact that truly restricts Tehran's nuclear ambitions.

Instead of digging in on a bad deal, try to negotiate a better one.

LETTERS TO THE EDITOR

Raising Daughters and 'Toxic' Masculinity

Abigail Shrier's "Masculine Dads Raise Confident Daughters" (op-ed, July 21) reminds me of my own experience in being the daughter of a man whose brusqueness can be read as condescending and insensitive or refreshingly straightforward and honest, depending on one's perspective. I noticed that the more self-assured I became, the more I appreciated his self-assuredness. When I was younger and trying to prove myself, I would aggressively debate with him and try to knock him down to puff myself up. After years of butting heads, I finally saw where he was coming from. I came more into my own and my confidence increased. I was able to civilly converse with him on his level and learn from him without getting so defensive. With confidence also comes humility.

He had high standards for me because he believed in me and knew what I was capable of. At age 18 I told him I wanted to be a yoga instructor and he curtly replied, "No, you don't. You don't live in a way that would be supported by a yoga teacher's salary. You can always take yoga classes, but you need a job that pays." At the time I was peeved that he shut me down, but I knew he was right. Now I'm in a graduate program I love and go to yoga classes when I want to, never feeling like I "missed out on my calling." I'm grateful to him for always being honest and saying what I needed to hear, whether I liked it or not. My compliments to Ms. Shrier for eloquently voicing a flip side to the toxic rhetoric currently decrying masculinity.

NICOLE FRIEDLAENDER
Birmingham, Mich.

I agree that helping children establish self-worth is an important func-

tion of parenting, but the idea that this is dependent on a father's masculinity is false and toxic. Societal pressures on men to be hypermasculine are the underlying source for much shame, depression and violence in men, which can negatively effect women and children. This is well established in psychological journals the world over. Confident children are wrought by parents who teach children to accept themselves for who they are, and this doesn't require ridged adherence to social expectation on the part of the father.

JESS CAMACHO
Brooklyn, N.Y.

I've had what most would describe as a very successful career in a heavily male-dominated field (geology). The article could have been written about my dad and me. I am quite sure I couldn't have been as successful without the tools my father gave me, tools that are so well described in Ms. Shrier's article. I know this is true for a lot of my successful female colleagues. Dads, take notice.

JUDITH TOTMAN PARRISH, PH.D.
Viola, Idaho

It's good that Ms. Shier apparently is self-employed, because with an attitude like hers she'd be out on the street from any university or big corporation. Common sense: It's almost enough to make a grown man cry.

ROBERT CASTRODALE
Chelan, Wash.

In the absence of fathers, mothers have been known to raise confident daughters.

ANTONIA TAMPLIN
Riverdale, N.Y.

Reversing Industrial Revolution Won't Work

While I appreciate the point Jay W. Richards makes in "The 'Everything Handmade' Trend Will Curb Job Losses" (op-ed, July 21), he falls victim to the classic misconception that the U.S. labor market is dynamic.

While it is true that some consumers have and will pay a premium for goods produced by bespoke labor, are we to assume that labor displaced by automation will change careers and move into the production of hand-crafted textiles, 3-D printing or personalized products (Etsy)? What about all the consumers who cannot afford shopping for everything handmade?

If the U.S. labor market were dynamic, why is there still a Rust Belt after more than 30 years? If UAW workers lose their jobs, they look for work as auto workers, not as artisans. If agricultural laborers lose their jobs,

GIACOMO SANTANGELO, PH.D.
New York

they seek employment in their industry. If a university professor loses his or her job, do they look for work at Starbucks, or at another university? When anyone loses a job, due to fundamental changes in the economy, they require time to adjust and learn new skills.

As freshmen learn in basic economics classes, sometimes the economy changes faster than the labor force. It's one reason we have unemployment. By stating that "labor won't disappear," and that "it will take on new forms," Mr. Richards ignores that those laborers are the next generation of workers, not the individuals displaced. I don't know how much solace the unemployed are supposed to take in that knowledge.

PAUL MATTEN
Naples, Fla.

The position advanced by the states is legally unavailing as a matter of longstanding and well-established law. In *New Colonial Ice Co., Inc. v. Helvering* (1934), the Supreme Court stated: "Whether and to what extent deductions shall be allowed depends upon legislative grace, and only as there is clear provision therefor can any particular deduction be allowed. . . . Obviously, therefore, a taxpayer seeking a deduction must be able to point to an applicable statute and show that he comes within its terms."

As you point out, this undertaking is a waste of taxpayer money, without legal foundation and frivolous.

STUART E. SEIGEL
McLean, Va.

paid, there is an unfair federal tax burden shift to the low- or no-tax states and away from the high-tax states for a given level of federal income. To me, this is a violation of equal protection. All that the tax bill did was to make the situation less unfair.

PAUL MATTEN
Naples, Fla.

NICHOLAS WILLIAMS
Scarsdale, N.Y.

A better legal argument can be made by the residents of the low- or no-tax states. By the federal government allowing for the federal deductibility of any local and state taxes

God Bless Those Helpful Patriots of North Platte

Bob Greene's "A Soldier Never Forgets North Platte" (op-ed, July 23) gave me a warm jolt with his description of the reception that the citizens of North Platte, Neb., gave the soldiers returning from arduous training in Wyoming. I can still recall an advisory given to me and other Vietnam returnees in July 1968 at Travis Air Force Base, Calif., a busy station for Vietnam veterans, most of whom had been away for a year. We were advised that returnees might consider removing their uniforms and traveling in civilian attire when they left the base. Compare that with the warmth of the citizens of North Platte. God bless them.

FRANCIS T. NAUGHTON, CWO, USA (RET.)
Drexel Hill, Pa.

So tax the wealthy, just not our wealthy.

JAMES SCHAEFER
Paso Robles, Calif.

Pepper ... And Salt

THE WALL STREET JOURNAL



"We're all signing this sympathy card for Simmons. He lost his edge."

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OPINION

The Markets Will Stop a Trade War

By Roger C. Altman

The Trump administration is on the verge of launching a global trade war, the magnitude of which the world hasn't seen in a century. The president got elected promising to end what he calls "cheating" on trade by China and other nations. He believes America's trade partners have more to lose in such a battle than does the U.S. But if all the threatened Trump tariffs take effect, and the targeted countries respond with the expected retaliatory tariffs on American exports, everyone will lose.

If the tariffs hurt growth, expect a major selloff. President Trump will be forced to reverse course.

Fortunately, the global financial markets will act as a safety net. If the Trump trade war starts to squeeze economic growth, markets will react badly. When this happens, the impatient American president will have no choice but to declare victory, call off the war, and limit the damage.

As of today, the Trump administration has imposed a 25% tariff on a small range of Chinese exports to the U.S. This is the equivalent of a huge sales tax. Washington has also slapped similar tariffs on exports of steel and aluminum from the European Union, Canada and Mexico. Every affected party retaliated with

identical penalties on American exports. That prompted new threats, with Washington declaring that 10% tariffs will shortly be applied to another \$200 billion of annual Chinese exports—and Beijing again promising full retaliation. Then Mr. Trump upped the ante dramatically by further threatening to extend tariffs to all vehicle and vehicle-parts exports, wherever they come from, and to the entire \$500 billion of annual Chinese exports to the U.S.

This is dangerous business. Tariffs raise prices on imports. Those higher prices are passed on to domestic consumers and businesses. Higher prices put a damper on demand for the affected goods and services, which, in turn, slows down economic growth. A 25% tariff on all vehicle imports would eventually raise the retail price of those cars by the same amount, meaning that fewer will be sold.

There is disagreement among economists as to the economic effects of an all-out trade war. Some economic models predict only a mild hit to the American economy because the export share of U.S. gross domestic product is a relatively low 12%. Moody's projects that U.S. growth would be half a percentage point lower next year, going from a possible 3% to 2.5%. Such a slowdown would cost the American economy about 700,000 jobs. Globally the effects could be similar. Earlier this month



ISTOCK/GETTY IMAGES

the International Monetary Fund forecast a possible tariff-related decline in global economic output of 0.5% below its current projection for 2020.

Economic models aren't perfect. Many estimate the effects of tariffs only on the sale of imported finished goods. They don't consider what the rising cost of intermediate goods, such as the steel used to produce American cars, does to demand. And they can't estimate what tariffs and trade wars do to the confidence of consumers, businesses or investors. There is, therefore, a bigger downside risk to this dangerous business than these initial economic models suggest.

The chances that confidence suffers are high. The overwhelming

majority of American businesses are against these tariffs, just as they would oppose a large new sales tax on the goods they export or the intermediate goods they import. At the moment, American investors seem to doubt that Mr. Trump will actually follow through on his more bellicose threats. But investors are always calm until they're not.

Global financial markets may ultimately have to serve as a trade-war safety net. They are, after all, the most powerful force on earth, more so even than nuclear weapons. When financial markets get spooked, they can cause governments to change policy almost overnight. We saw this in the late 1970s when market pressure

on the dollar forced President Carter into a more conservative budget policy. Markets also forced the IMF and World Bank to bail out Russia in the late 1990s, and in 2008 they forced Congress to reverse itself and create the Troubled Asset Relief Program. Mr. Trump has tied his political brand as tightly to rising markets as to trade complaints. The markets may be the one force that can cause him to back off.

The first glimmer of global financial markets' anxiety about a trade war can already be seen in Chinese equity markets and in the yuan's recent slide. The good news is the markets' corrective power can work whether the economic effects of this trade war turn

out to be modest or large. If they turn out to be small, markets will take them in stride. Alternatively, if the new barriers to trade begin to choke economic growth, the stock market will probably see a major selloff. A steady three to four week stock-market decline would surely force the president to change tactics. He would declare victory and suspend most of the tariffs not directed at China. Either way, the damage will be contained and the American public protected.

Mr. Altman, a former deputy Treasury secretary (1993-94), is founder and senior chairman of Evercore Partners.

ObamaCare Is Robbing Medicaid's Sickest Patients

By Allyssia Finley

ObamaCare made it more difficult for health insurers to turn a profit on individual plans, since it prohibited them from charging consumers more based on their medical risks. But the law also created a huge growth opportunity for insurers: Medicaid.

Over the past decade, federal and state spending on Medicaid has nearly doubled to \$570 billion—roughly as much as the revenues of United Health, CVS, Anthem, Aetna and Humana put together. California alone will spend nearly \$100 billion on Medicaid this year.

The law's incentives push states to spend more on new enrollees, and less on the disabled and ill.

The Medicaid rolls predictably swelled during the Great Recession as people lost jobs and left the workforce. But many never returned to work. ObamaCare gave states the option, starting in 2014, to expand Medicaid eligibility to able-bodied people earning up to 133% of the poverty line. The feds promised to pick up nearly all the costs.

Two-thirds of states have cashed in on this "free" government lunch. Between 2008 and 2016, Medicaid enrollment nationwide rose 24 million to a total of 71 million, according to the Centers for Medicare and Medicaid Services. By comparison, only five million more Americans signed up for plans on the private individual market.

Struggling to manage this Medicaid surge, states have increasingly come to rely on private health insurers. About 270 "managed-care organizations" administer half of federal Medicaid dollars. Under these arrangements, insurers are paid a capitated rate—that is, a flat monthly payment per enrollee, set to reflect what actuaries estimate will be the average cost to provide covered services. Unlike on the ObamaCare exchanges, insurers are paid higher "premiums" for covering sicker patients.

The theory is that this system makes costs more predictable for states while giving insurers an incentive to coordinate care and reduce "waste and fraud," since they can pocket any savings. A win-win, right? Not quite. Instead insurers appear to be gaming the Medicaid rules to the detriment of taxpayers and sometimes patients.

One problem is that future capitated payments are determined based on costs and claims reported by the managed-care organizations. If MCOs report inflated spending, their rates increase. This undermines insurers' incentive to reduce wasteful spending, as the Government Accountability Office noted in a May report. Officials in 13 of the 16 states the GAO contacted "were unable to define the magnitude of overpayments in their managed care programs." In 11 of the states, "officials responded that they did not directly monitor MCO payments to providers."

This lack of accountability on the part of states shouldn't be surprising, since the federal government picks up most of their Medicaid tab—between 50% and 76% for pre-ObamaCare enrollees and 95% for the expansion population. The latter group also is typically more profitable for insurers, since they are less likely to be sick or disabled. Claims are therefore more predictable.

A 2016 study by the Altarum Institute examined Michigan's managed-care Medicaid program and found that between 2013 and 2015 "the spread between premium revenues and medical expenses, usually a reliable predictor of health plan profitability," more than doubled.

This gravy train has enticed many insurers to expand their Medicaid businesses. WellCare, one of the country's largest Medicaid MCOs, announced in May it would purchase Meridian Health, which will expand its Medicaid enrollment by 25%. WellCare described the deal as "financially attractive and accretive to earnings with opportunities for growth."

Anthem's Medicaid enrollment has increased to 6.4 million, from 4.4 million in 2013. Centene's is up to 7.1 million, from two million in 2013, while its profits have surged more than 400%. Sweet.

In 2016, the Department of Health and Human Services issued a rule

requiring managed-care organizations to spend at least 85% of their plan revenues on medical claims and services that improve health outcomes. While the rule ostensibly limits profits, it's another encouragement for insurers to inflate medical claims.

But wait, what about the horrible news stories about Medicaid insurers that ration care? The Dallas Morning News reported on a foster mom who had requested 24-hour nursing care for her disabled toddler,

worried he would pull out his breathing tube. After Centene denied the request, an accident related to the breathing tube left the child brain-dead. In Iowa a 25-year-old quadriplegic with cerebral palsy spent 12 hours a day in diapers after an MCO cut his in-home care.

What seems to have happened is this: Recall that for the pre-ObamaCare Medicaid populations—those disabled and sick folks—states must pay up to half the cost. In an era of tightening budgets, they appear to

have set capitated payments lower than the actual cost of care. Then when it comes to the able-bodied people covered by the ObamaCare expansion, the feds cover nearly the whole tab, so the states are profligate.

In other words, Medicaid is now encouraging insurers to spend more money caring for people who don't need it and less for those who do. Thank you, ObamaCare.

Ms. Finley is a member of the Journal's editorial board.

A MESSAGE FROM AMERICA'S HOSPITALS & HEALTH SYSTEMS

Doing Our Part to Control Costs and Improve Value for Patients

We all know that the affordability of health care services is one of the biggest concerns facing families, as well as employers and government. However, it is a challenge that hospitals and health systems are tackling head on.

Unlike drug companies, hospitals and health systems have successfully tapped the brakes on price hikes. They have managed to slow price growth to under 2 percent during each of the last four years despite an increased demand for emergency care due to major natural disasters and epidemics.

The influenza vaccine proved largely ineffective this year, leading to a catastrophic flu season. Emergency departments nationwide approached full capacity as they dealt with the flu season and treated patients after hurricanes battered the Southeast and Puerto Rico.

Hospitals helped communities overcome these crises while curbing costs. They did so by "redefining the H"—rethinking even basic functions of hospitals to deliver high-value, affordable and responsive care.

Hospitals are making care more affordable in four key ways.

First, they are redesigning their delivery systems. They are coordinating with doctors and clinics to form organized systems of care to improve communication between providers, thereby reducing errors and redundant procedures.

Take the Memorial Hermann accountable care organization in Houston. Sixteen hospitals and 2,500 physicians, with a large percentage of them from private practices, participating. The organization has saved more than \$200 million over three years in the Medicare Shared Savings Program. Patient outcomes also have improved each year.

Second, hospitals are improving quality and outcomes by increasing patients' access to coordinated care, even in non-traditional settings. They are working



Rick Pollack
President and CEO
American Hospital Association

with nurses and social workers to follow up with discharged patients through home visits and phone calls, reminding patients to take their medicines and scheduling appointments with primary care doctors.

In rural Minnesota, Winona Health created the Community Care Network to connect patients who had repeat emergency department or hospital admissions to help them manage their conditions.

In its first year, the program reduced these patients' total hospital visits by 50 percent, slashed hospital spending by 22 percent and decreased repeat admissions by two-thirds.

Third, hospitals are embracing new reimbursement models to ensure patients and insurers get the best value for their investment. Hospitals increasingly accept a single, lump-sum "bundled payment" from insurers, instead of billing for each individual service provided.

Fourth, hospitals are leveraging technology and existing community resources to maximize patient well-being.

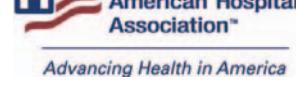
Banner Health's use of telemonitoring provides chronic disease patients with home medical equipment so they can monitor and record their vitals. The patients then meet with a nurse via a tablet to discuss their results and progress.

Technology also can bring high-quality specialist care to underserved communities.

The University of Mississippi Medical Center helped individuals living with diabetes stay healthy at home using tablets with devices that allowed for measurement and recording of blood glucose and vital signs. During the first six months of the pilot, the projected Medicaid savings was \$339,000.

Hospitals and health systems are trimming spending while improving patient outcomes. It's time for other health care stakeholders to do the same.

To read more, visit www.aha.org/value-initiative.



Advancing Health in America

WORLD NEWS

Africa Finds Itself More in China's Debt

By MATINA STEVENS-GRIDNEFF

NAIROBI, Kenya—Chinese President Xi Jinping has signed a slate of investment deals during a weeklong tour of Africa, feeding into concerns in the West and on the continent over ballooning levels of indebtedness to Beijing and its expanding political footprint.

Already Africa's biggest single-country trading partner, China has become its biggest creditor too. It holds at least 14% of the continent's sovereign debt, having lent more than \$100 billion to governments and state enterprises since 2000, according to the Washington-based Brookings Institution.

Mr. Xi started his trip on Saturday in Senegal, adding the West African country to the Belt and Road Initiative that will see China invest more than \$100 billion in trade infrastructure in Asia, Europe and Africa.

In Rwanda, he signed agreements in areas including manufacturing and health care before heading to South Africa on Wednesday to attend a summit of the five major emerging economies known as the



In Kenya, there has been a growing backlash against the Chinese-built Nairobi-Mombasa railway.

Brics—Brazil, Russia, India, China and South Africa. He is expected to stop in the island nation of Mauritius off the East African coast this weekend before returning to Beijing.

China's Africa strategy has changed dramatically in the past few years. The crash in commodity prices and its own economic slowdown shifted

Beijing's appetite from minerals and other natural resources to building and financing huge infrastructure projects and extending loans to cash-strapped governments.

A common structure of such deals is that a Chinese bank will lend an African government the funds for an infrastructure project, which will contract the

construction and operation to Chinese firms. The government will be on the hook for debt repayments and, on some occasions, fees for the operation of the project, often for decades.

As financial ties deepen, China has been moving away from its decades-long policy of noninterference, basing troops on the continent and strength-

ening political relationships.

Last year, it inaugurated its first permanent military base on the continent in Djibouti, miles from the U.S. Camp Lemonnier, rattling American troops. In May, the Pentagon complained that Chinese troops were harassing U.S. pilots by shining laser beams at them. Chinese officials said they would investigate the claims.

China's first peacekeeping force is working under the auspices of the United Nations to protect civilians ravaged by the war in South Sudan, where Beijing has oil and mining holdings.

That shift comes as the Trump administration has cut aid and development programs while reassessing its military presence. Washington is also re-examining its trade deal with the continent.

Some Western diplomats and African civil-society groups argue that the dependence on Chinese financing is becoming a problem. In Angola, Zambia and Kenya, all countries that have borrowed heavily from China, local newspapers, activists and opposition politicians are calling

for a full disclosure of Chinese loans and interests.

The International Monetary Fund has warned that a third of the continent can't repay loans or is close to not being able to afford them.

Some African leaders have pointed to China as an example for how to develop their economies, and the huge influx of money from Beijing has created jobs and growth in many places.

14%

Percentage of Africa's sovereign debt China holds

But some Africans are starting to push back at China's influence. In Kenya, public outcry over a \$3.2 billion railway connecting the capital Nairobi to the port of Mombasa has grabbed newspaper headlines.

"We got rid of the British to run our own country, not to replace them with the Chinese," one railway worker said.

U.K. Eyes Stockpiles If Brexit Talks Fail

By WILL HORNER

LONDON—The U.K. has begun preparations for the stockpiling of food, medicines and other products in case it fails to reach a deal with the European Union before it leaves the bloc in March, government ministers said this week.

Both sides say they expect an agreement to come out of the continuing negotiations, but they have also stepped up preparations in case the talks break down.

Failure to reach an agreement with the bloc has the potential to cause large-scale disruption at ports and airports after Brexit, raising questions about whether sufficient food, medicines and other essential products could be imported.

If the U.K. leaves without an agreement, many of the legal arrangements that underpin its commerce with the EU, including road transport and aviation, would fall away.

The EU would also be legally required to ensure border checks on exports from the U.K., for example, to ensure tariffs are paid and the origins of the products certified. This could lead to long holdups at English Channel ports, hampering manufacturers' and retailers' time-sensitive supply chains.

Matt Hancock, the U.K.'s secretary of state for health, told a parliamentary committee Tuesday that the government had been working with the health industry to ensure the supply of medicines and medical products wasn't disrupted by the U.K. leaving the EU without a deal.

"This includes the chain of medical supplies, vaccines, medical devices, clinical consumables, blood products," Mr. Hancock said. "I have asked the department to work up options for stockpiling by industry and we are working with industry to prepare for the potential need for stockpiling in the event of a no-deal Brexit."

He added, "Obviously there is a cost implication of doing this."

In a separate committee meeting Tuesday, Dominic Raab, the minister overseeing Brexit, said the government was looking at ensuring there were "adequate food supplies" in the unlikely case that the U.K. failed to secure a deal.

When asked if the government was considering stockpiling food, Mr. Raab said, "I think it would be wrong to describe it as the government doing the stockpiling...but we will look at this issue in the round and make sure there is adequate food supplies."

The U.K. will formally leave the EU on March 29, 2019, but negotiators are struggling to reach agreement in some areas, including in their efforts to prevent a physical border being re-established on the divided island of Ireland.



Soldiers waited to take part in rescue operations in Attapeu in Laos on Wednesday. Rescuers have started to make their way into the region, which borders northern Cambodia.

Firms Scrambled to Prevent Dam's Collapse

By JAMES HOOKWAY
AND EUN-YOUNG JEONG

For nearly 24 hours, engineers from South Korea and Laos raced to save the Xe-Pian-Xe-Nomnoy dam before it cracked Monday, unleashing waters that state media says killed at least 19 people and prompting a rescue operation for thousands of stranded villagers.

The unfinished dam, envisioned as one of the jewels in the communist-run nation's bid to become the hydroelectric hub of Asia, proved unable to withstand torrential rains that had pounded the region for days, raising questions over safety standards.

The dam is a joint venture largely owned by power companies from South Korea and Thailand, with a smaller stake held by a Laos state holding company. South Korea's SK

Engineering & Construction, the main contractor with a 26% stake, said Wednesday it is assessing the cause of the collapse. Laos government ministries didn't respond to requests to comment.

SK Engineering & Construction, whose account of the accident was corroborated by Thai partner Ratchaburi Electricity Generating Holdings, said the first worrying signs began around 9 p.m. Sunday.

Construction managers found that one of the so-called saddle dams, designed to hold diverted river water, showed damage and began emergency repairs, although they were hampered by the heavy rains.

At noon the following day, SK Engineering & Construction said, engineers warned authorities there was extensive damage and that nearby villages should be evacuated.

At 8 p.m. the dam burst, flooding nearby villages and swamping residents who weren't evacuated in time.

The following day, officials confirmed that eight villages had been flooded.

Rescue services are now beginning to make their way into the Attapeu region, which borders northern Cambodia. State media have reported at least 19 people have drowned and quoted district governor Bouhom Phommasane saying 3,000 people are still stranded. He later said only one person was confirmed to have died, the state-run Vientiane Times reported. Prime Minister Thongloun Sisoulath, meanwhile, said that 131 people are still missing.

The Red Cross and the U.N. are mobilizing support, with the Red Cross sending packs of sticky rice and instant noodles

along with blankets and water-purification equipment. SK Engineering & Construction has dispatched helicopters, boats and medical equipment.

A spokesman for South Korean President Moon Jae-in said that while the cause of the incident is under investigation, Seoul would contribute to the relief effort because a domestic company is involved.

The aftermath of the collapse, and the failure to evacuate villagers in time, are set to focus unwelcome attention on Laos's plans to sculpt its hillsides and rivers into a battery to meet its neighbors' growing energy demands. Laos's Foreign Ministry has warned foreign media not to attempt to enter the secretive nation.

Brian Eyler, a director at the Stimson Group research center in Washington, said the dam operator should have

known that intense rains were approaching and taken appropriate action. "Beyond any doubt, this was a man-made disaster," he said.

The accident is raising questions about the safety standards of dam-building programs along the length of the Mekong, which runs from China down through Thailand and Laos to Cambodia before exiting to the South China Sea in Vietnam. The main concern is over whether the dams can absorb the massive rainstorms during South East Asia's monsoon season.

Worse, the problem is becoming more urgent because of climate change, said Pianporn Deetes, a field researcher with U.S.-based activist group International Rivers. "Unpredictable and extreme weather events are becoming more frequent in Laos and the region," she said.

WORLD WATCH



HAIL: Taxi drivers from across Spain joined a Barcelona strike in protest of a growing number of cars using ride-hailing apps.

JAPAN

Six Cultists Hanged For Nerve-Gas Attack

Japan executed the remaining six death-row inmates involved in a doomsday cult that spread nerve gas on the Tokyo subway in 1995, ending the main legal process for an episode that traumatized the nation for years.

The hangings early Thursday followed the execution of the leader of the Aum Shinrikyo cult, Chizuo Matsumoto, also known as Shoko Asahara, and six of his followers July 5.

All of those executed were senior members of the cult convicted of involvement in the murder of 29 people in a series of attacks in the 1990s. The cult's release of sarin gas on the Tokyo

subway killed 13 people and injured more than 6,000. Many were permanently disabled.

Among those executed Thursday were Matsumoto's personal bodyguard and Aum's chief science and technology officer, who was responsible for producing stocks of sarin and other chemicals capable of killing millions of people.

—Alastair Gale

SWEDEN

Student on Flight Blocks a Deportation

A Swedish student activist has prevented the deportation of an Afghan asylum-seeker by purchasing a ticket for the flight removing him and then refusing to sit down, preventing the

plane from taking off.

Elin Ersson live-streamed her protest to Facebook from inside the plane that was due to fly from Sweden's second city, Göteborg, to Istanbul and then on to Kabul.

Speaking in English she explained that the man was being deported to Afghanistan "where he will most likely get killed."

The video was widely shared on social media and had received some two million views by Wednesday. The man and Ms. Ersson were eventually both removed from the plane after a stand-off.

German channel Deutsche Welle said the man was taken into custody and would still face deportation, while Ms. Ersson may face legal action.

—Associated Press

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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S&P 2846.07 ▲ 0.91%**S&P FIN** ▲ 0.26%**S&PIT** ▲ 1.50%**DJ TRANS** ▲ 2.30%**WSJ \$IDX** ▼ 0.44%**LIBOR 3M** 2.337**NIKKEI (Midday)** 22592.23 ▼ -0.10%See more at WSJMarkets.com

Big Auto Makers Trim Forecasts

Tariffs on aluminum and steel exact a toll; currency devaluations, China also hit results

By MIKE COLIAS
AND CHESTER DAWSON

Detroit's Big Three auto makers lowered their profit outlooks for 2018, and each said fallout from U.S. tariffs on steel and aluminum is weighing on their bottom lines.

For months, automotive ex-

ecutives largely sidestepped questions about how the metals tariffs might affect them. The second-quarter results issued Wednesday by **General Motors Co.**, **Ford Motor Co.** and **Fiat Chrysler Automobiles NV** made clear the elevated costs will linger through the year and into 2019, shadowing a relatively healthy backdrop for U.S. auto sales.

GM and Ford each said rising commodity prices—primarily steel—shaved about \$300 million from their second-quarter results versus a

year earlier. Ford said nearly half of the hit was related to the metals tariffs, while GM executives blamed “market forces” that drove up costs.

Both companies buy almost all of their steel for U.S. production from domestic suppliers. But U.S. steel prices have increased in reaction to the 25% tariff on imported steel that the Trump administration announced in March, according to analysts. The steel tariff took effect June 1, along with a 10% duty on aluminum imports.

Steel accounts for about 53% of the material in a typical automobile and aluminum 11%, according to consultancy Ducker Worldwide.

FCA said it expects prices for commodities such as steel to continue to rise over the next year. Fixed-price contracts this year will help blunt the impact but the company is building higher-price expectations into its 2019 plan.

The auto makers cited other factors for their lowered profit forecasts, too. GM has been hit by currency devaluations in

South America. Both Ford and FCA said they face struggles in China, where recently increased tariffs threaten to cut into future profits.

The rising commodity costs come as auto makers try to extend a long run of strong U.S. auto sales. The strong economy and job market have helped U.S. vehicle sales remain near record levels, while auto makers have benefited from a consumer shift toward larger—and more profitable—rides, such as pickup trucks

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Yuan Drop Targets Economy, Not Trump

China is letting the yuan slide primarily to combat a slackening economy, as the government rolls out more pro-growth measures in the face of an intensifying trade feud with the U.S.

By Lingling Wei
in Beijing and Saumya Vaishampayan
in Hong Kong

At the same time, government advisers and economists say the nation's leaders will refrain from actively devaluing the currency to hit back at the Trump administration. “China has no intention to turn the trade war into a currency war,” said an official involved in policy making.

At 6.7784 per dollar at the close of domestic trading Wednesday, the yuan has lost 6.9% in three months and isn't far off one-year lows.

The yuan's slump recently drew fresh criticism from President Trump, who in the past has accused China of manipulating its currency to gain a trading advantage by making its products cheaper. Last week, Mr. Trump called out China and Europe for currency manipulation and said the yuan was “dropping like a rock.”

The fast depreciation reflects bigger economic concerns among Chinese policy makers. Fresh signs of a slowdown are emerging, from softening domestic consumption to rising corporate defaults and weakening investment in highways, factories and the like.

That, plus an expected decline in exports as a result of the trade battle, has led Beijing to shift its policy focus toward supporting growth from controlling debt.

China's central bank is pumping more funds into the financial system, enabling banks to make more loans. Local authorities are ramping up investments that had stalled due to Beijing's tightfistedness. A weaker yuan, the government advisers and econo-

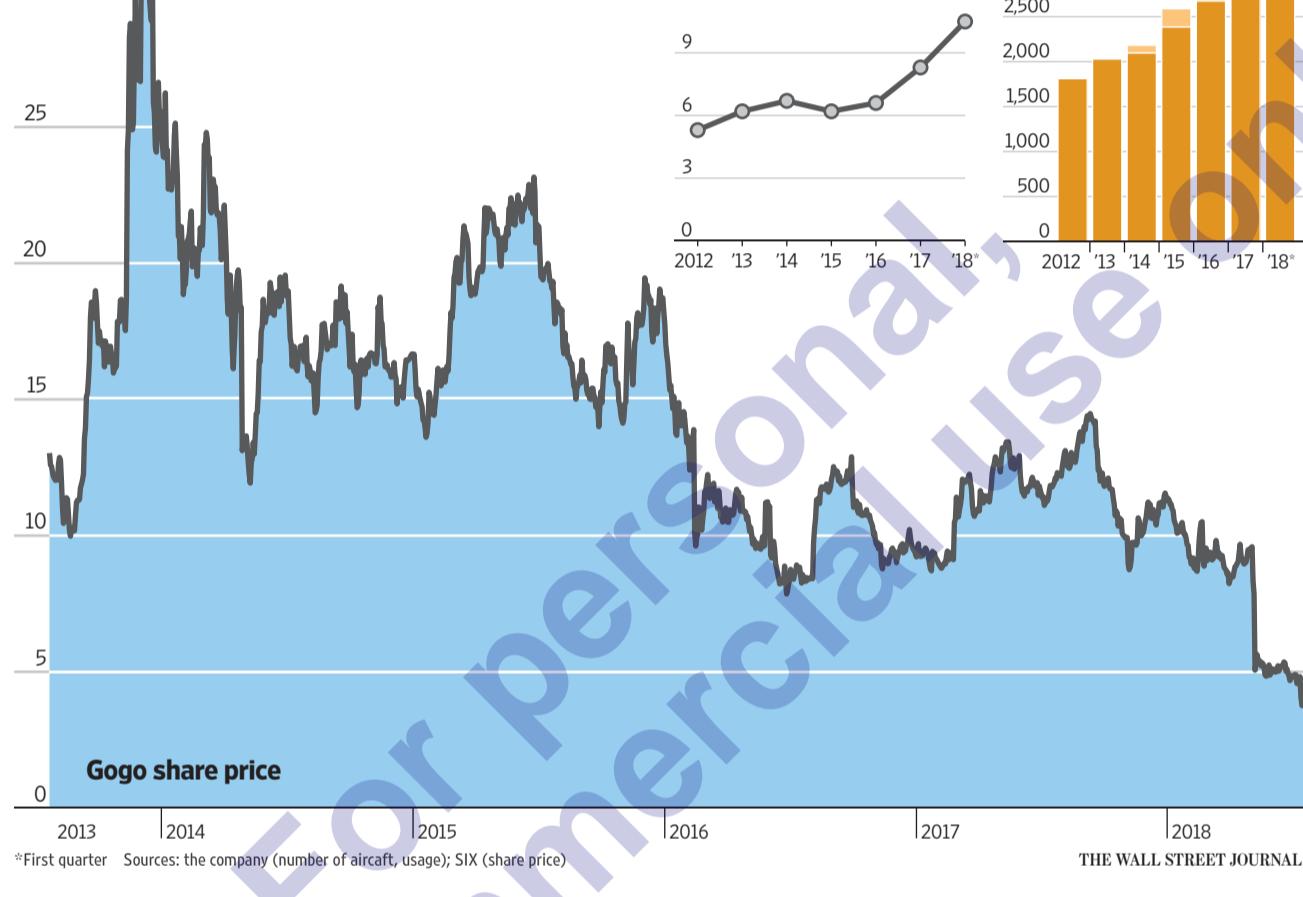
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Airline Wi-Fi Isn't Connecting to Profits

By ALISON SIDER

\$35 a share

Shares of Gogo, the airline wireless pioneer, have fallen as usage rates remain low despite rising availability.



said it would overhaul its business and slash costs to become profitable by 2020.

The company laid off 55 people, or about 5% of its workforce, and pledged to cut costs by 20% by the end of

2020. Mr. Thorne said Gogo also may break up the company's divisions providing internet on commercial and private jets.

When it launched its in-flight Wi-Fi business in 2008,

Gogo chased market share by covering most of the costs of installing the equipment that beamed Wi-Fi into plane cabins from cell towers on the ground.

Gogo's cell towers transmit-

ted just enough bandwidth onto planes for passengers to perform basic internet tasks. Service slowed dramatically when too many people logged on. Gogo raised prices to dis-

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A Number of Top Lines Are Humming

Revenue looked strong at an array of companies from United Parcel Service to Boeing and Mondelez International.

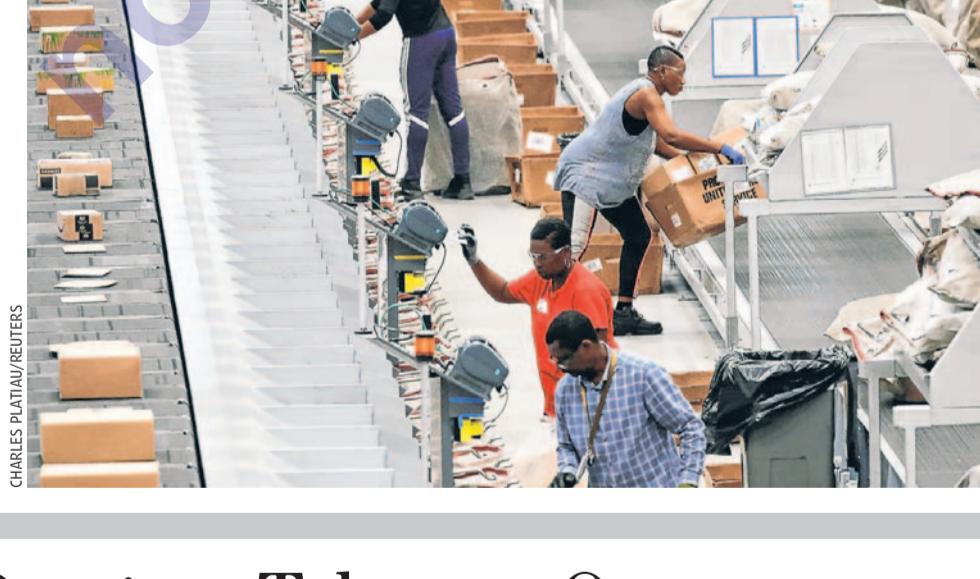
UPS reported sharply higher revenue, driven by higher pricing and e-commerce demand in the U.S., while profit growth was restrained by higher costs.

Boeing boosted its revenue outlook for all of 2018 as demand for passenger and cargo planes soars despite increasing trade friction.

And Oreo fans bolstered sales at Mondelez by 2.1% as the snack giant benefited from a strong U.S. economy.

At Coca-Cola, demand for diet sodas boosted drink volumes. But it also said it would raise prices on carbonated soft drinks.

Earnings news on B3.



CHARLES PLATIAU/REUTERS

Arconic Receives Takeover Overtures

Arconic Inc. is weighing takeover approaches from at least two private-equity groups, according to people familiar with the matter, in what would be one of the biggest recent leveraged buyouts.

By Miriam Gottfried,
Dana Mattioli
and Dana Cimilluca

Blackstone Group LP and Carlyle Group LP made a joint approach to the aerospace-parts maker, while Apollo Global Management LLC also expressed interest, the people said.

The two competing groups have indicated a willingness to pay a per-share price in the mid-

\$20s, the people said. Arconic stock closed Wednesday at \$19.26, having surged more than 10% since The Wall Street Journal reported earlier this month that the company is the subject of private-equity interest.

Arconic's board plans to discuss the possibility of a sale at a meeting Thursday ahead of its earnings report next week, one of the people said.

Others potentially interested in a deal with Arconic include KKR & Co. and Canadian private-equity firm Onex Corp., some of the people said.

No deal is imminent and there is no guarantee Arconic will proceed with a sales process or ultimately strike a deal.

A deal for Arconic would be

one of the biggest leveraged buyouts of the year. The New York company, previously Alcoa, has a market value of more than \$9 billion. At \$25 a share, its equity would be valued at around \$12 billion. Arconic also has about \$6.3 billion of debt.

If there is a sale, it would be the latest sign of a resurgence in the LBO market. Buyouts are on pace for their busiest year by dollar volume since 2007, according to Dealogic. Private-equity firms have raised record amounts of cash, which they are under pressure to spend in order to collect lucrative fees from their investors.

A number of the large LBOs from the precrisis era involved more than one private-equity

buyer. Since then, firms have shied away from so-called club deals, which in many cases proved unwieldy, making the Blackstone-Carlyle partnership noteworthy: There were 74 such deals announced in 2017, down from 403 in 2007, Dealogic data show.

Arconic makes aluminum and titanium parts for the aerospace, automotive, building and energy industries. It was separated from what is now Alcoa Corp. in 2016 in a move aimed at creating a company with less exposure to aluminum-prices swings. Arconic faced a campaign from activist investor Elliott Management Corp. that resulted in the resignation of its chief executive and an overhaul of the board.

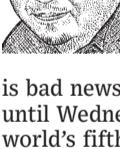
Wednesday's results transformed those fears into some seriously disconcerting numbers.

Total daily active users of 1.47 billion grew by only 1.5% from the previous quarter—the slowest pace on record and below the 2.3% rise expected by Wall Street. Advertising revenue jumped 42% year over year to \$13 billion, but that also was below the \$13.2 billion projected by analysts.

Facebook said that future growth would slow further, in part because it is giving users more power to keep their data private. That affects its advertising business. The stock plunged after

HEARD ON THE STREET | By Dan Gallagher

Facebook Loses Some Of Its Best Customers



Facebook may be a hard habit to break, but more are finally giving it a shot. That is bad news for what was, until Wednesday at least, the world's fifth-most-valuable company.

The social network looked invulnerable heading into its second-quarter earnings report Wednesday afternoon. Users and advertisers had continued flocking to it despite a growing number of scandals related to Facebook's past handling of user data as well as controversies over the powerful role it now plays in news distribution and public discourse.

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Facebook said that future growth would slow further, in part because it is giving users more power to keep their data private. That affects its advertising business. The stock plunged after

hours following the report.

Facebook remains an extremely lucrative enterprise—one that still has nearly one-fifth of the world's population checking in daily.

Operating margins only took a small drop to 44% in the second quarter from 47% in the year-ago period.

But controversies are now hitting the company where it hurts. Combined daily active users in the wealthy U.S. and Europe slipped by about three million during the second quarter—the first decline since at least early 2014. While these markets comprise less than one-third of Facebook's total daily active user base, they ac-

tually account for 72% of the company's revenue over the past 12 months.

It is entirely possible Facebook can reverse that trend. The decline in those markets still represents less than 1% of its user base there. But investors have been far too dismissive of the company's lapses, as well as the potential impact on its business.

The stock had surged 43% since its trough during the height of the Cambridge Analytica scandal in late March, lifting it to a record close of \$217.50 before the report. As it turns out, investors were more hooked on Facebook than its users.

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D	Milligan, John.....B3
DeWitt, Adam.....B4	Mollenkopf, Steve.....A1
DiFrisco, Matthew.....B4	Muihlenburg, Dennis.....B3
E - G	Munoz, Oscar.....B6
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George, Marty St.....B2	Rabinowitz, Jason.....B2
Giddis, Kevin.....B11	Ransford, Kyle.....B4
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No Profit In Airline Wi-Fi

Continued from page B1
courtesy passengers from signing on all at once.

"It was like splitting one 3G iPhone between 150 people," said Jason Rabinowitz, director of airline research at Routehappy, which tracks passenger amenities.

Competitors introduced satellite-broadband systems that handle more data per second and maintain service over water and at airport gates. Gogo also started offering some satellite service, but **American Airlines Group** Inc. sued in 2016 to get out of its contract with the company.

American dropped the suit but has started removing Gogo's equipment from some 550 planes. American, however, is adding Gogo's new sat-

ellite service on roughly 150 planes.

The satellite service can deliver speeds of over 100 megabits of data per second, faster than Gogo's cellular system. But the rollout faltered last winter when deicing fluid seeped into antennae and scrambled the equipment on some aircraft.

Gogo said the problem had been fixed—at a cost of \$25 million—and more than 800 planes have the system, including many operated by **Delta Air Lines** Inc., Gogo's largest customer.

Don Wright, a frequent Delta flier, said he noticed the improvement from the new system around six months ago. "I was like, wow this is fast, what happened?" he said. "It's pretty drastically different."

But Gogo and other Wi-Fi providers have struggled to overcome a history of spotty service and convince people to pay for something they now get free at other businesses, from cafes to hotels.

Less than 10% of passengers



High installation and operating costs for Wi-Fi challenge airlines.

on most flights pay for Wi-Fi, according to Valour. On flights where Wi-Fi is free, Valour said usage jumps to about 40%.

"Eventually, we're going to have to do it at a price point that makes sense in the air," Delta Chief Executive Ed Bastian said. "I mean, where else do you pay for Wi-Fi other

than in an airplane, right?"

Many airlines have been reluctant to cover the cost of Wi-Fi for all passengers, preferring to provide other types of free entertainment. Delta recently introduced free onboard messaging.

Southwest Airlines Co. charges most customers \$8 a day for Wi-Fi but provides free

access to top-tier passengers. The airline recently doubled the bandwidth available on its aircraft, said Tara Bamburg, Southwest's manager of in-flight Wi-Fi and entertainment.

Some airlines are offsetting that cost with advertising. **JetBlue Airways** Corp. provides free Wi-Fi from satellite provider **Viasat** Inc. and sponsored by **Amazon.com** Inc.

"The more airlines that understand that's the business model, the faster you see really good free internet," said ViaSat Chief Executive Mark Dankberg.

Marty St. George, JetBlue's executive vice president of commercial and planning, said that on some 150-seat flights, 160 devices log into the service.

"This is going to be an expectation for customers on every flight," he said.

Japan Airlines Co., a Gogo customer, doesn't charge for Wi-Fi on domestic flights. Mr. Thorne said Gogo has discussed passing savings along to airlines as satellite band-

width costs fall. The company also has a deal with **T-Mobile** to provide deals like an hour of free Wi-Fi and free texting to its cellular subscribers.

Some analysts and investors say Gogo should give up on commercial aviation and focus on its lucrative business providing Wi-Fi on corporate

'Nobody is making any money from connectivity,' one airline adviser said.

jets.

Mr. Thorne said the board is evaluating its options, but Gogo's satellite service can thrive even if airlines give connectivity away free, with changes including charging airlines to install the equipment that powers it.

"Free isn't a killer for us," Mr. Thorne said.

Cosco Shipping Is Hit by Cyberattack

By COSTAS PARIS

Cosco Shipping Holdings Co. was hit by a cyberattack that has disabled the Chinese state-run company's U.S. website and email systems, but the company said the incident hasn't disrupted its global shipping operations.

"So far, all vessels of our company are operating normally, and our main business operations are stable," Cosco said in a customer advisory

posted Wednesday on its Facebook page. The company was communicating with customers via social media.

The company said a "local network breakdown" in its Americas region had disrupted its email and telephone there.

It said it had shut connections with other regions as a safety precaution but business operations in the Americas were still being carried out.

Cosco officials didn't immediately respond to requests for

comment.

The attack on Cosco, one of the biggest cargo carriers, comes shortly after it took over one of its Asian rivals, Orient Overseas Container Lines.

The transaction gave the company control over a large container terminal in Port of Long Beach, in California. Cosco has promised to sell the operations and put it in a trust to satisfy U.S. national security concerns.

Officials at the Port of Long Beach said the terminal's operations weren't affected Wednesday.

Last year, A.P. Moeller-Maersk A/S, the world's biggest container operator, was hit by a cyberattack that disrupted the company's operations for weeks and cost the shipping line some \$300 million. It was part of a broader attack, dubbed Petya.

—Erica Phillips

contributed to this article.

cord adjusted-operating profits, which totaled \$12.8 billion in 2017. GM originally had forecast this year's bottom line to be in the same range as last year's.

"While we were expecting an end to earnings resilience, this is slightly worse than feared" for the quarter and 2018 outlook, Jefferies analysts said in a note to clients.

Ford's second-quarter profit was cut nearly in half, to \$1.1 billion, and the company lowered its full-year profit guidance to \$1.30 to \$1.50 a share, from \$1.45 to \$1.70. It also outlined plans for a multiyear restructuring that could result in \$11 billion in charges.

Ford's China business

swung to an operating loss of \$483 million, from a \$23 million profit a year earlier. Ford finance Chief Bob Shanks said the company's product portfolio has grown stale in the world's largest car market, which has hurt pricing and sales volumes.

2018 earnings-per-share forecast to \$6, from a range of \$6.30 to \$6.60. Shares in GM fell 4.6%.

The downgraded profit outlook signals a likely end to GM's three-year string of re-

Auto Firms Lower Forecasts

Continued from page B1
and sport-utility vehicles.

Fiat Chrysler cut guidance on a number of targets for the full year, marking a rocky start to the tenure for new Chief Executive Mike Manley. The lower-than-expected earnings sent the company's stock price sliding and came hours after FCA said former Chief Executive Sergio Marchionne had died of complications from surgery.

FCA said adjusted operating profit fell 11% to €1.66 billion (\$1.94 billion) from €1.87 billion a year earlier, short of analysts' consensus forecast of €2.1 billion. The auto maker cut its guidance for adjusted operating profit to between

Downshift

The Big Three auto makers lowered outlooks for the rest of the year.

Change in share price on Wednesday



€7.5 billion and €8 billion, against a previous forecast of at least €8.7 billion.

GM's adjusted operating profit fell 13% to \$3.2 billion. The nation's largest auto maker by sales reduced its

BUSINESS & FINANCE

Agnelli Heir Thrust Into Spotlight

By ERIC SYLVERS

MILAN—John Elkann, head of the Italian family that controls **Fiat Chrysler Automobiles** NV, boarded his private jet last Friday in Turin to fly to Zurich, where he went to a hospital to see his most important employee: FCA Chief Executive Sergio Marchionne.

The next day, Mr. Elkann, heir of Italy's Agnelli family and chairman of Fiat Chrysler, announced the longtime CEO was seriously ill and wouldn't be returning to the company. The 42-year-old owner swiftly appointed new management for the U.S.'s third-largest car maker and two other family assets, including race-car maker **Ferrari** NV.

"For me, [Mr. Marchionne] has been someone with whom to share thoughts and in whom to trust, a mentor and above all a true friend," Mr. Elkann wrote in a statement announcing the changes.

Exor NV, the Agnelli-Elkann family holding company that owns 29% of FCA and about one-quarter of Ferrari, announced Wednesday that Mr. Marchionne had died at 66. No cause of death was given.

The sudden turn of events is a wrenching change for Mr. Elkann, the scion of one of Europe's most storied business dynasties, which was struggling to salvage a near-bankrupt car maker when he asked Mr. Marchionne to take the helm in 2004.

Now, as Mr. Elkann installs new leadership, the change also marks the coming of age of a man who relied on Mr. Marchionne's bold vision and hard-



John Elkann with fashion designer Diane von Furstenberg. He considers Sergio Marchionne a mentor.

nosed management to transform Fiat into a thriving car maker.

"Without Marchionne, Elkann will be forced to be more on the front line," said Luca Cordero di Montezemolo, a former chairman of both Fiat and Ferrari who in the past has been close to the Agnelli family. "It's time for him to show what he has."

Mr. Marchionne joined Fiat at one of the lowest points in the Italian car maker's more than 100-year history. In 2003, Gianni Agnelli, the legendary Fiat patriarch who led the family for four decades, died, followed a little more than a year later by the death of his younger brother Umberto. Gianni had previously designated as his heir his grandson, Mr. Elkann, then in his early 20s.

During his long tenure at FCA, Mr. Marchionne often overshadowed Mr. Elkann, a soft-spoken polyglot who was born in New York and initially shunned the spotlight.

Mr. Marchionne acted as a lightning rod, absorbing pres-

sure from banks, shareholders and the media while Mr. Elkann appeared at shareholder meetings and key events but rarely spoke publicly. As he gained experience, Mr. Elkann made more public appearances and in 2010 became Fiat chairman.

Mr. Elkann gave Mr. Marchionne a wide berth to restore Fiat's fortunes, most notably supporting his risky proposal in 2009 to take over Chrysler, then in bankruptcy. Mr. Marchionne made that acquisition a success, transforming two financially challenged companies into FCA, a profitable, globe-spanning business.

Before falling ill, Mr. Marchionne had planned to retire from FCA next year, but was to keep his post at Exor, where he would be involved in helping decide on future investments, according to company officials.

width costs fall.

The company also has a deal with **T-Mobile** to provide deals like an hour of free Wi-Fi and free texting to its cellular subscribers.

Some analysts and investors say Gogo should give up on commercial aviation and focus on its lucrative business providing Wi-Fi on corporate

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BUSINESS NEWS

Mattel Plans to Cut Over 2,200 Jobs

BY PATRICK THOMAS

Mattel Inc. said it would cut more than 2,200 jobs, or nearly one-quarter of its non-manufacturing workforce, as the maker of Barbie dolls and other toys grapples with slumping sales and deep losses.

The El Segundo, Calif., company said it also would sell manufacturing sites in Mexico, part of a plan to cut costs at the company, which has struggled with the liquidation of Toys "R" Us and has switched CEOs earlier this year.

"This is a first step that will help simplify our manufacturing footprint," Chief Executive Ynon Kreiz said on a conference call Wednesday. He said the company was also reviewing the rest of its factories and determining how much of the products it should continue to produce itself.

Unlike rival **Hasbro** Inc., Mattel still owns many of the factories around the globe that produce Barbies, American Girl dolls, Hot Wheels cars and other toys. More than 35,000 people worked for Mattel, including seasonal and temporary workers, as of Dec. 31 and around 21,400 of them were manufacturing workers, mostly outside of the U.S.

Executives said the majority of the layoffs are from back-of-office and support functions. The company expects \$75 million in severance costs and predicts the moves will save about \$150 million a year.

Mattel reported a loss of \$240.9 million for the second quarter, compared with a year-earlier loss of \$56.1 million. Sales declined 14% from the prior year to \$840.7 million.

Mr. Kreiz, who took the helm three months ago, said the collapse of Toys 'R' Us would pressure sales for the rest of 2018, but that other retailers such as Walmart Inc., Target Corp. and Amazon.com Inc. were already stepping into the void left by the chain.

Mattel said sales of Barbie and Hot Wheels franchises fared better in the latest quarter than some of its other brands. Global gross sales for Barbie rose 12% and Hot Wheels jumped 21%. But gross sales for American Girl decreased by 33%, while gross sales fell 14% for Fisher-Price and Thomas & Friends.



RANDALL HILL/REUTERS

The aviation company expects to deliver up to 815 commercial airplanes this year. Earnings were dragged down by charges related to a delayed military tanker program.

Boeing Raises Revenue Outlook

BY ANDREW TANGEL

Boeing Co. on Wednesday boosted its revenue outlook for all of 2018 as global demand for passenger and cargo planes soars despite growing trade friction.

The world's largest plane maker by sales expects annual revenue of between \$97 billion and \$99 billion in 2018, a range \$1 billion higher than what Boeing had forecast previously. Its total backlog of orders, including nearly 5,900 jetliners, was \$488 billion, up \$14 billion from the start of the year.

Boeing left its delivery guidance unchanged and still expects to deliver between 810 to 815 commercial airplanes this year, indicating confidence it can overcome supply-chain chokepoints, such as a short-

age of engines and other parts.

"Airlines continue to report robust profits and strong passenger traffic, outpacing global GDP," Chief Executive Dennis Muilenburg said on a call with analysts and reporters.

Still, the aerospace giant's updated guidance wasn't as strong as some analysts and investors had expected.

Boeing didn't boost its outlook for profit or cash flow for the year. Earnings were dragged down by \$426 million in pretax charges related to a delayed military tanker program, lifting its cost overrun above \$3 billion. The impact of that overrun rippled through multiple Boeing divisions, including its commercial airplane segment.

Despite those costs, Mr. Muilenburg said Boeing was on track to deliver the first of

the tankers in October, following recently completed flight tests.

Shares in Chicago-based Boeing fell less than 1% on Wednesday. Boeing's stock has climbed about 21% in 2018,

'Our Chinese customers are exceptionally important to us.'

compared with a 3% advance for the Dow Jones Industrial Average.

For the quarter ended June 30, Boeing reported a profit of \$2.2 billion, or \$3.73 a share, up from \$1.75 billion, or \$2.87 a share, a year earlier. Exclud-

ing pension costs, per-share earnings of \$3.33 surpassed estimates of \$3.26, according to analysts polled by Thomson Reuters.

A previously disclosed \$124 million charge related to litigation involving Spirit AeroSystems Holdings Inc. also weighed on results.

Despite the confident outlook, aerospace executives also worry that new trade barriers could drive up plane manufacturing costs and lead airlines to put off purchases. Speaking at a U.K. air show last week, Mr. Muilenburg said Boeing hasn't suffered any material effects from tariffs.

On Wednesday, Mr. Muilenburg said he wasn't surprised by a relative absence of order announcements by Chinese customers at the air show. Previous Chinese orders remain a

significant chunk of Boeing's backlog. The Chinese market is expected to help fuel airplane demand for decades, he said.

"Our Chinese customers are exceptionally important to us," Mr. Muilenburg said. "We're working closely with our customers there. We're ramping up capability in China, while we ramp up in the U.S. as well."

Boeing maintained its guidance for a full-year profit of between \$14.30 and \$14.50 a share when excluding pension costs and kept its guidance for operating cash flow of between \$15 billion and \$15.5 billion.

Overall operating profit margin rose to 11.2% from 11% the prior year.

Doug Cameron and Allison Prang contributed to this article.

Mondelez Posts Higher Sales, Lifts Forecast

BY ANNIE GASPARRO

Oreo fans helped boost **Mondelez International** Inc.'s sales 2.1% to \$6.1 billion in the latest quarter as the snack giant benefited from a strong U.S. economy.

"Consumer confidence overall in the U.S. is pretty good," said Chief Executive Dirk Van de Put.

He said that while Mondelez doesn't plan to raise prices as a result of tariffs, trade tensions could weigh on consumer spending more broadly if other companies make their products more expensive.

Mondelez raised its sales-growth outlook for the year to about 2%, excluding acquisitions, divestitures and foreign currency fluctuations, from a

previous estimate of 1% to 2%.

The maker of Oreos, Wheat Thins and other snacks struggled along with its peers in recent years to generate sales growth in the U.S. as Americans swapped packaged foods for more fresh, natural alternatives.

Mondelez also was hit last year by a cyberattack that disrupted its ability to make de-

liveries, denting sales for several quarters. It took months to resolve the supply-chain and customer-service issues with retailers in North America, which accounts for one-quarter of the Deerfield, Ill., company's revenue. Since resolving those disruptions, Mondelez's comparable sales in North America rose 5.7% in the quarter.

Overall for the quarter, Mondelez's profit rose 11% to \$826 million, or 56 cents a share, excluding impacts of international currency fluctuations and certain one-time events.

That topped analyst expectations of 54 cents a share, according to FactSet. Mondelez's shares rose 3% after market hours Wednesday.

Coke, Original or Zero, to Cost More

BY JENNIFER MALONEY

Coca-Cola Co. reported rising drink volumes for its latest quarter, boosted by demand for diet sodas in the U.S. and by experiments abroad. But it also said it would take the unusual step of raising prices on its carbonated soft drinks in the middle of the year.

Chief Executive James Quincey said the price move in North America was in response to rising costs, including higher freight rates and metal prices after the U.S. placed tariffs on Chinese imports earlier this year.

"There is some broad-based push on input costs that have kind of come in and affected ours and many other industries as well," Mr. Quincey said.

He said he expects the company's bottlers and retailers to pass along the higher prices to consumers. A Coke spokesman declined to provide details on the price increase.

The soda giant has been diversifying its portfolio away from sugary drinks, adding seltzer and soy beverages to its stable.

Results for the June quarter, it said, were driven by Coca-Cola Zero Sugar, a diet version with a flavor closer to original Coke that has helped offset declining sales of traditional Coca-Cola.

Along with increasing demand for Coke Zero Sugar in the U.S., the company said it had largely halted a long slump in Diet Coke volumes in its home market.

Company introduced slimmer Diet Coke cans and four new flavors such as Zesty Blood Orange.

The changes are "getting people to try it," Mr. Quincey said Wednesday on a call with analysts.

Under Mr. Quincey, the Atlanta-based company has ramped up experiments in overseas markets and moved to weed out unsuccessful products.

The company launched Coca-Cola Plus Coffee in Australia last fall and is rolling out versions of the coffee-infused cola to other markets including Vietnam and Turkey.

The Middle East and North Africa unit identified more than 125 underperforming products. To date the company has pulled 60% of them and plans to eliminate the rest by the end of the year.

Overall, sales declined 8% from a year earlier to \$8.9 billion as a result of the divestiture of its bottling operations. Coca-Cola posted profit of \$2.3 billion, compared with \$1.4 billion a year earlier.

Drink volumes grew by 2% across the company's portfolio in the quarter, driven by double-digit growth in Coca-Cola-branded products. Volumes rose 2% in carbonated soft drinks and rose 4% for water, enhanced water and sports drinks.

Volumes declined in juice, where higher costs have caused Coca-Cola and others to shrink packages, and in coffee and tea.

—Kimberly Chin contributed to this article.



LYNN SLADKY/ASSOCIATED PRESS

The delivery company's revenue rose 9.6% in the latest quarter as online shopping boosted volume.

UPS Meets Rising Demand

BY AISHA AL-MUSLIM AND PATRICK THOMAS

United Parcel Service Inc. reported sharply higher revenue in its latest quarter, driven by higher base pricing and e-commerce demand in the U.S., while profit growth was restrained by increased expenses.

The Atlanta-based delivery company has been spending to upgrade its technology systems to fend off competition from FedEx Corp. and **Amazon.com** Inc., as well as to meet ever-growing demand from online shopping.

"While operating profit is not currently where we wanted to be, there are several initiatives under way to improve the bottom-line results," Chief Executive David Abney said on a conference call to discuss second-quarter results.

UPS reported Wednesday that revenue for its U.S. domestic package business rose 6.3% from a year earlier to \$10.35 billion, while total revenue surged 9.6% to \$17.46 billion, edging out the consensus forecast of analysts polled by Thomson Reuters.

Average daily package volume for the second quarter was 19.1 million, up 3% from a year earlier, while the average revenue per piece rose 4.6% to \$11.26.

The company's shares rose 6.9% on Wednesday.

UPS logged a profit of \$1.49 billion, or \$1.71 a share, up from \$1.38 billion, or \$1.58 a share, in the same period a year earlier. Adjusted earnings were \$1.94 a share, beating analysts' estimates of \$1.93 a share.

Operating profit fell 25% in

its U.S. domestic package segment, while overall operating profit fell 13%. Planned increases in pension expense and costs for network projects cut into the company's bottom line.

The company still relies on some outdated equipment and manual processes, but is opening new automated facilities and implementing technology upgrades as part of a \$20 billion capital-spending plan.

Mr. Abney said UPS will soon open its second-largest domestic ground hub in Atlanta, incorporating "the latest automated sortation and network control technologies."

He said the company so far hasn't been affected by escalating trade tensions, but warned of the dangers a trade war could bring. "UPS has long supported the advancement of free-trade principles," he said.

Gilead CEO Milligan To Leave

BY JONATHAN D. ROCKOFF

Gilead Sciences Inc. Chief Executive Officer John Milligan will step down at the end of the year, an abrupt departure from a drug company struggling with falling sales and profit.

Dr. Milligan, a biochemist by training who read scientific papers in his spare time, has spent 28 years at Gilead and served as CEO the past two years. After the board finds a successor, he will also leave the board.

"I'm looking forward to a well-deserved break and moving on," Dr. Milligan said during an earnings call with analysts and investors.

Chairman John C. Martin will also step down from the board when the new chief executive is appointed, the company said.

The pair played key roles transforming Gilead from a fledgling antiviral drugmaker into one of the world's biggest pharmaceutical companies by sales, though a frequent target of criticism for the high prices of its HIV and hepatitis C drugs. Their departure means Gilead will have new leadership as it seeks to overcome falling revenue and profit, which have been dropping in recent quarters as competition has taken a toll on sales of its hepatitis C drugs.

—Waverly Colville contributed to this article.

TECHNOLOGY & BUSINESS



A Grubhub driver making a delivery. The company said the deal to buy LevelUp for \$390 million adds more restaurants to its service.



Facebook Suffers Setback as It Tries To Return to China

Facebook Inc.'s long campaign to re-enter China has been hit with another reversal.

The social-media giant announced plans Tuesday to open an "innovation hub" in the city of Hangzhou to support Chinese developers and startups. Hours later, the listing for the \$30 million subsidiary had been pulled from the national business-registration webpage.

The action suggests the hub plan has been sidelined, likely because of internal dissent among different levels of Chinese government over the Facebook effort, people familiar with the matter said.

Facebook, based in Menlo Park, Calif., didn't respond Wednesday to requests to comment.

Facebook disclosed the plans Tuesday in response to news-media questions about a new wholly owned entity it had registered in eastern China's Zhejiang province, with Facebook's Singapore-based associate general counsel listed as its chairman.

The innovation center was the latest in a series of steps aimed at re-establishing Facebook's presence in the world's largest consumer market. The company's social network was shut out of China in 2009, after Chinese state media blamed social media for stirring ethnic unrest.

In 2015, Facebook was granted a permit to open an office in Shanghai, but the license was good for only three months and Facebook never opened what might have been its beachhead back into China.

The hub was expected to offer training and workshops to developers and entrepreneurs

in the region, a Facebook spokeswoman said Tuesday, and would be similar to centers the company has established in countries including France, Brazil and India.

The latest about-face reflects the challenges that social networks face in a country where the government keeps a tight rein on information channels, including social media, to restrain political dissent. China has become a critical market for U.S. technology companies searching for growth beyond their home shores.

Alphabet Inc.'s Google, which pulled its search engine

Innovation-hub plans were withdrawn from a national registration website.

Grubhub Feeds on LevelUp

Purchase of delivery startup, plus strong results and forecasts, send shares to record

By AISHA AL-MUSLIM

Grubhub Inc. shares closed at an all-time high Wednesday after the company announced the purchase of mobile food-ordering startup LevelUp and that strong order growth fueled sales and profits in the latest quarter.

Grubhub said the deal to buy Boston-based LevelUp for \$390 million adds more restaurants to its service pool and makes it easier for restaurants including KFC, Taco Bell, Bareburger, and Roti to integrate with the Grubhub marketplace.

Shares in Grubhub, a pro-

vider of online and mobile food-ordering services, rose 24% to \$134.73 Wednesday, as the company also raised its forecast for annual sales. Grubhub's stock price has nearly quadrupled over the past year.

With brands that also include Seamless and Eat24, Grubhub has been gobbling up food-takeout companies in recent years in a bid to gain scale as the market for digital food-ordering continues to grow. Grubhub works with more than 85,000 restaurant partners in over 1,600 U.S. cities and London.

With the purchase, Grubhub would add point-of-sale capabilities in addition to being in the delivery and online order-aggregation business, said Matthew DiFrisco, an analyst for Guggenheim Securities LLC.

LevelUp provides a system that more than 200 restaurant companies use to facilitate payments and customer-relationship-management tools. The company generates revenue from customized-development work, subscription fees for restaurants and a transaction fee. Its growth rate implies annual revenue of between \$30 million and \$40 million, Grubhub finance chief Adam DeWitt said.

LevelUp processes more than 100,000 orders a day, representing roughly \$400 million in annual restaurant sales, Grubhub Chief Executive Matthew Maloney said. The LevelUp business is almost exclusively pickup orders, a potential area for Grubhub to grow, along with offering restaurants on the LevelUp platform the ability to opt into delivery orders.

Grubhub reported quarterly revenue rose 51% from a year earlier to \$239.7 million, helped by growth in its restaurant network and delivery capabilities. Analysts polled by Thomson Reuters expected \$233 million in revenue.

Grubhub's active diner count rose 70% to 15.6 million, as the company said it had a record number of first-time users of the service despite lower advertising spending.

For 2018, the company increased its revenue guidance to between \$966 million and \$983 million, up from its previous outlook of between \$930 million and \$965 million.

Grubhub's profit more than doubled to \$30.1 million, or 33 cents a share, in the latest quarter. Adjusted earnings were 50 cents a share, beating analysts' estimate of 41 cents a share.

HBO Will Keep Its Identity Under AT&T Ownership

By JOE FLINT

HBO isn't going to become a content factory under new owner AT&T Inc., a top executive at the premium programmer said at an entertainment-industry gathering.

"Let me put this as clearly as I can. There are no plans to dilute the HBO brand in favor of volume of programming," said HBO Programming President Casey Bloys at the semi-annual Television Critics Association press tour in Beverly Hills, Calif.

Mr. Bloys was responding to questions about AT&T's plans for the service, which has been a topic of interest in media circles since AT&T closed on its deal to acquire

HBO parent Time Warner Inc.

Last month at a town hall meeting at HBO's New York headquarters, John Stankey, the AT&T executive in charge of the newly acquired Time Warner assets, spoke of the need for more content at HBO and better engagement with its audience.

He stressed that HBO has to build a closer relationship with its customers similar to Facebook and get them to spend more time watching programs.

"I want more hours of engagement," Mr. Stankey said, according to a transcript of the meeting reviewed by The Wall Street Journal, because "you get more data and information about a customer that



HBO is known for original shows, like 'Game of Thrones.'

then allows you to do things like monetize through alternate models of advertising as well as subscriptions."

The New York Times earlier

reported on the town hall remarks, leading to speculation that HBO, which prides itself on being a boutique programmer, was going to become a

mass production engine that would lose its identity and culture under its new owner.

In his remarks Wednesday, Mr. Bloys said there was no threat to HBO's identity. "We're not going to do anything that doesn't feel like something we wouldn't have done before," Mr. Bloys said. "No one is asking us to sacrifice quality for volume" or increase volume "to a point where we lose quality control."

AT&T highlighted its new media assets, including HBO, as strong points when it reported earnings this week for the second quarter. HBO posted revenue of \$1.7 billion, an increase of 13% over the year-earlier period, driven pri-

marily by subscriber revenue gains. Operating income was \$530 million, flat from the previous year as revenue gains were offset by programming and marketing expenses as well as costs tied to the AT&T merger.

HBO spent about \$2.7 billion on content last year, far less than Netflix's \$6 billion budget for 2017 and \$8 billion budget this year.

Mr. Stankey has promised HBO more money for content but hasn't specified how much.

Netflix has far more original shows than HBO and spends aggressively in other areas of content where HBO used to dominate, including stand-up comedy specials.

Meal-Kit Firm Chef'd Finds a Buyer

By HEATHER HADDON

Meal-kit maker **Chef'd** has found a buyer, a week after running out of cash and suspending operations.

True Food Innovations, a packaged-food consultancy backed by the family office of investor Alan True, said it bought Chef'd's assets from a debtor that took over the Los Angeles-based company after it abruptly closed on July 16. The firm will continue to sell Chef'd meal kits in grocery stores and other retail outlets, but it will suspend its sprawling e-commerce offerings while it works to become profitable, True Food said.

"It's meal-kit 2.0," said Robert Jones, True Food's president and a former Chef'd executive who negotiated many of the meal-kit company's deals to sell in retail stores. True Food didn't disclose terms of the deal.

Chef'd was valued at about \$160 million during its most recent funding round last year. The company's assets include warehouses in California and New York, supply deals to more than two dozen retailers and about 200 licensing partnerships with big food brands and prominent chefs.

The new company will retain the Chef'd name but won't keep the licensing deals and will try to renegotiate its retailer agreements, Mr. Jones said. Grocers have said Chef'd meals sold well in their stores.

Meal-kit demand continues

to grow, according to Nielsen. But turning a profit has proven difficult in a business that has high operational and customer-acquisition costs. The two biggest companies, HelloFresh SE and Blue Apron Holdings Inc., hope to break even in the next year or so, about seven years after they were founded.

Bankers and investors expect more meal-kit startups to merge or close as bigger players eat up market share. Chef'd's situation has sparked heated discussions among founders and funders about who might be the next to fall, and whether meal kits are a fad that is at risk of fading.

Meal-kit executives say interest is growing, as grocers devote more shelf space to their boxes.

Founded in 2015, Chef'd was one of the first companies

to sell meal kits in grocery stores. It offered a range of options that other meal-kit companies have tried to emulate. But the complicated logistics of shipping perishable, preportioned ingredients weighed on the company, and these problems aren't unique to Chef'd.

"To have all these issues lurking in the background is kind of scary," Daniel McCarthy, an assistant professor of marketing at Emory University, said of Chef'd. "The operational difficulties of running a meal-kit business are high."

Major food companies including Campbell Soup Co. and Smithfield Foods Inc. invested tens of millions of dollars in Chef'd. The company, in turn, invested in technology to extend

Unhappy Meal

Change in Chef'd U.S. sales



Note: Only includes sales from the Chef'd website, not products sold in grocery stores
Source: Second Measure

THE WALL STREET JOURNAL.

the shelf life of its products.

These innovations appealed to True Food and Mr. True, an entrepreneur who got his start in furniture manufacturing. True Food uses a treatment of cold water at high pressure to extend the shelf life of foods.

Troubles at Chef'd worsened in May, when executives held emergency meetings to discuss the company's problems, employees said. The executives told employees that funding was coming that would keep Chef'd operating. But on July 16, Chief Executive Kyle Ransford emailed employees to say their work was ceasing. "If we had been successful with these funding efforts, this difficult decision would have been avoided," he wrote. Mr. Ransford didn't respond to requests for comment.



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MANAGEMENT

IBM's Go-To Disrupter Runs on Change

Bridget van Kralingen built a blockchain startup within the tech giant; she strives to remove the fear of failure

BY VANESSA FUHRMANS

Bridget van Kralingen wears many hats at International Business Machines Corp., but has one essential job: getting the 107-year-old tech giant to disrupt, instead of being disrupted.

A former industrial psychologist who grew up in South Africa, Ms. BOSS Van Kralingen is a key operative TALK as IBM Chief Executive Ginni

Rometty shifts IBM from declining legacy businesses into faster growth areas, including artificial intelligence and cloud computing.

Ms. Van Kralingen heads up IBM's global industries, platforms and blockchain business, making her responsible for developing cloud-based platforms that incorporate AI and other technologies. The platforms are tailored to meet the needs of specific industries, such as finance and insurance. She also oversees the company's partnerships with Apple Inc., SAP SE and other technology giants.

The 55-year-old has built IBM's blockchain business from the ground up, using the ledger technology's decentralized way of executing and tracking transactions to create industry networks for tasks as diverse as authenticating diamonds and digitizing global supply chains.

Leading a startup with no playbook—even one with a big backer like IBM—requires removing fear of failure, she said. "People have to feel like it's OK to make mistakes and learn from them because that's how we actually move forward."

It is a mentality she said more established companies should adopt. "Very few businesses today could say, 'I've got a formula I know will be successful for the



IBM executive Bridget van Kralingen is responsible for developing cloud-based platforms that incorporate AI and other technologies.

did you learn about being a leader in that career and later as a consultant?

Van Kralingen: I saw it was the leaders who were the most curious, the most open to change and learning themselves who were the most successful in a very changing, unstable world, which is the world we're in today in many ways. I also saw that leaders who loved their companies, their work, their teams were able to do things that other leaders couldn't.

WSJ: As the boss, how do you ensure you get honest feedback?

Van Kralingen: I've always asked my teams if they'd like feedback. And then I will always ask them for the same thing. I find that if you keep on asking for it and then show you act on it, you will generally get it. The other thing I do is say to people, "I don't know all the answers. I need your help." I make sure I'm able to show positivity but also the vulnerability to be open to getting the feedback.

WSJ: You are seen as a potential successor to Ginni Rometty someday. Is that distracting?

Van Kralingen: Not distracting at all. I'm really focused on building this business.

WSJ: You're training for the New York marathon this fall. Do you use your long runs to think through work challenges?

Van Kralingen: I use the time a lot for thinking about people and organizational design, how we could move to the next level, certain client situations. But I also use it for thinking about my kids and my husband. And then at the end, I just focus on how I'm going to actually get home from this damn long run.

Temple Is Probed Over Online MBA Marketing

BY KELSEY GEE

The U.S. Education Department is investigating whether Temple University administrators used deceptive marketing practices to recruit students to its online M.B.A. program, according to a government letter seen by The Wall Street Journal.

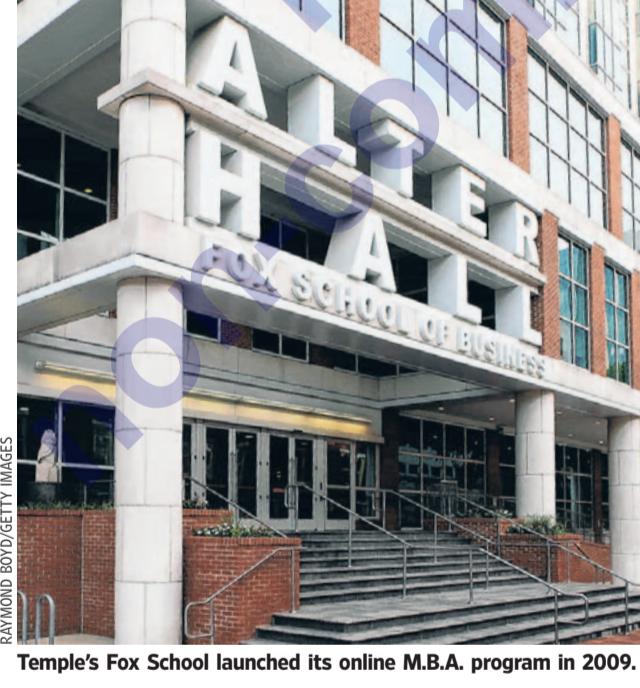
Temple's Fox School of Business was rated the nation's best online master of business administration program by U.S. News & World Report for four years running, including 2018, until employees disclosed to the magazine in January that inflated student test data was used to rank the school, triggering the dean's resignation and a probe by the Pennsylvania attorney general this month.

In a letter dated May 24, federal student-loan investigator Nancy Rosario requested records of the business school's data-collection policies and personnel, along with student enrollment and performance data—both kept internally and submitted to U.S. News & World Report for ranking purposes. The publication revised Temple's position to "unranked" after being notified by Fox School staff of the inaccuracies.

The government also requested copies of Fox School advertisements for its online M.B.A. to prospective students, including school brochures and online materials.

On Wednesday, Temple University officials said that its business school submitted more incorrect data used in academic rankings of its M.B.A. programs than previously disclosed. The university says that false test score data and student loan debt data were submitted for other programs at the Fox School of Business, including its flagship two-year M.B.A. program, the executive M.B.A. program and two specialized master's degree programs.

"As a result, we have reported to U.S. News that we cannot verify data related to



Temple's Fox School launched its online M.B.A. program in 2009.

these programs, and we are not participating in or submitting business school surveys at this time," said Richard Englert, president of Temple University.

The Education Department's investigative unit looks at whether federal student loans and grants from taxpayer dollars have been improperly used to fund school programs, or if students were misled in deciding where to attend, according to a person familiar with its practices. Past consequences for such violations have included reimbursing student tuition costs and steep fines, including a \$30 million penalty for one school, among other enforcement actions against for-profit schools.

The agency began its investigation after learning that an online M.B.A. student had filed a lawsuit alleging that Fox School administrators had engaged in fraud and deceptive business practices, according to the letter.

A spokesman for the Education Department called the investigation "ongoing" but de-

clined to comment on it further.

"The department has requested information related to the Fox School of Business' Online MBA program. We are complying with that request," said Temple spokesman Ray Betzner in an email.

"At the same time, the university's examination of the Fox School's rankings data and processes continues."

Mr. Englert on July 9 asked Fox's dean of 22 years, Moshe Porat, to step down as a four-month review by the law firm Jones Day, came to an end. Jones Day was hired by the university.

"Fox School, under the leadership of Dean Moshe Porat, knowingly provided false information to at least one rankings organization about the online MBA," Mr. Englert told students, staff and alumni in a letter announcing the investigation's findings.

Finance professor Ronald Anderson on Monday was appointed to the interim dean role, which he will likely hold for two years, according to a school announcement.

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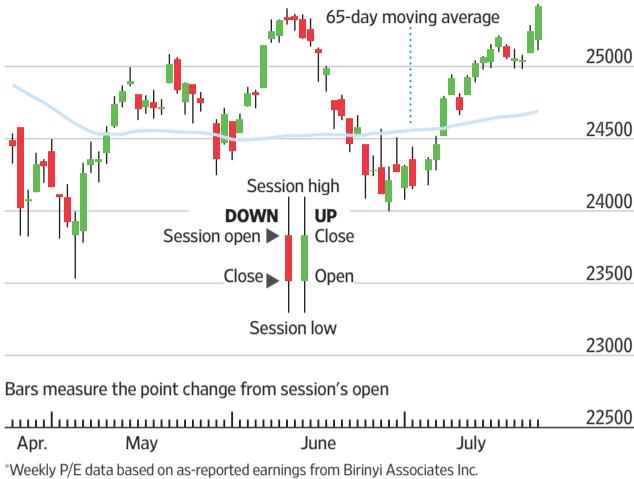
MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25414.10 ▲ 172.16, or 0.68%
 High, low, open and close for each trading day of the past three months.

Last P/E ratio 23.77 20.79
 P/E estimate * 16.35 18.35
 Dividend yield 2.13 2.29
 All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

Current divisor 0.14748071991788

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2846.07 ▲ 25.67, or 0.91%
 High, low, open and close for each trading day of the past three months.

Last P/E ratio 24.41 24.35
 P/E estimate * 17.55 18.87
 Dividend yield 1.84 1.97
 All-time high 2872.87, 01/26/18



Bars measure the point change from session's open

Current divisor 0.14748071991788

Nasdaq Composite Index

7932.24 ▲ 91.47, or 1.17%
 High, low, open and close for each trading day of the past three months.

Last P/E ratio 26.79 26.37
 P/E estimate * 21.61 21.42
 Dividend yield 0.93 1.11
 All-time high: 7932.24, 07/25/18



Bars measure the point change from session's open

Current divisor 0.14748071991788

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	25432.87	25113.55	25414.10	172.16	0.68	26616.71	21674.51	17.1	2.8	13.1
Transportation Avg	10898.81	10621.56	10893.29	244.70	2.30	11373.38	9021.12	14.9	2.6	10.5
Utility Average	721.11	712.99	717.07	0.46	0.06	774.47	647.90	-0.8	-0.9	8.4
Total Stock Market	29550.21	29262.94	29534.03	246.09	0.84	29630.47	25030.26	15.0	6.7	10.8
Barron's 400	757.04	750.08	757.04	3.73	0.50	761.84	629.56	14.9	6.5	10.8

Nasdaq Stock Market

Nasdaq Composite	7933.31	7838.76	7932.24	91.47	1.17	7932.24	6213.13	23.5	14.9	15.9
Nasdaq 100	7511.39	7405.63	7508.59	102.34	1.38	7508.59	5786.54	26.2	17.4	18.1

S&P

500 Index	2848.03	2817.73	2846.07	25.67	0.91	2872.87	2425.55	14.9	6.5	11.0
MidCap 400	1989.04	1973.94	1988.56	5.55	0.28	2009.15	1691.67	11.9	4.6	10.4
SmallCap 600	1048.40	1040.32	1048.40	2.16	0.21	1058.97	817.25	20.5	12.0	14.3

Other Indexes

Russell 2000	1685.42	1675.05	1685.20	5.01	0.30	1706.99	1356.90	16.8	9.7	11.2
NYSE Composite	12940.27	12820.57	12933.63	86.14	0.67	13637.02	11699.83	8.1	1.0	6.5
Value Line	580.82	576.05	580.81	2.90	0.50	589.69	503.24	9.3	3.3	6.3
NYSE Arca Biotech	5133.74	5048.86	5132.69	83.09	1.65	5132.69	3787.17	26.9	21.6	6.7
NYSE Arca Pharma	559.14	553.19	558.25	4.08	0.74	593.12	514.66	4.5	2.4	-1.8
KBW Bank	109.07	108.13	108.88	-0.11	-0.10	116.52	89.71	13.7	2.0	11.6
PHLX® Gold/Silver	79.52	78.28	79.29	0.47	0.59	93.26	76.42	-7.9	-7.0	17.8
PHLX® Oil Service	146.81	144.54	146.57	0.65	0.44	170.18	117.79	8.7	-2.0	-6.0
PHLX® Semiconductor	1353.30	1328.60	1353.15	6.57	0.49	1449.90	1060.02	21.3	8.0	28.2
Cboe Volatility	12.82	11.80	12.29	-0.12	-0.97	37.32	9.14	28.0	11.3	-3.6

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Facebook CIA	FB	28,832.7	171.50	-46.00	-21.15	219.00	164.30
SPDR S&P 500	SPY	15,090.2	283.14	-0.87	-0.31	284.20	281.58
Van Eck Vectors Gold Miner	GDX	9,038.8	21.65	-0.15	-0.69	21.84	21.65
General Electric	GE	7,271.8	13.00	-0.11	-0.84	13.11	12.94
Invesco QQQ Trust I	QQQ	5,706.4	180.37	-2.45	-1.34	183.02	178.69
Ford Motor	F	4,387.3	10.11	-0.41	-3.90	10.54	9.98
iShares MSCI Emg Markets	EEM	3,527.1	44.97	-0.06	-0.13	45.18	44.32
iShares iBoxx \$ HY Cb Dyd	HYG	3,181.1	85.93	...	unch.	85.93	85.86

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	Session % chg	High	Low
Arconic	ARNC	358.4	21.80	2.54	13.19	22.50	19.15
Xilinx	XLNX	304.1	74.20	6.23	9.17	75.00	67.45
Popular Inc.	BPOP	55.4					

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,7930	2,8450	2,7930	2,8060	0.060	1,197	
July	2,7930	2,8450	2,7930	2,8175	0.070	174,278	
Sept	2,8040	2,8670	2,7935	2,8175	0.070	174,278	
Gold (CMX) -100 troy oz.; \$ per troy oz.	1224.20	1234.30	1223.20	1231.80	6.30	144,716	
Aug	1228.80	1238.60	1228.00	1236.40	6.40	35,381	
Dec	1233.30	1243.40	1232.50	1241.00	6.40	267,030	
Feb'19	1239.90	1248.50	1238.80	1246.70	6.30	27,284	
June	1258.20	1258.20	1255.70	1258.40	6.20	6,755	
Dec	1275.80	1278.50	1275.00	1277.40	5.90	3,666	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	908.00	936.80	907.00	928.30	19.70	18,957	
Sept	905.80	932.30	904.20	924.80	19.60	2,373	
March'19	917.70	921.30	917.70	918.40	19.60	127	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	837.70	847.30	835.20	839.70	4.10	76,029	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	15,435	15,435	15,435	15,533	0.070	290	
Sept	15,480	15,655	15,470	15,589	0.069	154,291	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	68.71	69.70	68.20	69.08	0.78	454,919	
Oct	67.38	68.23	66.97	68.01	0.82	241,280	
Dec	66.61	67.37	66.28	67.26	0.79	294,885	
Jan'19	66.33	67.05	66.07	67.00	0.78	166,601	
June	64.78	65.42	64.54	65.36	0.68	158,340	
Dec	63.32	63.82	63.01	63.78	0.62	212,711	
NY Harbor Usd (NYM) -42,000 gal.; \$ per gal.	2,1414	2,1587	2,1300	2,1512	0.086	40,597	
Sept	2,1463	2,1638	2,1346	2,1560	0.081	109,008	
Gasoline-Ny Rbo (NYM) -42,000 gal.; \$ per gal.	2,1104	2,1277	2,0920	2,1231	0.025	37,312	
Sept	2,0711	2,0998	2,0599	2,0851	0.0264	138,797	
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.	2,738	2,780	2,735	2,775	0.043	33,011	
Sept	2,724	2,762	2,721	2,755	0.036	302,049	
Oct	2,743	2,780	2,741	2,773	0.034	161,279	
Nov	2,796	2,829	2,793	2,824	0.033	131,774	
Jan'19	2,992	3,024	2,990	3,021	0.032	151,047	
April	2,595	2,614	2,594	2,610	0.020	130,114	

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.	352.25	360.00	352.00	359.25	7.25	642,737	
Sept	366.00	374.00	366.00	373.25	7.25	797,945	
Oats (CBT) -5,000 bu.; cents per bu.	230.00	233.00	229.50	232.25	1.75	1,725	
Sept	236.25	239.50	236.00	239.00	2.00	3,279	
Soybeans (CBT) -5,000 bu.; cents per bu.	860.00	863.00	852.00	860.75	2.75	64,857	
Sept	875.00	878.00	866.75	875.75	2.50	440,942	
Soybean Meal (CBT) -100 tons; \$ per ton.	328.90	331.10	327.40	330.00	1.10	38,797	
Sept	326.90	329.40	325.20	328.50	1.80	203,210	
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	28.25	28.47	28.17	28.41	.17	42,974	
Dec	28.57	28.89	28.50	28.82	.24	246,353	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	1204.50	1206.50	1201.00	1204.50	-1.00	6,659	
Sept	1189.00	1189.00	1187.50	1189.00	-50	1,311	
Wheat (CBT) -5,000 bu.; cents per bu.	511.50	515.45	511.25	542.75	32.50	187,451	
Dec	531.50	564.25	530.50	561.75	32.50	144,824	
Wheat (KCC) -5,000 bu.; cents per bu.	510.00	544.75	510.00	540.75	31.00	131,878	
Sept	537.00	570.25	536.50	566.25	30.75	91,349	
Wheat (MPLS) -5,000 bu.; cents per bu.	554.50	592.50	554.50	587.25	32.50	29,684	
Sept	572.50	608.00	572.50	603.00	30.50	18,684	
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.	152,775	153,125	151,850	152,825	.075	14,399	
Sept	153,375	153,750	152,450	153,250	-.275	13,070	
Cattle-Live (CME) -40,000 lbs.; cents per lb.	108,250	109,675	107,750	109,025	.975	52,138	
Sept	110,400	111,250	109,575	110,775	0.450	122,973	
Hogs-Lean (CME) -40,000 lbs.; cents per lb.	66,100	66,750	65,575	66,400	.850	29,432	
Oct	53,025	54,100	52,625	53,925	1.400	115,587	
Lumber (CME) -11,000 bd. ft., \$ per 1,000 bd. ft.	495.30	498.90	483.90	493.30	4.80	4,181	
Sept	458.00	459.30	447.60	457.80	4.50	668	
Milk (CME) -200,000 lbs.; cents per lb.	28,392	28,404	28,2	28,34	28	72	
Sept	282,044	282,291	280	282	272	951	
Net crude, petroleum products, incl. SPR	1,856,021	...	1,866,194	1,862	1,930	2,204	

Currency Futures

Japanese Yen (CME) -\$125,000; \$ per 100Y	.8990	.9040	.8990	.9034	.0030	630	
Sept	.9025	.9070	.9010	.9054	.0030	198,660	
Canadian Dollar (CME) -\$100,000; \$ per CAD	.7616	.7669	.7616	.7663	.0060	309	
Sept	.7605	.7685	.7602	.7667	.0060	145,286	
British Pound (CME) -\$62,500; \$ per £	1,3183	1,3210	1,3183	1,3183	.0031	725	
Sept	1,3171	1,3230	1,3161	1,3202	.0032	179,474	
Swiss Franc (CME) -\$CHF 125,000; \$ per CHF	1,0108	1,0138	1,0105	1,0118	.0011	91,754	
Sept	1,0108	1,0138	1,0105	1,0118	.0011	91,754	
Australian Dollar (CME) -\$AUD 100,000; \$ per AUD	.7421	.7458	.7395	.7439	.0022	738	
Sept	.7421	.7466	.7394	.7439	.0022	131,254	
Euro (CME) -\$125,000; \$ per €	.8719	.8750	.8750	.8750	.0000	4,070	
Sept	.8719	.8750	.8750	.8750	.0000	4,070	

Source: SIX Financial Information

Macro & Market Economics

BIGGEST 1,000 STOCKS

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Continued From Page B6

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg								
CincinnatiFin CINF	71.30	0.56	+0.34	F5Networks FFIN	175.20	2.74	+0.62	InfoSys INFY	205.88	0.19	+0.01	McDonalds MCD	158.89	0.95	+0.04	Praixair PX	165.81	2.47	+0.34	TAL Education TAL	40.82	1.03	+0.01	TexasInstruments TXN	113.22	-0.58	-0.02				
Cintas CTAS	209.25	2.26	+1.14	Facebook FB	217.50	2.83	+0.62	Ingersoll-Rand IR	96.12	5.04	+0.24	McKesson MCK	133.35	1.37	+0.02	PrincipalFIn PFG	50.62	0.19	+0.01	TD Ameritrade TMD	60.63	1.02	+0.01	UnderArmour UAA	21.08	0.47	+0.01				
CiscoSystems CSC	43.16	0.77	+0.16	FactSet FDS	207.34	1.56	+0.10	Ingredion INGR	98.07	-0.11	-0.12	Medtronic MDT	89.73	5.03	+0.14	Procter&Gamble PG	79.47	0.48	+0.01	ThomsonReuter TCI	93.99	-0.01	-0.01	Unilever UN	57.50	0.41	+0.01				
Citigroup C	71.72	0.65	+0.34	Fastenal FAST	57.52	0.90	+0.14	Intel INT	52.43	0.25	+0.01	Merck MRK	64.49	1.07	+0.01	Progressive PROG	59.95	0.13	+0.01	Telus TEL	36.06	0.05	+0.01	Vtex TXT	66.98	-0.02	-0.01				
CitizensFin CFG	39.92	-0.12	-0.04	FirstData FDRT	125.05	1.12	+0.09	InteractiveBrks INT	62.49	-0.08	-0.01	MetLife MET	44.72	-0.19	-0.01	PrudentialPRU PRU	96.97	-1.18	-0.01	Telus TEL	36.06	0.05	+0.01	Underlyer UNI	57.50	0.41	+0.01				
CitrixSystems CTXS	109.24	1.64	+1.04	FederalRealty FRT	125.05	1.12	+0.09	ICE ICE	76.79	0.35	+0.01	MichaelKors KORS	68.31	1.03	+0.01	PublicServicePEG PEG	51.48	0.28	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01				
Clorox CLX	130.31	0.94	+0.54	FedEx FDX	240.24	3.41	+0.61	Fidelity FDF	146.62	0.24	+0.01	FidelityFocus MFDF	121.62	9.85	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01				
Coca-Cola Coca	40.49	0.83	+0.34	FiatChrysler FCA	17.00	2.28	+0.19	FinnCap FIN	53.04	-0.01	-0.01	FleetCorTech FCT	22.55	4.04	+0.01	FirstData FDRT	125.05	1.12	+0.09	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
Coca-Cola Eure CCE	41.87	0.27	+0.14	FibraCeutice FBR	19.60	0.25	+0.01	FirstEnergy FIS	104.99	0.82	+0.01	FirstFinancial FINTNF	29.27	-0.27	-0.01	FirstInvestment FIR	53.77	19.47	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
Cognex CGNX	45.25	0.78	+0.34	FlatChrysler FCA	17.00	2.28	+0.19	FlirSystems FLIR	58.59	6.18	+0.52	FlirtCorTech FCT	22.55	4.04	+0.01	FirstInvestment FIR	53.77	19.47	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
CognizantTech CTSH	82.84	0.58	+0.34	FlowTrac FLOW	12.74	0.26	+0.01	Fluke FLX	14.89	0.43	+0.01	Flextronics FLEX	14.89	0.43	+0.01	Fluxx FLX	14.89	0.43	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
Colgate-Palmolive CL	65.95	0.68	+0.41	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
Comcast A CMCSA	33.42	0.33	+0.11	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
Comerica CMA	96.10	0.60	+0.34	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
CommerceBchs CBH	68.31	-0.71	-0.08	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
ConagraBrands CAG	36.22	0.62	+0.24	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
ConchoGroup CXO	147.27	1.89	+1.74	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
ConocoPhillips COP	73.51	0.66	+0.41	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
ConEd ED	77.39	-0.22	-0.03	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
ConstBonds A STZ	215.15	0.55	+0.34	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
ContinentalRcs CRL	61.11	1.33	+0.54	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
Cooper COO	254.99	4.07	+3.84	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
Copart CPT	58.33	0.96	+0.34	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0.01	FidelityMFG MFDF	121.62	9.85	+0.01	Telus TEL	37.36	0.44	+0.01	Vodafone VOD	57.50	0.41	+0.01
Corning GLW	33.21	3.38	+1.14	Fluor FLR	50.41	0.21	+0.01	Fluor FLR	50.41	0.21	+0																				

MONEY & INVESTING

Investors Are Factoring Into Short-Term Loans

By VIPAL MONGA

Investors are profiting from an age-old tension between companies and their suppliers: the length of time it takes for bills to get paid.

U.S. pension funds, private-equity firms and other investors are plowing capital into a short-term financing business that was historically dominated by large banks, helping to transform a market that greases the wheels of cross-border trade.

The business is known as trade finance, or factoring. In recent years, a group of independent financing platforms has sprung up to provide cash advances to small businesses around the world that supply goods to multinational companies. With funding from private investors and other sources, these platforms buy customer invoices from those businesses and collect on the bills when they come due, reaping a profit in the process.

"Banks are pulling out and private capital is moving in," said Carlos Mendez, co-founder of Crayhill Capital Management LP, a New York asset-management firm whose investors include pension funds, insurance firms and sovereign-wealth funds. Crayhill helps provide funding to a trade-finance company called Stenn International Ltd., which purchases invoices from businesses in Asia and South America that supply apparel,

Trading Places

How Stenn International, a financing platform, funded one business by purchasing its invoices.



Source: industry analysis

THE WALL STREET JOURNAL.

electronic goods and other products to U.S. retailers and other multinational firms.

Many large companies have payment terms that allow them to take months to pay their invoices. The 1,000 largest public companies in the U.S. took an average of 56.7 days to pay their bills last year, according to a study from consulting firm Hackett Group Inc., up from 53.3 in 2016. That was the longest average payment term in the past decade, according to the study.

In recent years, companies from consumer-products giant Procter & Gamble Co. to underwear maker Hanesbrands Inc. and tools manufacturer

Stanley Black & Decker Inc. have increased the time they take to pay global vendors.

Paying their bills later allows companies to hold on to their cash for longer and use it to help fund things like capital investments or stock buybacks. But it means suppliers—many of which are small companies that don't have much leverage to demand faster payment from big customers—have to wait a long time to get paid for their goods.

Large companies have little interest in seeing their suppliers struggle financially, so both sides are increasingly turning to trade-financing arrangements.

ALEX ELIN/N/BLOOMBERG NEWS
Paying bills later lets companies hold onto their cash longer and use it to fund other purposes.

By selling their invoices to factoring companies, small businesses that banks often view as riskier borrowers can get cash to keep their operations running. The firms are in turn exposed to the lower credit risk of big companies, which are responsible for paying the invoices.

The global market for trade finance is estimated at about \$10 trillion, according to the International Chamber of Commerce, a Paris-based business organization. This type of financing was once the exclusive purview of banks like Citigroup Inc., HSBC Holdings PLC and Standard Chartered Bank, which regarded the activity as

a way to build deeper relationships with their large corporate clients and earn small but steady returns.

Over the past decade, however, stricter banking regulations worldwide have forced banks to set aside more regulatory capital against these types of loans, making them less lucrative. Some global banks have retreated from the trade-financing business, and institutional investors are increasingly stepping in to fill the void.

John Ahearn, global head of trade finance at Citibank, said higher capital charges are encouraging Citi to look for ways to distribute more of

its receivables business to institutional investors that want to reap higher returns. "We'd like to diversify the investor base," he said, noting that roughly 5% of its loans go to such investors.

Last week, another London-based financing firm, Greensill, received a \$250 million minority investment from private-equity firm General Atlantic and plans to expand its business globally. The firm finances businesses that supply parts and products to multinationals like Airbus SE, Vodafone Group PLC and General Mills Inc.

—Jon Emont contributed to this article.

Deutsche Bank Net Falls Amid Weak Trading

By JENNY STRASBURG

Deutsche Bank AG reported second-quarter net income that marked a fall from a year earlier, driven in part by weak trading results, but provided some relief for investors used to bad news from the Frankfurt-based lender.

The results, which come three months after longtime executive Christian Sewing succeeded John Cryan as chief executive, followed a string of disappointing quarters and three full-year after-tax losses. Net income fell 14% from a year earlier to €401 million (\$469 million), in line with preliminary results the bank announced last week.

But Deutsche Bank's ability to stanch market-share losses as it slashes costs and shrinks its workforce remains uncertain, say analysts and investors.

A year ago, executives said strategic changes in a multi-year turnaround were starting to pay off, but the bank's performance continued to slide relative to competitors, especially U.S. banks.

Overall sales-and-trading revenue in the second quarter was down 14% from a year earlier. That was a grim result for a key business, especially compared with U.S. banks.

Sinking Stock

Share-price and index performance, year to date



Source: SIX

THE WALL STREET JOURNAL.



ALEX KRAUS/BLOOMBERG NEWS

Christian Sewing told analysts Deutsche Bank has stabilized in areas where it has lost market share.

At Deutsche Bank, fixed-income trading revenue declined 17% and equities-trading revenue declined 6%, compared with increases of 8% and 14%, respectively, at U.S. banks overall, according to Berenberg Bank analysts.

Deutsche Bank's total investment-banking revenue fell 1% last quarter, with the weak trading results offset by a boost in deal-advisory and

debt-underwriting fees and transaction banking, which includes cash management for corporate clients and trade financing. The bank said it gained market share in U.S. leveraged loans.

Years of restructuring and management upheaval have fueled speculation that Deutsche Bank will struggle to make enough money to grow again—or even hold its ground

in its chosen businesses—after ceding some global ambitions.

In a memo to employees and comments to analysts Wednesday, Mr. Sewing was defiant about the bank's prospects. "Many who do not wish to see us succeed have written off our corporate and investment bank," the CEO told employees. "Each and every day, we prove them wrong."

Mr. Sewing told analysts

that Deutsche Bank has "stabilized" in areas where it has lost market share. Executives have conceded that planned cuts have hurt overall revenue. But they say they will win back revenue they have lost by becoming more focused and efficient and, in some cases, such as with hedge-fund clients, charging higher fees for certain services.

Revenue in the private- and commercial-banking division, which includes the German retail bank and wealth-management businesses, was down 1% last quarter. Lower fund-management and performance fees in the DWS asset-management unit contributed to a 17% revenue decline there.

Deutsche Bank's total revenue last quarter was roughly unchanged from a year earlier, at €6.6 billion. For the first half, total revenue was down 3% to €13.6 billion.

The bank is "headed in the right direction on costs" and moving faster to reshape businesses to emphasize strengths, Mr. Sewing said.

The bank's shares fell 1.4% on Germany's Xetra exchange and are down 35% this year.

—Pietro Lombardi contributed to this article.

Vanguard Messes Up Messages To Clients

By SARAH KROUSE AND KATY STECH FEREK

Money-management giant **Vanguard Group** sent some of its 401(k) customers erroneous text messages Tuesday evening saying that the firm processed loans against their retirement savings.

The text messages sent by Vanguard told the recipient that their loan had been processed and that they should allow several days for a check to be delivered or a bank transfer to be completed, according to people who received them. In many 401(k) accounts, customers are allowed to take out loans against the nest egg they have built. Those funds can then be used for items such as the purchase of a home.

One person contacted by The Wall Street Journal who received a text message said the account holder hadn't requested such a loan.

The erroneous messages are the latest service stumble for Vanguard, which has in the past year faced complaints of account errors, including incorrect messages about having insufficient balances to complete trades, erroneous account balances and holdings, and long call-center wait times. These stumbles come as the firm has attracted record sums of new investor cash in recent years in part because of its ultralow-cost funds and the growing appeal of the index-tracking funds for retail investors that it pioneered more than 40 years ago.

A Vanguard spokeswoman said a "small portion" of participants in 401(k) accounts administered by Vanguard received the message "in error" Tuesday evening as a result of a "systems issue" and that no loans were processed in error. "No accounts were affected, but we apologize for any confusion this may have caused," she said.

Vanguard is one of the largest money managers in the world, with \$5.1 trillion in assets under management globally. It also offers brokerage accounts and administers retirement accounts.

Earlier this year, Vanguard erroneously told some retail customers with Roth individual retirement accounts and brokerage accounts they didn't have sufficient funds in their settlement accounts to pay for transactions.

Visa Profit Benefits From Higher Spending

By MARIA ARMENTAL

Visa Inc. reported double-digit percentage growth in profit and revenue for the latest quarter, driven by higher consumer spending as the amount of payments processed reached \$2 trillion.

The largest U.S. card network by number of cards in circulation and transactions reported payments volume rose 11% from a year earlier in real, inflation-adjusted terms. Meanwhile, cross-border volume rose 10%. Cross-border transactions typically carry larger fees.

Third-quarter profit rose 13% to \$2.33 billion, or \$1 a Class A share. Excluding a \$600 million litigation provision and other items, profit rose to \$1.20 a share. Net operating revenue rose 15% to \$5.24 billion. Analysts surveyed by Thomson Reuters expected adjusted profit of \$1.09 a share and \$5.09 billion in revenue.

The company is close to settling a long-running dispute with merchants over the fees they pay when they accept card payments, The Wall Street

Journal reported in June, days after Visa added \$600 million to an escrow account, bringing the total in the account to \$1.49 billion as of June 30.

In the quarter, Visa paid \$1.37 billion in client incentives, which are long-term contracts with merchants, clients and other partners to increase business.

Shares, which closed at a record \$142.64, rose 0.6% to \$143.49 in after-hours trading.

The company affirmed its annual forecast, including net revenue growth in the low double digits on a nominal basis, which is unadjusted for inflation.

The forecast also includes about \$60 million in integration expenses related to Visa Europe, which Visa brought under one roof in 2016. Visa expects to complete the integration this year. Europe presents a growth area for the company, which already is strong in the U.K. and France.

Visa also continues to invest in expanding contactless payments, which eliminate the need to insert or swipe cards at store payment terminals.

Bloom Energy Jumps in Debut

By MAUREEN FARRELL

Shares of clean-technology company **Bloom Energy Corp.** soared in their trading debut Wednesday, the latest newly public company to benefit from investor enthusiasm for nascent technologies.

In their first day of trading on the New York Stock Exchange, shares of the Sunnyvale, Calif.-based maker of energy-generating devices rose 67% to close at \$25.

The company's shares were priced late Tuesday at \$15 apiece, at the top end of the company's expected range. The listing raised about \$270 million, valuing Bloom Energy at \$1.6 billion at its initial

price. Bloom Energy's first-day pop follows the trajectory of nearly all technology companies making their debuts this year on U.S. exchanges. The stocks are trading up by roughly 52% on average from their initial-public-offering prices as of Tuesday's close.

Bloom Energy generates electricity through servers that are installed on a company's premises and operate

using its proprietary fuel-cell technology.

The company, founded by Chief Executive Officer K.R. Sridhar in 2001, is one of the first clean-technology startups to tap the public markets.

While it isn't one of the largest initial public offerings this year, the company's potential for disrupting the traditional electric grid has helped it attract attention

from some of the top executives on Wall Street.

Senior officials from JP Morgan Chase & Co. all the way up to CEO James Dimon have a longstanding relationship with Bloom Energy. In an interview, Mr. Dimon called the bank's role as lead underwriter on the offering a result of "a team effort over years."

Both JPMorgan and Morgan Stanley, which also served as a

key underwriter on the IPO, have installed Bloom Energy's technology in their offices.

"We are disrupting one of the world's biggest markets—the electricity market," Dr. Sridhar said in an interview.

He said the public offering will help Bloom Energy continue to attract customers "because they will have transparency about our business."

Investors overlooked concerns about the company's losses and legal disputes that surfaced ahead of the initial public offering.

Bloom Energy generated \$281 million in net losses on \$376 million in revenue in 2017, and had \$336 million in net losses on \$208 million in revenue in 2016.

In its prospectus, the company warned that it doesn't expect to be profitable for the foreseeable future.

Moreover, the company said it paid to settle a legal dispute with the founders of Advanced Equities, a now-defunct brokerage firm that created crowdfunding entities that invested hundreds of millions of dollars into Bloom Energy.

—Yuliya Chernova contributed to this article.

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MARKETS

Yields Feel Demographics' Pull

Aging population's demand for haven long-term Treasurys holds down those rates

BY DANIEL KRUGER

Treasury-market watchers believe shifting demographics are a key factor set to keep long-term yields low, countering other forces that recently pushed the 10-year yield near 3%, such as a strengthening economy and increased government-debt sales.

BNP Paribas bond analyst Timothy High contends the aging population is the biggest factor influencing whether investors buy 30-year Treasury bonds. Pension plans, which have seen their equity holdings rise in value as the bull market in stocks runs into its ninth year, will want to lock in their gains in supersafe long-term Treasurys, Mr. High said.

Demand for long-term debt is expected to be so persistent and strong that BNP Paribas is forecasting the yield on 30-year Treasurys will fall as much as 0.2 percentage point



Pension plans are contributing to the demand for long-term debt.

below their 10-year counterpart by year-end. (At a yield of 3.065%, 30-year bonds currently yield about 0.13 percentage point more.)

Stuart Sparks, a bond analyst at Deutsche Bank, agrees with the strong-demand premise, but questions the shelf-life of pension funds' appetite. He

argues that a temporary tax benefit that was included in December's tax cuts—which expires on Sept. 15—explains why demand for the debt has been so strong.

That benefit is an opportunity for companies with underfunded pension plans to catch up on their obligations,

Narrowing Gap

The yield premium of the U.S. 30-year Treasury bond over the 10-year note has been shrinking.



Source: Tullett Prebon Information

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line, but would have savings of just \$210,000 after September.

Some companies, such as **Verizon Communications**, have been increasing the pace of their bond buying, moving forward purchases now that would ordinarily have taken place later in the year, after the tax deadline, Mr. Sparks said. While demographics play an important role in shaping the absolute amount of demand, the Sept. 15 deadline has accelerated purchases rather than adding to them, and demand should decline noticeably later in the year.

Deutsche Bank is forecasting 10- and 30-year yields will converge heading toward the tax milestone, but diverge afterward as demand for the longest-term debt eases.

While it remains to be seen what happens with pension contributions, companies will continue to lock in gains from stocks, rotating into more stable sources of income such as government debt, said Tom Kennedy, head of fixed-income strategy at J.P. Morgan Private Bank. He expects solid demand for long-term bonds to continue past the tax deadline.

Oil Gains As U.S. Stockpile Declines

BY DAN MOLINSKI AND CHRISTOPHER ALESSI

Oil prices rose after government data showed a large decline in U.S. inventories of crude oil and an increase in demand for gasoline even as the summer driving season prepares to slow down.

Light, sweet crude for September delivery ended 78 cents, or 1.1%, higher at \$69.30 a barrel on

COMMODITIES the New York Mercantile Exchange. Brent crude, the global benchmark, rose 0.7% to \$73.93 a barrel.

The Energy Information Administration on Wednesday released a weekly report that showed U.S. inventories of crude oil fell by a hefty 6.1 million barrels to 405 million barrels, while analysts surveyed by The Wall Street Journal were expecting, on average, a decline of 2.9 million barrels.

Oil prices surged nearly 2% to a seven-session intraday high of \$69.70 a barrel shortly after the bullish report was released. But oil prices pared some of those gains in the afternoon as investors dug deeper into the data.

Still, analysts said the EIA data was price-supportive overall, noting total U.S. stockpiles of crude oil and fuels such as gasoline and diesel declined by nearly 10 million barrels last week. "The report is bullish due to higher than expected crude oil and large total petroleum stocks withdrawal," said Colorado-based Drillinginfo.

\$69.30

Price for a barrel of U.S. crude, up 1.1% on the day

Yuan Cut Targets Economy

Continued from page B1
mists say, is merely the price of this more accommodative policy.

It also to a large extent reflects market moves, as the authorities set a trading band, known as the fix, every day based on currency moves in the previous day. The dollar, on the other hand, has risen this year as the Federal Reserve continues lifting benchmark interest rates.

"This round of depreciation is driven by economic fundamentals," said Zhang Ming, a senior economist at the Chinese Academy of Social Sciences, a government think tank.

Many currency traders and analysts note China is also unwinding the yuan's sharp gains earlier this year versus other major currencies in which it buys and sells goods. That would give Chinese exporters a leg up in global trade.

"China initially used the renminbi to play nice in the trade dispute," said Robin Brooks, chief economist at the Institute of International Finance, using another name for the yuan. "That strategy is now over."

The shift does look dramatic. A surprise devaluation by the People's Bank of China on Aug. 11, 2015, rattled global currency, stock and commodities markets, causing huge sums of money to flee China and exacerbating fears of a hard landing. But over the three months starting that day, the yuan lost only 2.5%.

This time, however, international investors have largely



*Measures the yuan's value against 24 of its trading partners' currencies
Sources: Wind Info (currency, index); National Bureau of Statistics (GDP)

taken the slump in stride. This is partly because China's slowdown is less severe than three years ago, which reduces the impetus to take cash offshore, and partly because Beijing has tightened its grip on money flowing overseas.

"China has become much better at clamping down on capital outflows," said Joachim Fels, a global economic adviser at Pacific Investment Management Co.

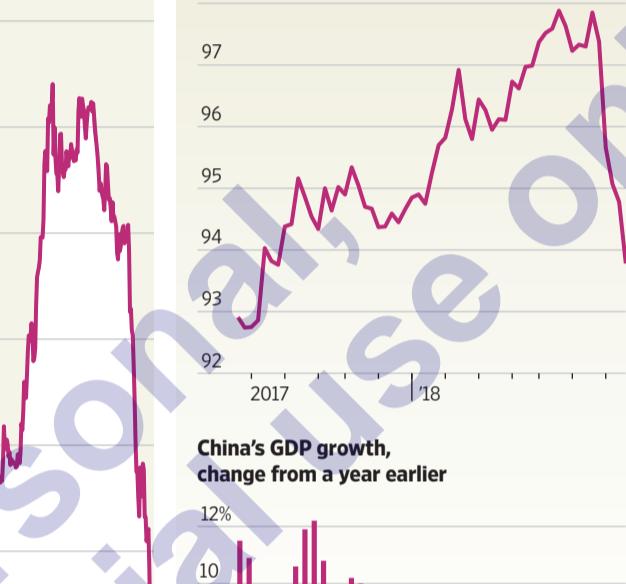
Among other measures, China has restricted one of the biggest channels by curbing foreign direct investments,

such as overseas takeovers. Chinese investment into the U.S. fell by roughly one-third in 2017.

Authorities have also increased scrutiny of unorthodox ways that residents can move money abroad, such as buying foreign insurance policies.

That makes it less likely Beijing's actions could feed into a panic flight of capital, which would potentially destabilize the economy.

There are two more deterrents for skeptical investors. First, the government has made it less appealing to bet



on further declines in the yuan, at times effectively shutting down offshore trading in Hong Kong. It signaled its determination during the earlier crisis by burning through \$1 trillion of foreign-exchange reserves to defend the yuan.

"We know that in case of China, [the currency is] completely in the hands of the policy makers," said Wilfred Wee, a portfolio manager at Investec Asset Management in Singapore.

How much further the yuan depreciates could depend on future trade conflict. The

White House has already levied tariffs on \$34 billion of Chinese goods and has a near-term plan targeting \$200 billion more.

Olivier Blanchard, a senior fellow at the Peterson Institute for International Economics, reckons the currency has fallen enough to offset these charges, though he said his estimate ignores important nuances such as China's use of imported components. However, the Trump administration recently threatened tariffs on almost all Chinese imports, which total more than \$500 billion.

Treasurys Rise, Note Sale Proves Popular

BY AKANE OTANI

U.S. government-bond prices rose Wednesday as stocks drifted higher in a quiet trading session.

CREDIT MARKETS The yield on the benchmark 10-year U.S. Treasury note

settled at 2.936%, compared with 2.949% Tuesday. Yields fall as bond prices rise.

The Treasury on Thursday will auction \$30 billion in seven-year notes. The government's auction Wednesday of \$36 billion in five-year notes drew strong demand, which analysts say bodes well for Thursday's debt sale.

Yields oscillated around the flatline overnight as data showed French producer prices ticking higher in June and German business sentiment slipping in July.

Bond yields then kept small declines after data showed purchases of newly built single-family homes in the U.S. fell more than expected in June even as home prices

slipped—the latest sign the housing market may be weakening.

With economic data mixed, analysts said there appeared to be few imminent catalysts for big swings in the bond market. "The current state of the bond market is quite confusing and as muddy as the Mississippi River," said Kevin Giddis, head of fixed income capital markets, in an email.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

TWO-YEAR FRNs

Applications	\$51,263,216,600
Accepted bids	\$18,977,701,600
"noncompetitively"	\$32,362,400
	0.043%
Bids at clearing yield accepted	92.77%
Cusip number	912828Y523

The floating-rate notes, dated July 31, 2018, mature on July 31, 2020.

FIVE-YEAR NOTES

Applications	\$96,050,286,400
Accepted bids	\$37,954,982,400
"noncompetitively"	\$33,701,100
"foreign noncompetitively"	\$0
Auction price (rate)	99.698905 (2.815%)
Interest rate	2.750%
Bids at clearing yield accepted	71.20%
Cusip number	912828Y611

The notes, dated July 31, 2018, mature on July 31, 2023.

Stocks Soar on Trade Concessions

BY DANIELLE CHEMTOB AND BEN ST. CLAIR

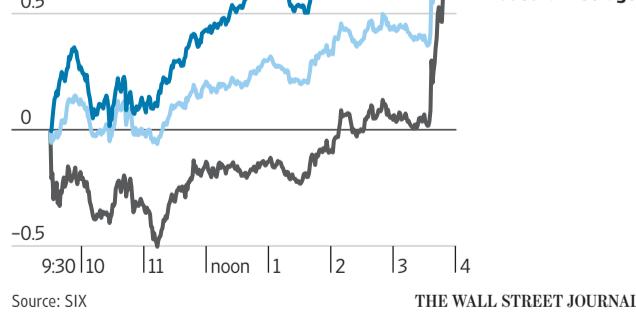
U.S. stocks surged in the final half-hour of trading after President Trump secured some concessions from the European Union to avoid an escalation in trade tensions.

President Trump declared a "new phase" in the relationship between the U.S. and the European Union after the two parties agreed to lower industrial tariffs and increase liquefied natural gas and soybean exports to Europe. Mr. Trump also said the U.S. and the EU would "resolve" the steel and aluminum tariffs imposed earlier this year. He added they agreed to hold off on proposed auto tariffs, offering some relief for shares of car makers, which had recently been under pressure.

The Dow Jones Industrial Average climbed 172.16 points, or 0.7%, to 25,414.10, after earlier declining as much as 128 points. The S&P 500 added 25.67 points, or 0.9%, to 2,846.07. The technology-heavy

A Late Rally

Major U.S. stock indexes jumped after President Trump agreed to hold off on proposed car tariffs and work with the European Union to resolve their dispute over metals duties.



Nasdaq Composite rose 91.47 points, or 1.2%, to 7,932.24, closing at another record.

But some investors are taking the trade deal with a grain of salt. "There's a lot of possibility here, but it's not concrete yet," said Jamie Cox, managing partner for Harris Financial Group.

Shares of industrial compa-

nies in the S&P 500 rallied 1.2% following the announcement. Boeing shares recovered some of their losses, despite results reported earlier in the day that weren't as strong as some analysts and investors expected. The aerospace giant's shares fell \$2.35, or 0.7%, to \$355.92.

The potential for a reprieve

on trade tensions added to momentum from what is shaping up to be a strong corporate-earnings season. About 28% of companies in the S&P 500 have reported results for the latest quarter, and earnings are up 21% on average for those companies.

General Motors declined 1.83, or 4.6%, to 37.65 after the company lowered its 2018 profit outlook based partly on unexpectedly high raw-materials costs in the wake of U.S. tariffs on steel and aluminum.

The technology sector rose 1.5% in anticipation of **Facebook's** latest results. After the closing bell, the social-media giant reported slower-than-expected revenue growth in the second quarter, indicating it felt some effects from a series of controversies over the past several months.

Facebook shares slumped 21% in after-hours trading and pulled down other social-media stocks, including **Twitter** and **Snap**.

Early Thursday, Japan's Nikkei Stock Average and Hong Kong's Hang Seng Index were both down less than 0.1%.

MARKETS

Sharp Oil-Price Moves Worry Investors

BY AMRITH RAMKUMAR

Oil has diverged from stocks, other commodities and emerging markets since the imposition of U.S. tariffs on steel and aluminum at the end of May—a sign that recent volatility could continue challenging big buyers of fuel.

Concerns about output from several major producers have recently dictated moves in the oil market, traders said, even though prices are usually linked to economic growth because fuel consumption normally rises with more robust trade and economic activity.

At the same time, the threat of tariffs slowing the global economy has roiled other markets, sending copper down about 15% from a June 8 four-year high and briefly pushing Chinese stocks into a bear market.

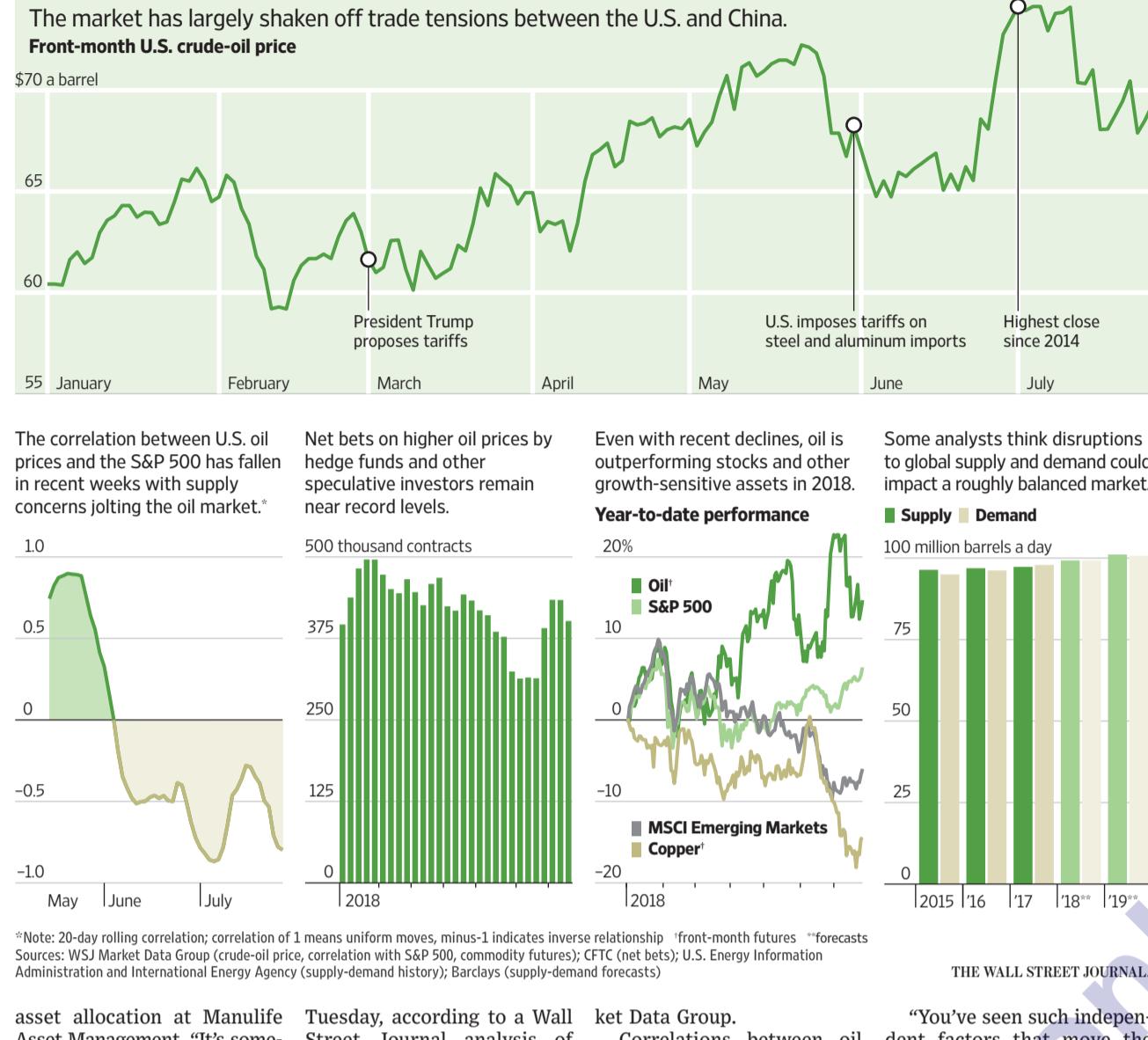
Oil, meanwhile, has risen about 5.4% during the same period. The discrepancy is a sizable shift from last year, when stocks, commodities and other risky assets rose together, lifted by a synchronized global expansion.

This year, growth momentum outside the U.S. has waned, pressuring multinational companies as they contend with rising interest rates and a strong dollar.

Analysts say the reversal in correlations in recent weeks is a sign that oil's typical relationship with global growth might not be holding, potentially changing how everyone from drivers to airline companies gauge fuel costs.

The shift also means that investors trading multiple assets normally tied to global growth have had to adjust rapidly to changing market conditions.

"Investors are probably looking at a more volatile environment for the price of crude, which may also cause some impacts to hedgers," said Nathan Thooft, senior managing director of global



*Note: 20-day rolling correlation; correlation of 1 means uniform moves, minus-1 indicates inverse relationship. **front-month futures. ***forecasts. Sources: WSJ Market Data Group (crude-oil price, correlation with S&P 500, commodity futures); CFTC (net bets); U.S. Energy Information Administration and International Energy Agency (supply-demand history); Barclays (supply-demand forecasts)

asset allocation at Manulife Asset Management. "It's something companies have to think about."

Anxiety about global supply has swung oil prices in both directions. U.S. crude prices hit their highest level since 2014 in late June, but have fallen 6.5% this month after signs that production from Libya, Saudi Arabia and Russia could increase.

Still, oil is up about 45% in the past year and is the eighth-best-performing asset in the world in 2018 through

Tuesday, according to a Wall Street Journal analysis of nearly 120 assets that include stock indexes, bond portfolios, currencies and commodities.

Oil prices have moved wildly in some recent sessions even as the stock market hits a summer lull marked by low trading volumes and muted moves.

The correlation between oil futures and the S&P 500, measured on a 20-day rolling basis, fell to its lowest level since May 2017 earlier this month, according to WSJ Mar-

ket Data Group.

Correlations between oil and other assets, including the MSCI Emerging Markets Index and S&P GSCI Non-Energy Index of other commodities, also recently fell below -0.7, indicating an inverse relationship, though they have since moderated.

Correlation is measured on a scale of minus-1 to 1. A reading of minus-1 means two assets are moving in the opposite direction, while a correlation of 1 means they move in tandem.

"You've seen such independent factors that move the commodity," said Craig Hodges, a portfolio manager at Hodges Funds, which is overweight energy stocks. "It's trading on its own supply-demand equation and less of what's going on growth-wise and in the world."

The prospect of an economic slowdown in China is of particular interest to commodity investors because the country has consumed huge amounts of materials as its economy has grown. Last year,

it dethroned the U.S. as the world's biggest importer of crude oil.

China's economic expansion slowed a notch in the second quarter, according to data released last week, weighed down by a government-debt cleanup. That is even before growth takes an expected hit from the trade fight with the U.S.

With investors anticipating that the U.S. will grow faster than other countries, the dollar has risen recently to its highest level in a year, making commodities more expensive to overseas buyers.

In recent weeks, prices of commodities from gold to soybeans have dived, yet oil prices have held on.

Traders are debating how quickly large producers like Saudi Arabia can ramp up supply in case a spat between the U.S. and Iran disrupts exports from the Islamic Republic.

Analysts also have raised the question of whether Russia might increase output at President Donald Trump's urging.

Mr. Trump has asked Saudi Arabia and other countries to increase supply and curb recent oil-price gains. And Libya has indicated in recent weeks it will resume exports at ports that were disrupted by recent rebel attacks.

Although prices have fallen recently, some investors think another supply shock could push them back up and reignite worries about higher inflation.

Specifically, some analysts worry that a continued oil rally would lead to a quicker-than-expected increase in consumer prices, which could give the Federal Reserve an even freer hand to push up interest rates.

"That could be a game changer," said Doug Cohen, managing director of portfolio management at Athena Capital Advisors. "I don't think we're there yet, but it's certainly a risk."

HEARD ON THE STREET

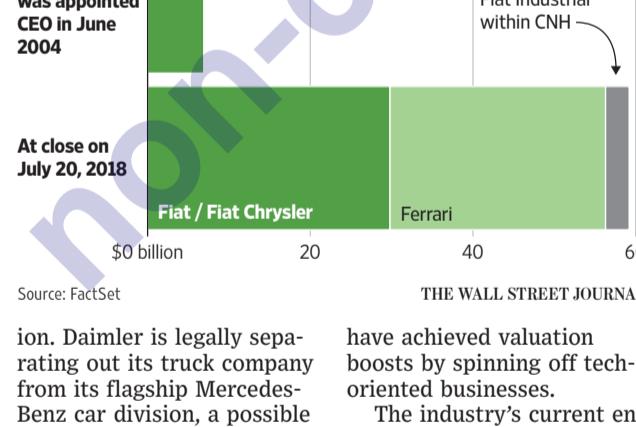
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Marchionne Leaves Rich Legacy

Money Machine



ion. Daimler is legally separating out its truck company from its flagship Mercedes-Benz car division, a possible precursor to a spinoff. Volkswagen is moving toward an initial public offering of its own truck business.

Meanwhile, GM's move to legally separate its driverless-car unit was rewarded in May by a \$2.25 billion investment from SoftBank's Vision Fund. Two big suppliers, Delphi and Autoliv, also

have achieved valuation boosts by spinning off technology-oriented businesses.

The industry's current enthusiasm for such strategies can be traced back to the spectacular returns Mr. Marchionne generated for Fiat Chrysler shareholders. Fiat was worth \$6.9 billion before Mr. Marchionne took over in 2004, and it paid nothing for Chrysler. Before Mr. Marchionne's illness was disclosed, the combined com-

pany, together with Ferrari and the roughly 21% stake Fiat contributed to industrial group CNH, was worth almost \$60 billion.

Fiat Chrysler stock dove 8% Wednesday following a profit warning released alongside second-quarter results. Persuading longtime investors that this warning isn't a new pattern is the first test facing Mike Manley, Mr. Marchionne's successor as chief executive.

A worthy successor to Mr. Marchionne in seeking gains from mergers may be Carlos Tavares at Peugeot SA, which last year bought GM's European arm Opel Vauxhall. The results PSA reported Tuesday were nothing short of extraordinary: Having lost GM money for years, Opel Vauxhall generated a €502 million (\$586.7 million) profit in the first half. The shares rose 15%—an almost unheard-of jump for a car maker.

For years to come, Mr. Marchionne will set a high bar for what is possible.

—Stephen Wilmot

OVERHEARD

Despite their job titles, Wall Street analysts can be a rather incurious lot.

Consider the case of Texas Instruments, which pushed out its new chief executive after just six weeks on the job and just a week before its second-quarter earnings report.

The chip maker cited unspecified violations of its code of conduct. No further details have emerged. Rich Templeton, the CEO who ran TI for 14 years until stepping aside last month, is back at the helm.

TI last week said his appointment wasn't temporary, but the derailing of what was clearly a long-planned succession elicited no questions on the company's earnings call. Mr. Templeton, who rarely appeared on the calls during his previous tenure, wasn't on this one, either.

TI does like to promote from within, so it is likely that Mr. Templeton eventually will pick from a deep bench—whenever he gets around to it.

Low Sugar Sweetens Coke Growth

Sometimes it is better to be lucky than smart. Coca-Cola right now is both.

The beverage giant has just wrapped up a yearlong effort to divest itself of its bottling operations in the U.S., effectively outsourcing many shipping and logistics tasks. The merits of this move are debatable, but the timing is fortuitous—finishing up just as the U.S. is seeing a surge in freight and shipping costs.

World-wide comparable sales rose 5% from a year earlier in the second quarter and the company slightly raised its forecast for the full year, saying it now sees "at least 4%" comparable revenue growth, up from just "approximately 4%" earlier.

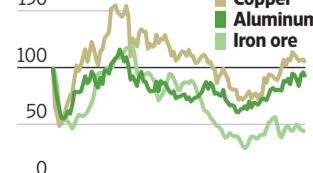
In North America, comparable revenue fell 1% from a year earlier, but this was largely due to a shift in the mix of beverages sold, with pricier juice sales declining in the quarter. What is encouraging is that the company's sparkling soft drinks—a troubled category in recent years—are performing well thanks to its focus on zero and low-sugar products.

Coca-Cola Zero Sugar is growing by "high double digits" in North America, Chief Executive James Quincey said Wednesday. Although the company still isn't breaking out results for Diet Coke, the relaunch of the brand appears to be shoring it up in the U.S. Coca-Cola trades at 21 times forward earnings, compared with 19.5 for PepsiCo. That small premium looks well deserved. Indeed, Coca-Cola's success in responding to shifting consumer trends deserves to be emulated by peers across the food-and-beverage space.

—Aaron Back

Dr. Copper's Summer Cold Will Take Some Time to Cure

Losing Shine?



Recently, however, things have started looking up. Copper prices have bounced 3% over the past week as China's determination to re-stimulate its economy has

and-mortar activity could take longer than many investors appreciate. Disappointing investment and industrial data are likely to persist for a while, which could trip up any incipient rally.

Moreover, the weak yuan appears to be dragging down other Asian currencies with it, meaning pricier dollar-denominated copper imports for Asia's industrial powerhouses. Asia accounted for 70% of refined copper usage in 2017, with China alone sucking up about half.

Monetary policy works with a lag, especially in China, where the financial system isn't very efficient at transmitting lower rates.

Consider China's last major easing cycle: The central bank first cut policy rates in November 2014, but credit growth kept decelerating for another six months, in part because much of the extra liquidity simply ran into the stock market instead of real lending.

Investment growth in real estate, which tends to drive metal prices, didn't bottom out until November 2015, a year after the People's Bank of China first cut rates.

Stimulus might feed through a bit more quickly this time. Chinese property developers aren't sitting on enormous unsold housing inventory like in 2015, mean-

ing cheaper credit could stimulate building more quickly. But the size of the stimulus is likely to be weaker this time, too, so the eventual boost to demand may also be underwhelming.

For now, investors are probably better off on the sidelines. Eventually, the U.S. economy will likely start to overheat, the Federal Reserve will choke off the expansion and the dollar will fall—perhaps around the same time things start to look better domestically in China.

Only then will Dr. Copper find it easier to stay out of bed.

—Nathaniel Taplin