

THE WALL STREET JOURNAL.

DOW JONES | News Corp

WEDNESDAY, OCTOBER 11, 2017 ~ VOL. CCLXX NO. 86

WSJ.com

★★★★ \$4.00

DJIA 22830.68 ▲ 69.61 0.3%

NASDAQ 6587.25 ▲ 0.1%

STOXX 600 390.16 ▼ 0.01%

10-YR. TREAS. ▲ 8/32, yield 2.343%

OIL \$50.92 ▲ \$1.34

GOLD \$1,290.60 ▲ \$8.80

EURO \$1.1808

YEN 112.45

What's News

Business & Finance

P&G said Peltz lost his bid for a board seat, but the investor didn't admit defeat and the close vote promises to keep P&G on the spot. A1

◆ Pfizer and Honeywell unveiled plans to hive off major business units in an effort to sharpen the focus on their core operations. A1, B1

◆ Wal-Mart plans to open fewer U.S. stores than it has in at least 25 years and deepen its cost-cutting efforts. B1
◆ Stocks were lifted by Wal-Mart and other consumer-staples firms. The Dow rose 69.61 points to 22830.68. B17

◆ Weinstein faced more allegations of sexual assault and misconduct, including some involving rape. B1

◆ Vanguard took in nearly \$300 billion in the first nine months, nearly matching its inflows for all of 2016. B16

◆ Four Fed economists face an inquiry over their ownership stake in a U.K. economic-forecasting firm. A2

◆ The IMF raised its forecast for global economic growth to 3.6% this year and 3.7% next year. A8

◆ Driver's license data for around 10.9 million Americans were compromised during the Equifax breach. B3

◆ Some big power firms said they are sticking to their strategies regardless of environmental-rule rollbacks. B3

◆ Apple is betting on Steven Spielberg for its first major foray into creating original video content. B3

◆ An FAA advisory panel failed to agree on proposals to identify and track drones. B4

World-Wide

◆ Officials said the wildfires rippling through Northern California had left at least 17 people dead, more than 100 missing and 20,000 evacuated. A1

◆ Catalonia's leader backed away from an immediate declaration of independence from Spain, slowing a headlong push for secession. A8

◆ The NFL will consider requiring all personnel to stand for the national anthem, a move that could create a showdown with players. A3

◆ Suspected North Korean hackers stole military secrets in a breach of Seoul's defense data system last year, officials said. A10

◆ A shift in the timeline given for the Las Vegas massacre is fueling questions about the attack. A6

◆ A House panel subpoenaed a research firm that compiled a dossier of unverified and unflattering information about Trump. A6

◆ A Turkish court sentenced a Wall Street Journal reporter to prison, highlighting the increased targeting of journalists in Turkey. A11

◆ The Supreme Court dismissed a case on Trump's order from March barring travel to the U.S. from six Muslim-majority countries. A4

◆ Kenya's opposition leader withdrew from a rerun of the presidential race, saying the vote wouldn't be fair. A8

◆ The U.S. men's soccer team failed to qualify for a berth in the 2018 World Cup in Russia. WSJ.com

CONTENTS Opinion A17-19
Business News B3-6-7 Property Report B8
Crossword A16 Sports A16
Head on Street B18 Technology B4
Life & Arts A13-15 U.S. News A2-6
Management B9 Weather A16 Markets B17-18 World News A8-11

4 13 35>
0 78908 63141 1

© Copyright 2017 Dow Jones & Company. All Rights Reserved



Todd Caughey hugs his daughter Ella as they visit the site of their home destroyed by fires in Kenwood, Calif. The blazes have left at least 17 people dead and forced tens of thousands to flee.

Deadly California Wildfires Rip Through Once-Safe Areas

BY ERIN AILWORTH
AND IAN LOVETT

SANTA ROSA, Calif.—Fire officials on Tuesday issued grim tallies as more than a dozen wildfires ripped through Northern California: at least 17 people dead, more than 100 missing, 20,000 evacuated, 115,000 acres charred, and at least 2,000 homes and businesses destroyed.

The largest fire chewed more than a mile into the city of Santa Rosa, destroying entire neighborhoods and signaling a new reality in the state

that even urban communities considered safe for decades are now vulnerable to wildfires.

State and local officials said hotter temperatures, longer fire seasons and development pushing into wilderness areas are leading to more destructive wildfires closer to population centers.

"These are the fires that we're going to be experiencing into the future," said Ken Pimlott, chief of CAL-FIRE, the state's firefighting agency.

Mr. Pimlott expects that at least one of the fires currently burning will ultimately rank among

the 20 most destructive in the state's history.

Most of the damage has been concentrated in Northern California's famous wine regions of Sonoma and Napa counties. In Sonoma County alone, nine people have been killed and more than 100 others reported missing. State and local officials fear the death toll could keep climbing.

"I'm extremely worried about it rising," James Gore, a Sonoma County supervisor, said of the death toll. "There are too many stories of people

Please see FIRES page A4

INSIDE



NFL WEIGHS
NEW RULES
FOR ANTHEM

U.S. NEWS, A3



TAX REFORM
MEANS A RAISE
FOR WORKERS

OPINION, A19



CATALONIA
BACKS AWAY
FROM SPLIT

WORLD NEWS, A8

Ballerina's Best (And Also Likely) Excuse: The Dog Ate My Shoes

* * *

A sweaty ballet pointe is also an irresistible canine chew toy; 'this is mine'

BY ELLEN BYRON

Olivia Trevino, 12 years old, woke up on a Tuesday morning in May and screamed. Her new \$125 pointe shoes were badly chewed.

The aspiring ballerina's black Labrador ran off after hearing Olivia's reaction, tail between his legs. "I had fallen asleep with my pointe shoes on my nightstand," Olivia says, describing the crime scene.

The seventh-grader from Cypress, Texas, tried using the shoes in ballet class the next day. "I kept falling over," she says. "I had to tell my teacher that my dog ate my pointe

Pointe shoes, often hand-crafted from leather, satin, cardboard and cotton, and carrying the hard-won scent of perspiration, can be an irresistible chew toy to canines. The expensive and delicate

shoes, which aid ballerinas to dance on the tips of their toes, or en pointe, can be wrecked with a bite or two.

At Grand Jeté Inc., a dancewear store in St. Paul, Minn., ballerinas new to dancing en pointe spend as long as an hour trying on a half dozen or so shoes to test different widths, shank styles and toe-box shapes. They learn how to sew on the elastic

Please see POINTE page A12

Pointe shoes

P&G Claims Win, but Peltz Presses On

BY SHARON TERLEP
AND DAVID BOENOIT

country to win shareholder support.

But Mr. Peltz wasn't admitting defeat and said he disagreed with P&G's counting of the ballots. His Trian Fund Management said it would wait for the tally to be certified—which with as many as 2.5 billion shares to count and paper ballots to check, could take days or weeks.

After waging the largest and most expensive proxy fight in U.S. history, P&G said Tuesday a preliminary vote tally showed all 11 current directors had been re-elected, without disclosing the count.

"We will continue to respectfully engage with Nelson Peltz, whose input we value," P&G chief executive David Taylor said after declaring victory to cheers and a standing ovation from shareholders at the company's headquarters. The two sides spent at least \$60 million and crisscrossed the

Please see PELTZ page A9

◆ Heard on the Street: Peltz or not, P&G looks pricey B18

Companies Chase Spinoff Bump

BY MIRIAM GOTTFRIED
AND THOMAS GRYTA

more focused operations.

Companies use spinoffs—the act of turning a unit into a separate, publicly traded company by issuing newly created stock—to simplify their operations and shed unrelated businesses while avoiding tax bills that sales of divisions often entail. For investors, the appeal of spinoffs lies in their long history of outperforming the broader market, particularly in the years immediately following separation from a corporate parent.

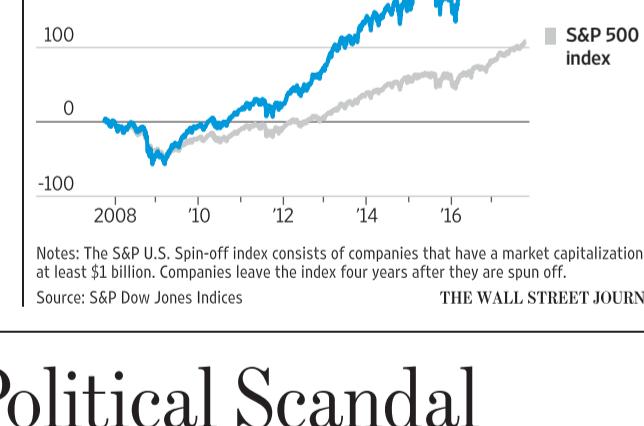
Including dividends, the S&P U.S. Spin-Off Index has outperformed the S&P 500 by nearly 190 percentage points over the past decade. The index is composed of companies

Please see SPINOFF page A6

◆ More on Honeywell, Pfizer... B1

Spin Cycle

Stocks of spun-off companies have outperformed the broader market in the past 10 years. Total return since Sept. 28, 2007:



Notes: The S&P U.S. Spin-off index consists of companies that have a market capitalization of at least \$1 billion. Companies leave the index four years after they are spun off.

Source: S&P Dow Jones Indices

THE WALL STREET JOURNAL.

A Political Scandal Rocks South Africa

At the center is role of Gupta family in President Zuma's government

BY GABRIELE STEINHAUSER

JOHANNESBURG—Many South Africans believe the country's real seat of power is a suburban, 140,000-square-foot compound shielded by concrete walls and sometimes guarded by an armored personnel carrier.

The sprawling complex is the home and headquarters of the Gupta family, who moved to South Africa from India in the early 1990s as apartheid was ending and then built a business empire stretching from media to mining.

Their riches and close ties to President Jacob Zuma have plunged the country into its gravest political crisis since the overthrow of white-minority rule.

The Guptas are at the center of a corruption scandal that has entangled international firms from KPMG LLP to McKinsey & Co. to SAP SE, amplified calls for Mr. Zuma to resign and has become a battle line in the race to succeed him as leader of the African National Congress, the country's ruling party since Nelson Mandela.

One party official said last year that one of the three Gupta brothers who oversee the family business offered him the job of finance minister at the Gupta compound while Mr. Zuma's son was there. An investigation by South Africa's ombudsman said President Zuma and other officials steered government contracts to Gupta businesses.

In the past five months, a flood of emails and other documents that appear to have been obtained from Gupta-controlled companies has buttressed longstanding suspicions among many South Africans that the family has used its connections to Mr. Zuma to help it amass gigantic financial gains.

"I could not help to wonder whether, unbeknown to me, democracy and the rule of law had somehow been suspended," Pretoria High Court Judge Hans Fabricius wrote in a ruling two weeks ago in favor of a bank that wants to stop doing business with the Guptas.

The judge suggested that South Africa's future

Please see GUPTA page A12

U.S. NEWS

Fed Probes Some of Its Economists

BY KATY BURNE

The Federal Reserve's internal watchdog is probing a group of Fed economists who also own shares in a U.K. economic-forecasting company, a person familiar with the matter said.

At issue is whether the economists' ownership stakes in the private firm could have created a conflict of interest.

The inquiry, by the Fed's Office of Inspector General, centers on four economists who have owned shares in London-based Now-Casting Economics Ltd., the person said. The inquiry is at a preliminary stage, this person said.

Like the Fed, the U.K. company makes short-term economic forecasts using real-time data. It sells that information to investment firms, such as hedge funds, which use it to help make market bets. Having a vested interest in the U.K. company puts the Fed economists in a position where they could be suspected of a conflict or the appearance that the U.K. company is selling access to such information.

The Fed's code of conduct says employees "should avoid any situation that might give rise to an actual conflict of interest or even the appearance



Brooks Kraft/Getty Images

Some Fed economists' ownership stakes in a U.K. forecasting company could have created a conflict of interest.

of a conflict of interest."

The OIG was notified of the matter by a U.S. forecasting and financial-technology firm, Economic Alchemy LLC, which is a defendant in a trademark dispute with the Fed and Now-Casting Economics, legal filings with the U.S. Patent and Trademark Office show.

In those filings, Economic Alchemy Chief Executive Officer Guzman said the "mere perception" that the Fed economists might have access to nonpublic monetary-policy information could boost the U.K. firm at the expense of rivals.

None of the information ex-

hibited by Ms. Guzman and Economic Alchemy would indicate the U.K. firm or the economists have traded on confidential Fed information.

A spokesman for the Fed's OIG declined to comment on the office's activities. William Mason, an OIG investigator, said he was "unable to talk about things ongoing, especially an investigative matter."

In filings, Ms. Guzman said the OIG acknowledged receiving the complaint and that she got a call from Mr. Mason, who had requested a meeting.

A spokesman for the Fed board of governors said: "Our

practice is to neither confirm nor deny investigations." The Fed didn't provide any documents in response to a public-records request.

Ms. Guzman alleged in the letter to the OIG that one of the economists, Domenico Giannone—an assistant vice president in macroeconomic and monetary studies at the Federal Reserve Bank of New York—is violating conflict-of-interest rules for federal employees as well as the Fed's code of conduct.

Mr. Giannone, 44 years old and a co-founder of Now-Casting Economics, said he disclosed his "involvement" in the U.K. firm before joining the Fed in late 2014. He now owns 30.5% of the U.K. firm, the firm said. Filings with a U.K. government agency still list him as a "person with significant control" in the company.

Mr. Giannone said he resigned as a Now-Casting Economics director in 2014, just before joining the Fed, and has complied with conditions on his employment set by the New York Fed's ethics office.

"I do not vote my shares or participate in the business," he said in an email. "Any suggestion that I have acted improperly is false."

Now-Casting Economics CEO Jasper McMahon said Mr.

Giannone "has had no role whatsoever in the company" since 2014. The company didn't file Mr. Giannone's resignation notice with the U.K. government that year, when it was supposed to. The notice was filed May 24 of this year, a delay that Mr. McMahon called an "inadvertent mistake."

Consequent filings that show Mr. Giannone as an active officer as recently as Feb. 10, 2017, also were a mistake, Mr. McMahon said.

A New York Fed spokeswoman said Mr. Giannone disclosed his "role and interest in the U.K. company" before joining. She said a condition of his Fed employment was that he not have access to high-level money-policy decisions and nonpublic views by Fed officials on the likely future direction of policy making.

Another condition from the New York Fed, she added, was that Mr. Giannone "not participate personally and substantially" in any Fed matter that could financially benefit him or his company.

Ms. Guzman's allegations cite three other Fed economists with shares in the U.K. firm. The Fed declined to comment on them, and Mr. McMahon said the company has "taken great care...to avoid any such conflicts."

U.S. WATCH

ILLINOIS

Sweetened-Drinks Tax In Chicago Repealed

Lawmakers in Cook County voted to repeal a penny-an-ounce sweetened-beverage tax, delivering a big win for the soda industry, which is battling similar measures around the country.

Cook County, which includes Chicago, implemented the tax Aug. 2. Board President Toni Preckwinkle, a Democrat, positioned it as a way to fill a \$200 million budget hole and a bid to wean residents from unhealthy drinks.

The beverage industry pushed back, arguing it hurt local businesses and residents. The industry also challenged the portrayal of the tax as an effort to improve public health since it also applied to sugar-free beverages like diet soda.

—Shayndi Raice

NAVY

Commanding Officers Removed After Crash

The Navy said the recent fatal collision of the USS John S. McCain was preventable and the ship's two most senior commanding officers were removed and reassigned due to a loss of confidence.

Ten sailors were killed in the early hours of Aug. 21 when the McCain collided with a civilian tanker while en route to Singapore. The collision tore a hole in the left rear side of the American destroyer.

The McCain collision was the latest in at least four Naval ship accidents in the past year—including the fatal collision of another Seventh Fleet ship, the USS Fitzgerald, in June.

—Jake Maxwell Watts

TEXAS

Police: Man Admitted To Texas Tech Killing

A Texas Tech University student confessed to killing a campus police officer who had been booking him on a drug possession charge, telling detectives he had done "something illogical" and that "he was the one that shot their friend," an investigator said.

In an affidavit released Tuesday, Detective Thomas Bonds of the Lubbock Police Department said Hollis Daniels III confessed to killing Officer Floyd East Jr. after his recapture Monday night.

Mr. Daniels, who is from the San Antonio suburb of Seguin, is charged with capital murder of a peace officer and is being held in the Lubbock County jail on a \$5 million bond. Online jail records don't indicate whether he has an attorney who can speak on his behalf.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

A person who reaches age 70½ during any point in a calendar year and who wants to convert part of a traditional IRA to a Roth IRA must first take his or her required minimum distribution from the traditional IRA. A Journal Report article on Monday that looked at using a tax credit for an electric vehicle in combination with a Roth conversion

incorrectly indicated that the conversion could be made without first taking the RMD.

Queen Victoria granted city status to Belfast in 1888. The City Hall was erected in 1906. An Off Duty article Saturday about the city in Northern Ireland incorrectly said that Queen Victoria dedicated the City Hall in 1906.

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

THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)
(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chichester, MA 01020.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsj.letters@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

REPRINTS & LICENSING

By email: customerreprints@dowjones.com; By phone: 1-800-843-0008

GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS

Artist Builds Fences in New York City



RICHARD DREW/ASSOCIATED PRESS

ARCH INSTALLATION: People walk by a sculpture by Chinese activist artist Ai Weiwei, inside the Washington Square Arch in New York's Greenwich Village. The piece is part of the artist's 'Good Fences Make Good Neighbors' installations.

THE RESORT AT PELICAN HILL

A place like no other

Oceanfront Luxury from \$495
One Hour from LA in Newport Beach, CA
PELICANHILL.COM
888.802.1777

OVERSEAS
AN INVITATION TO TRAVEL

VACHERON CONSTANTIN
GENEVE, DEPUIS 1755

New York 729 Madison Ave +1(877) 701-1755
vacheron-constantin.com

U.S. NEWS

NFL Eyes Rules During National Anthem

Proposal would bar players from kneeling, marking a reversal in the league's stance

BY MATTHEW FUTTERMAN
AND ANDREW BEATON

The National Football League said it would consider requiring all of its personnel to stand for the national anthem, a move that could defuse a dispute with President Donald Trump but create a showdown with players over their right to protest.

The decision to consider the change came after weeks of persistent criticism from the GOP president about players protesting during the anthem, including his call for fans to boycott games if the demonstrations continue. On Sunday, Vice President Mike Pence left an Indianapolis Colts game after members of the San Francisco 49ers took a knee during the anthem.

The controversy is "threatening to erode the unifying power of our game," NFL Commissioner Roger Goodell said in a memo to league executives on Tuesday.

Mr. Goodell didn't release details of a plan to address the issue, but he said the league believes that all players should stand for the anthem. He also said the league would suggest other ways it could support social-justice issues that players want to champion.

Any change to the NFL's policy would mark an abrupt reversal after the league presented weeks ago a unified front in response to Mr. Trump's criticism.

The decision to consider an adjustment reflects the mounting concern among owners that the controversy could have

long-term financial implications for the country's most popular sport.

Some of the protesting players have said they are kneeling in hopes of calling attention to racial inequality in the U.S., not disrespecting the flag or the anthem.

Green Bay Packers tight end Martellus Bennett criticized the commissioner's proposal. On Twitter, he wrote: "@nflcomish really bruh? It's hard trying to play both sides of the fence when it comes down to injustice and your money huh?"

The NFL manual on game operations says players "should" stand during the national anthem. It doesn't say they "must" stand, even though that word is used in numerous instances in the manual regarding player behavior during games.

The owners are scheduled to meet next week in New York. "I fully expect this to be front and center on the agenda," said league spokesman Joe Lockhart.

The multibillion-dollar business now faces the difficult challenge of healing fractures on all fronts. The league is in an unprecedented high-profile spat with the president. At the same time, players and team owners are increasingly at odds. And there are divisions among players and owners over how to deal with the issue.

The White House applauded the developments on Tuesday.

"I think we would certainly support the NFL coming out and asking players to stand, just as the president has done," said White House press secretary Sarah Huckabee Sanders. "We're glad to see the NFL taking positive steps in that direction."

After Mr. Trump began his criticism of the league three



NFL owners are scheduled to meet next week in New York to discuss rules governing conduct during the playing of the anthem.

weeks ago, referring generically to a player who knelt during the anthem as a "son of a bitch," the NFL and its owners chose to stand alongside, and in some cases kneel next to, its players. Mr. Lockhart, who served as White House press secretary when Democrat Bill Clinton was president, took on Mr. Trump directly, saying the league "fundamentally could not disagree more" with him.

But as fans threatened boycotts and television ratings failed to bounce back from last year's diminished returns, the league and its owners softened their stance.

At committee meetings two weeks ago, numerous owners complained the league's aggressive tack toward the White House was counterproductive. Dallas Cowboys owner Jerry Jones, who took a knee with his players before standing for the playing of the national anthem in a high-profile prime-time game on Sept. 25, said on Monday that his policy has been that any player on his team who declined to stand wouldn't play.



TOD'S DOUBLET MINI SATCHEL - \$2,265

650 MADISON AVENUE
NEW YORK CITY - 212 644 5945

800-457-TODS

SHOP TODS.COM

Trump Takes Aim at Sports Tax Breaks

BY RICHARD RUBIN

WASHINGTON—President Donald Trump's attacks on protests by some National Football League players shifted to tax policy on Tuesday, as the president floated the possibility of pushing to change laws that benefit the league.

"Why is the NFL getting massive tax breaks while at the same time disrespecting our Anthem, Flag and Country?" he asked on Twitter.

The comments marked Mr. Trump's latest criticism of the league after some players knelt rather than stood during the national anthem recently. The movement began over a year ago to protest police actions toward African-Americans. Mr. Trump reignited the issue in a speech last month.

Mr. Trump didn't say exactly what he had in mind on taxes. Still, the comments shine a light on two tax advantages the NFL historically enjoyed: the claiming of nonprofit status, which the league

given up its tax-exempt status a few years ago, it's been well documented that billions of taxpayer dollars continue to subsidize the construction and renovation of professional sports stadiums," White House press secretary Sarah Huckabee Sanders said Tuesday.

Many stadium tax subsidies happen on the state and local level, but some rely on the ability to issue municipal bonds that generate income exempt from federal taxes.

Ending the tax break for stadiums has support in Congress. Rep. Steve Russell (R., Okla.) and Sen. Cory Booker (D., N.J.) are the primary sponsors of a bill to prevent tax-exempt bonds from being used to finance the projects.

In a statement Tuesday, Mr. Russell said the issuance of

tax-free bonds to pay for stadiums distorts the goal of helping municipalities pay for infrastructure projects.

An Obama administration proposal to repeal the tax break for pro sports stadiums would have raised \$542 million over a decade, according to a Treasury Department estimate in 2016.

The other often-discussed change that would have a much narrower fiscal impact would be removing the ability for sports leagues to get tax-exempt status, akin to some business trade groups. Reps. Matt Gaetz (R., Fla.) and Blake Farenthold (R., Texas) have proposals to prevent leagues from claiming exempt status.

—Andrew Beaton
and Eli Stokols
contributed to this article.

SAKS FIFTH AVENUE
CELEBRATES
ITALIAN STYLE
WITH OFF-WHITE



THE EXTRAORDINARY
ITALIAN STYLE



U.S. NEWS

Former Coal CEO's Appeal Turned Down

Blankenship, convicted in connection with deadly mine explosion, failed to sway justices

BY JESS BRAVIN
AND BRENT KENDALL

WASHINGTON—The Supreme Court rejected an appeal by a former coal executive convicted of safety violations linked to the 2010 explosion at West Virginia's Upper Big Branch mine that killed 29 men.

Don Blankenship, former chief executive of **Massey Energy Co.**, received a one-year sentence after his 2015 conviction for conspiring to violate federal mining-safety regulations, a verdict upheld by a federal appeals court in Richmond, Va. He was acquitted of more serious felony counts.

In his appeal, Mr. Blankens-

ship's attorneys argued the case "stemmed from a rush to judgment at the highest levels of the federal government" and was marked by "unchecked abuses of power by prosecutors intent on securing a conviction by any means possible."

They asked the court to overturn the verdict for several reasons. Jurors, they said, were told that to convict they must find Mr. Blankenship acted with "reckless disregard" for safety regulations, but they weren't instructed that they had to find the defendant knew his conduct was unlawful.

The Justice Department, urging the Supreme Court to reject the appeal, said Mr. Blankenship "privately communicated to the Massey employee in charge of the Upper Big Branch mine that 'safety violations were the cost of doing business' and that it was 'cheaper to break the safety laws and pay the fines than to



CHRIS TILLEY/ASSOCIATED PRESS

Former Massey Energy Co. CEO Don Blankenship, left, leaves court during his 2015 trial in Charleston, W.Va.

spend what would be necessary to follow the safety laws.'

Gitmo appeal denied

Also on Tuesday, the Supreme Court turned down an appeal from a Guantanamo Bay

detainee challenging aspects of the military commission system established after the Sept. 11 terrorist attacks to prosecute aliens for terrorism-linked offenses without affording them constitutional rights.

Ali al-Bahlul, a former com-

munications aide to Osama bin Laden, has been held at Guantanamo since 2002. He was convicted of conspiracy in 2008 after a trial he largely boycotted other than to proclaim his fealty to al Qaeda.

Among other issues, Mr. Bahlul, who received a life sentence, challenged the military commission's power to try him for conspiracy, which traditionally has been viewed as a civilian offense rather than a war crime.

In 2006, the Supreme Court left that issue unresolved in a decision striking down President George W. Bush's order creating the military commissions. Subsequent legislation stopped short of providing the same constitutional guarantees required in civilian courts.

Apple case

In action from the court's business docket, the justices

asked the Trump administration for its views on **Apple Inc.**'s bid to dismiss a consumer lawsuit alleging the company illegally monopolized the sale of iPhone apps.

The iPhone maker has filed an appeal asking the justices to hear the case and rule that iPhone-app purchasers don't have legal standing to proceed with their claims.

The Supreme Court deferred a decision on whether to intervene, instead asking U.S. Solicitor General Noel Francisco to weigh in first with the government's position on the case.

At issue is a proposed class-action lawsuit alleging consumers pay higher prices for iPhone apps because Apple maintains an exclusive marketplace for their sale and charges a 30% commission to app developers.

Apple denies it has engaged in anticompetitive conduct.

Top Court Dismisses Case on Travel Ban

BY BRENT KENDALL

WASHINGTON—The Supreme Court is one step closer to sidestepping a decision on President Donald Trump's expiring travel ban, even while lawsuits on a new version of the ban move forward.

The high court late Tuesday dismissed one of two pending cases on Mr. Trump's executive order from March that barred travel to the U.S. by people from six Muslim majority countries. The president said the ban was needed for national security, while his critics said the prohibition unlawfully targeted people because of their religion.

The justices, in a two-paragraph order, said the case was moot because the old six-country ban expired. It was replaced by a new, third version of the travel ban the president issued Sept. 24 that focuses on nationals from eight countries, including the non-Muslim majority nations of North Korea and Venezuela.

As part of its dismissal, the Supreme Court vacated a May ruling by the Fourth U.S. Circuit Court of Appeals, based in Richmond, Va., that said the president's last travel ban "drips with religious intolerance" and was likely unconstitutional.

The second pending case at the Supreme Court is from Hawaii and raises additional legal questions about the order's ban on refugees.

U.S. Talks Tough on Encrypted Data

BY DEL QUENTIN WILBER

The Justice Department signaled it intends to be more aggressive in seeking access to encrypted information from technology companies, setting the stage for another round in the tug of war between privacy and public safety.

Deputy Attorney General Rod Rosenstein issued the warning in a speech Tuesday in Annapolis, Md., saying that negotiating with technology companies hasn't worked.

"Warrant-proof encryption is not just a law-enforcement problem," Mr. Rosenstein said at a conference at the U.S. Naval Academy. "The public bears the cost. When our investigations of violent criminal organizations come to a halt because we cannot access a phone, even with a court order, lives may be lost."

Mr. Rosenstein didn't say what precise steps the Justice Department or Trump administration would take.

Steps could include seeking court orders to compel companies to cooperate or a push for legislation.

—Tripp Mickle contributed to this article.



A mobile-home park in Santa Rosa, Calif., as seen Tuesday, after being hit by a wildfire. Blazes in the state have grown larger and more unpredictable, officials say.

FIRE

Continued from Page One
who got out with nothing but their pajamas on."

For more than three decades, Chandra Snyder assumed her Santa Rosa house safe from wildfires, which she had seen sweep through more rural parts of the region from time to time.

Then at 2:10 a.m. on Monday, she and her husband were woken by a call from their adult daughter in another part of town. A wildfire was closing in on Santa Rosa. Their neighborhood was filling with smoke and they evacuated.

By the time the Snyders returned, their home was gone.

"It's a freaking nightmare," Ms. Snyder, 54 years old, said through tears on Tuesday as she and her family surveyed the damage.

Gov. Jerry Brown declared a state of emergency on Monday, and on Tuesday Vice President Mike Pence came to Sacramento and told state officials that the request for federal assistance had been approved.

By Tuesday afternoon, around 20,000 people had been evacuated from fire zones across the state, according to fire officials. A fire in Orange County, south of Los Angeles, had forced more than 5,000 residents to flee their homes.

In San Francisco, south of the largest fires, a haze of soot hung over the city, and a burning smell inundated office buildings.

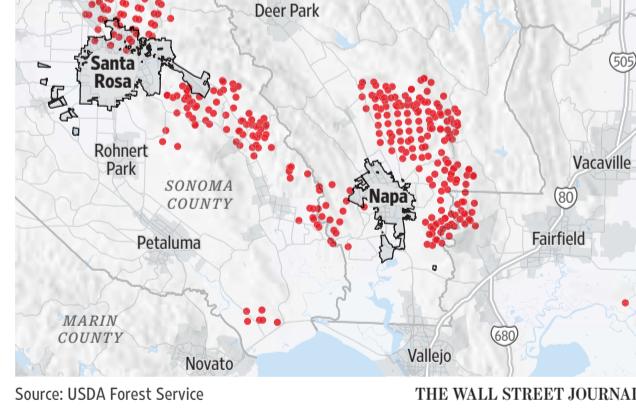
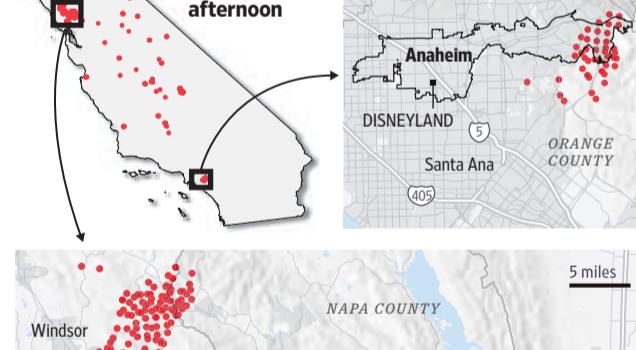
The air in Napa County remained thick with smoke on Tuesday, and ash fell as the three fires raged near many of the world's iconic wineries.

Roadblocks were set up at several parts of the county and mobile phone reception and power remained virtually nonexistent throughout. About 27,000 Pacific Gas & Electric Co. customers had been left without power, and the company had also pre-emptively cut out gas to 26,000 customers, county officials said.

More than 172,000 homes in the Napa and Santa Rosa

Scorched

Wildfires are burning in many parts of California, including Anaheim and wine country.



Source: USDA Forest Service

Vineyards Resist The Flames

Wildfires sweeping through some of California's most prized wine regions have damaged at least 15 wineries in Napa and Sonoma counties, vintners and industry representatives said Tuesday.

The damage isn't expected to permanently cripple the industry, however. While some winery buildings burned to the ground, taking with them entire vintages of wine in tanks and barrels, the grape vines themselves are resistant to fire and are expected to survive. And this year's harvest in Napa and Sonoma was nearly complete, according to vintner associations in both counties.

"It's been a devastating 24 hours," said Mike Haney, director of marketing and government relations for Sonoma County Vintners, an industry association. "But I think we'll survive this."

Karissa Kruse, president of Sonoma County Winegrowers, visited the smoking rubble of Paradise Ridge Winery. Speaking by phone Tuesday after-

noon, she described half-melted harvest bins, racks holding charred barrels and large stainless steel tanks that were still standing, though the surrounding buildings were gone.

"It's just kind of spooky, to be honest," said Ms. Kruse, who lost her own home in the fire.

The vines looked fine, she said.

"We have friends who lost everything they ever owned," Paradise Ridge co-owner Rene Byck said. "We can rebuild the winery. We can make more wine."

Along with Paradise Ridge's own 2016 vintage and much of its 2016 wine, at least two other winemakers who stored their barrels on Paradise Ridge's property lost their entire 2016 vintages, Mr. Haney said.

California wine in 2016 represented 57% of the total \$59.5 billion in U.S. retail wine sales. Napa and Sonoma combined represent about 10% of California wine-grape production by volume, but these two counties produce the highest-value wines. Most wines sold in the U.S. retail for under \$8 a bottle. Sonoma wines sold direct to the consumer go for an average of more than \$30, and Napa wines go for more than \$60.

—Jennifer Maloney

through the hot fall months. However, in recent years, fire officials have said that season is now yearlong.

Fires have grown larger, more unpredictable and more difficult to control, especially after the state endured a five-year drought.

A recent study from the University of California, Merced found that the fire season in the western U.S. was more than 80 days longer, on average, between 2003 and 2012 than it was between 1973 and 1982, because the climate has grown hotter. Heavy winter rains, like those in the past year, only produced more grass that has allowed fires to spread in developed areas. Fires have typically hit sparsely populated wilderness areas.

In Santa Rosa, residents were shocked to find themselves in danger in one of the

state's largest cities north of San Francisco, with more than 150,000 residents.

The city's Coffey Park neighborhood, which has stood untouched by fire for decades, was the hardest hit. Separated by a six-lane freeway from less developed areas, residents of the neighborhood had worried little about wildfires.

Propelled by winds of over 50 miles per hour, the Tubbs Fire, which is the largest fire currently burning in the state, jumped the freeway early Monday morning and laid waste to the neighborhood.

Sisters Susan Carol and Alice Plichcik found themselves at the community center after deciding to flee their Coffey Park home around 1 a.m. Monday amid a thick layer of smoke.

They said they received no official evacuation order and

lamented the lack of warning.

"We didn't take any jewelry, we didn't take any paperwork," Ms. Plichcik said.

Mr. Gore, the 39-year-old Sonoma County supervisor, said Coffey Park had been around as long as he could remember, and had never previously been touched by wildfires.

He said Coffey Park was now completely gone except for "barbecues, wheelbarrows and barbecues," many of which ended up in the street after the propane tanks exploded.

"The places that we know are dangerous are burning," Mr. Gore said. "But the places that people thought would never be touched—never in their wildest nightmares—also got destroyed. It's full-court urban and suburban devastation."

—Alejandro Lazo

contributed to this article.

How does a family survive becoming wealthy?

The pitfalls of wealth are well documented.
A family's values are often its saving grace. We help families
define and communicate their values across
generations. We would be delighted to help yours too.



BROWN 
BROTHERS
HARRIMAN

The future of wealth since 1818.

To learn more, visit www.bbh.com or call 212-425-1818.

U.S. NEWS

Shooting Timeline Fuels Questions

LAS VEGAS—At 9:59 p.m. on Oct. 1, police said hotel security guard Jesus Campos approached the door of Stephen Paddock at the Mandalay Bay Resort and Casino. Paddock, who had rigged a camera to see anyone approaching, shot the guard through the door.

By Chris Kirkham,
Jim Carlton
and Jon Kamp

Six minutes later, Paddock began firing on the crowd of concertgoers below, police said.

The sequence represents a significant shift in the timeline provided by law-enforcement officials, who have warned it could change as the investigation unfolds.

Earlier, officials said Mr. Campos arrived in the midst of Paddock's shooting frenzy. But on Monday, police said he arrived before Paddock began the attack on the country music festival.

Debra Deshong, a spokeswoman for MGM Resorts International Inc., which owns the Mandalay Bay, said in a statement that the company "cannot be certain about the most recent timeline that has been communicated publicly" by police and believes "what is currently being expressed may not be accurate."

The new timeline from police, nevertheless, raises a question of whether Paddock might have been stopped before he fired on the crowd. Police said Mr. Campos was shot in the leg when Paddock fired on him.

The first officers arrived on the 32nd floor of Mandalay Bay about 2 minutes after Paddock stopped shooting, and about 12 minutes after he



A police officer responding to the shooting near the Mandalay Bay resort and casino on the Las Vegas Strip on Sunday.

started, according to police.

Paddock killed 58 people in a shooting frenzy that also injured nearly 500 others, and killed himself before police broke into his suite.

David Hickey, international president of the Security, Police and Fire Professionals of America union that represents the Mandalay guards, said he met with Mr. Campos in Las Vegas this week.

Mr. Hickey said Mr. Campos said he had stayed on the 32nd floor and immediately called in

what happened to hotel security dispatch, and saved a hotel engineer from entering the hallway and possibly being shot.

Mr. Hickey said Mr. Campos did exactly what he was supposed to do and called him a hero.

Efforts to reach Mr. Campos were unsuccessful Tuesday.

A person familiar with Mandalay Bay operations said the casino is going through phone records and video footage to check when Mr. Campos called in that he was shot and what

happened next. The casino hasn't yet been able to determine whether the security dispatch immediately called police or sent other security guards to respond first, the person said.

Authorities haven't released 911 records from that night, citing the open investigation.

Las Vegas Metropolitan Police didn't respond to multiple requests for comment on Tuesday.

Police last week credited Mr. Campos with distracting Paddock in the midst of the mass-

cre, saying he was shot outside Paddock's suite "just moments" before officers arrived, according to Las Vegas Metropolitan Police Undersheriff Kevin McMullin. Police previously said they believed Mr. Campos's arrival stopped Paddock from firing on the crowd.

Monday, police changed their account, saying they "learned Mr. Campos was encountered by the suspect prior to his shooting to the outside world," said Las Vegas Metropolitan Police Sheriff Joseph Lombardo.

Small Businesses Push for More Aid After Disasters

BY RUTH SIMON
AND JOSEPH DE AVILA

Some small-business owners struggling to recover from this year's series of brutal hurricanes said the federal government needs to beef up its response.

Unlike individuals, businesses aren't eligible for grants from the Federal Emergency Management Agency. They can receive disaster-recovery loans, but many entre-

preneurs aren't interested in taking on debt after a big storm, and some don't qualify for a loan.

"It's a shame they can't do more for small businesses," said R.L. Burdett, a 71-year-old Houston chiropractor who didn't have flood insurance.

Dr. Burdett incurred nearly \$150,000 in damage when 4 feet of water from Hurricane Harvey this summer swamped the office he has occupied for nearly 25 years, soaking chiropractic tables and X-ray and ultrasound machines. He said he is reluctant to take on debt and plans instead to dig into his savings.

The U.S. Small Business Administration's disaster-loan program is the main source of federal aid for flood-ravaged entrepreneurs. It allows businesses to borrow up to \$2 million to repair or replace damaged property and cover other disaster losses. But more than half of the loan applications are typically rejected, often because they don't have the cash flow to support repayments.

The mismatch between federal assistance and small-business needs is one of many challenges such firms face when disaster strikes. Small businesses typically operate with limited cash reserves, leaving little cushion to cover

LEE WILDE/ARENA DESIGN



Arena Design in Houston is using \$22,000 from a GoFundMe campaign to help rebuild.

physical damage or lost revenue. Many firms lack flood insurance, and some of those that have flood insurance said it is inadequate.

"There isn't a tool yet in the federal government that is sized to businesses that are actually very, very small," said Robin Keegan, who headed Louisiana's economic recovery efforts following Hurricane Katrina in 2005 and is now director of a nonprofit working on disaster recovery. Small firms typically need quick infusions of cash and help rethinking their business plans in light of a disaster, Ms. Keegan said.

Sen. Jim Risch, chairman of the Senate's Committee on Small Business and Entrepreneurship, said he intends to conduct an audit on the SBA's response to hurricanes Harvey, Irma and Maria. Mr. Risch (R., Idaho) said he was impressed

by the number of loans SBA has been able to disperse, but he said it is too early to assess the agency's performance.

Mr. Risch declined to say whether SBA should offer grants or other types of assistance besides loans to businesses dealing with a disaster.

"They are executing in the lanes they operate in," Mr. Risch said. "Should those lanes be widened or should they be added to? I'm not ready to say that yet."

Others said more aid is needed. "As far back as Hurricane Katrina, I advocated for grants to supplement existing disaster-loan programs, and I'll continue to make that case," said Rep. Nydia Velázquez (D., N.Y.), ranking member of the House Small Business panel.

An SBA spokeswoman said that "grants are always a topic

of discussion."

The SBA had been criticized for delays following Katrina. The agency is now processing loan applications in 10 days, once the application is complete, an agency official said. The agency said it has processed more than 100,000 applications since Harvey hit.

Rusty Arena, the owner of Arena Design in Houston, a screen printing company, is using \$22,000 raised through a GoFundMe campaign, to help cover the cost of hauling out damaged Sheetrock, waterlogged textiles and other debris while he waits for word on his SBA loan application, insurance proceeds and other sources of funding.

The \$22,000 "made the difference between us standing with hands by our sides and getting some workers in," said Mr. Arena.

Firm Tied To Trump File Gets Subpoenas

BY BYRON TAU

WASHINGTON—A congressional committee has issued subpoenas targeting a research firm that compiled a dossier of unverified and unflattering information about President Donald Trump.

The subpoenas were recently issued by the House Intelligence Committee to employees at Fusion GPS, which performs research for political and corporate clients.

During the 2016 presidential campaign, Fusion GPS worked with a former British spy named Christopher Steele to compile a 35-page dossier on Mr. Trump's alleged ties to Moscow. The information contained in the dossier remains unverified and Mr. Trump has denied having any improper ties to the Russian government or Russian business interests.

The existence of the subpoenas was confirmed by an attorney for Fusion GPS and a Democratic aide familiar with the congressional investigation. The subpoenas were first reported by CNN.

"As we evaluate these subpoenas, we have serious concerns about their legitimacy," said Joshua Levy, counsel to Fusion GPS.

Mr. Levy has previously said, in response to an earlier subpoena threat, that his clients would consider invoking their constitutional right to refuse to give testimony if compelled to appear in front of Congress.

The issuance of the subpoenas lays bare tensions within the committee, which is conducting a probe of Russian activity during the 2016 election. The subpoenas were issued by Chairman Devin Nunes, a California Republican who stepped aside from leadership of the probe in April amid criticism over how he was running it. The subpoenas were issued without the consent of the Democrats on the committee, according to the Democratic aide.

A spokesman for Mr. Nunes declined to comment.

This isn't the first time that Fusion GPS, founded by former Wall Street Journal reporter Glenn Simpson, has faced a subpoena threat. The Senate Judiciary Committee subpoenaed the firm in July but withdrew it after reaching an agreement with Mr. Simpson to provide closed-door testimony. Mr. Simpson eventually gave 10 hours of voluntary testimony to the committee, according to Fusion GPS's attorney, Mr. Levy.

Mr. Levy said that the firm wasn't opposed to cooperating with Congress and was engaged in negotiations about testimony when the subpoenas were issued.

He said Mr. Nunes's committee was offered the same terms as other committees.

Congressional subpoenas are mandatory summonses to appear before Congress, but the legislature has had difficulty enforcing them in the past. Congress typically needs either assistance from a federal court or the Justice Department to help compel a witness who defies a congressional subpoena.

shares tumbling in late 2014.

Shares of News Corp., the owner of Wall Street Journal parent company Dow Jones, have underperformed those of 21st Century Fox Inc.—the original parent company—since the two companies split in June 2013.

There are also plenty of examples of companies with a wide scope of operations that continue to prosper, like Amazon.com Inc. and Berkshire Hathaway Inc.

One group that benefits whether spinoff activity is ebbing or flowing, according to Mr. Cornell of Spin-Off Advisors: the bankers that reap hefty fees from arranging deals.

"You get five years of unbundling, then there's a lot of merger activity, and bankers start saying 'hey this asset would make a lot of sense for you.'

—David Benoit contributed to this article.

SPINOFF

Continued from Page One
with market capitalizations of more than \$1 billion that have been separated out within the previous four years. Companies leave the index after that time has passed.

"These companies go from being redheaded stepchild of some conglomerate where they have to go and beg for money to being able to allocate capital as they choose," said Joe Cornell, founding principal of research firm Spin-Off Advisors LLC.

Spun-off companies also tend to have management teams that are better incentivized, Mr. Cornell said. Hedge-fund and mutual-fund managers would rather invest in a specific business than a collection of businesses, and will assign a higher value to a stand-alone business, he said.

Spinoffs can also help the parent company be valued by investors at a higher multiple of earnings.

That helps explain why activists often push companies to break up or spin off one of their divisions. Hedge fund Third Point pressured Honeywell to spin off its aerospace unit in April. On Tuesday, the industrial heavyweight instead said it would cleave off about 20% of its revenue by spinning off its business that makes thermostats for the home and a unit that focuses on automobile turbochargers. Together, analysts estimate the businesses could be worth as much as \$10 billion.

Honeywell Chief Executive Darius Adamczyk said in an interview Tuesday that taxes were a key consideration in the decision to pursue the spinoffs. The company is open to acquisition offers for the units, but any price would have to exceed its projection of

the spinoff value, he said.

This year, Elliott Management Corp. pushed mining giant BHP PLC to spin off its U.S. oil-and-gas units into a separate publicly traded company. BHP said in August it would seek to unload the unit.

Still, such activity has been depressed lately, in part as uncertainty over tax policy and other matters in Washington has put a damper on overall deal numbers. After spinoff volume surged in 2014 and 2015, there have been just 10 such completed deals so far in 2017—on track for the lowest annual level since Dealogic began tracking the data in 1995.

But investors' eagerness for such moves hasn't diminished, as the performance of some recent high-profile spinoffs attest. In many cases, they have vastly outperformed the shares of their former parents.

PayPal Holdings Inc.'s share-price performance has bested that of eBay Inc. by

more than 30 percentage points, including dividends, since the payment firm's July 2015 spinoff. Similarly, shares of Zoetis Inc. have outperformed those of Pfizer by nearly 60 percentage points, including dividends, since the maker of pet medications was

spun out of the pharmaceutical giant in February 2013.

Pfizer now hopes to hand its shareholders another gift, announcing Tuesday it is exploring a sale or spinoff of its consumer-healthcare business, home to well-known brands such as Advil and ChapStick. Analysts estimate the business

could be worth upward of \$10 billion. Pfizer said the consumer unit's value could "be more fully realized outside the company."

There are notable disappointments among recent spinoffs. Shares of HP Inc., which makes printers and computers, have outperformed Hewlett Packard Enterprise, a provider of IT services, since the latter was spun off in October 2015. The hope was that the spinoff would have room to grow without the profitable, but declining, printer business to weigh it down. Shares of HP Enterprise have risen 56%, including dividends, since then—versus a 68% gain for shares of HP.

Activist investor Jana Partners LLC pushed oil-and-gas services company Oil States International Inc. to spin off Civeo Corp., a lodging company for oil-field workers, just months before a downturn in energy prices sent Civeo's

SAMSUNG

FlexWash™

One machine.
Two washers.

Live beautiful



WORLD NEWS

Catalonia Holds Off on Immediate Split

Regional leader has lawmakers suspend independence to allow for talks with Madrid

By JEANNETTE NEUMANN

BARCELONA—Catalonia's separatist leader backed away from an immediate declaration of independence from Spain on Tuesday, slowing a headlong push for secession for the region and potentially drawing out the tense political standoff between Catalonia's government and Madrid.

The move forces the hand of Prime Minister Mariano Rajoy to respond to the region's drive for independence, which remains on the table and leaves Spain locked in an institutional and constitutional crisis.

Catalan President Carles Puigdemont told the regional Parliament Tuesday that support for independence in the Oct. 1 referendum had earned Catalonia the right to become a separate state. Mr. Puigdemont cited that result in declaring the wealthy Spanish region an independent republic, but then handed responsibility to regional lawmakers, asking them to suspend that declaration temporarily to allow Catalan leaders more time to negotiate a potential secession with the central government in Madrid.

"The government and I propose that the Parliament suspend the effects of the declaration of independence so that in



Lawmakers applauding Catalan President Carles Puigdemont after his address to the Catalan Parliament in Barcelona on Tuesday.

the afternoon.

"Dialogue between democrats is done within the law, respecting the rules of the game, and not inventing them at your will," Spain's Deputy Prime Minister Soraya Sáenz de Santamaría said in televised remarks after the Catalan leader spoke.

Around 40% of Catalonia's five million eligible voters cast a ballot in an independence referendum Catalan officials held on Oct. 1, and 9 in 10 of those voted in favor of secession, regional authorities said. The referendum was plagued by irregularities, however, and was boycotted by parties opposing independence. No conclusions can be drawn from an illegitimate vote, Ms. Sáenz de Santamaría said.

She said Mr. Rajoy, a conservative, was speaking to leaders of other parties seek "maximum consensus" as he weighs how to respond to the secessionist push.

Further muddying the waters, after Mr. Puigdemont spoke, he and other separatist lawmakers signed a document declaring Catalonia's independence from Spain, but the legal status of the document was uncertain and left other politicians scratching their heads. "It's unclear what to grasp onto when one hears the speech [by Mr. Puigdemont] and then reads the manifesto," said José Luis Ábalos, a spokesman for the Socialists.

—Marina Force contributed to this article.

the following weeks we can launch talks—without which it's impossible to reach an agreement," Mr. Puigdemont said.

Last week, Mr. Puigdemont pledged to declare independence, with other members of his government calling for a unilateral and immediate split with Spain. Such a move would likely have forced Mr. Rajoy to invoke a constitutional provision—never used before—al-

lowing the central government in Madrid to seize control of the region and possibly strip Mr. Puigdemont and other Catalan leaders of their power.

Mr. Puigdemont's watered-down statement makes it more difficult for Mr. Rajoy to respond as aggressively, some analysts said.

Mr. Puigdemont "has made a political statement," said Ignacio Jurado, an analyst with

political-risk consulting firm Quantio in Madrid, adding that Mr. Rajoy "can't act against what he has said."

Still, Mr. Rajoy could consider the Catalan leader's statement as seditious and invoke some of the powers of that provision. The prime minister and his government said the independence referendum—and any decisions emerging from it—are illegal

because they violate the Spanish constitution's pledge of an "indissoluble Spain." State prosecutors could also file charges against Mr. Puigdemont, who has acknowledged he could be sent to jail for his secessionist bid.

Mr. Rajoy called an extraordinary cabinet meeting for Wednesday at 9 a.m. in Madrid and was set to address Spain's national Parliament in

Kenyan Opposition Leader Ends Candidacy

By MATINA STEVINS-GRIDNEFF

NAIROBI, Kenya—Opposition leader Raila Odinga withdrew from a rerun of Kenya's presidential election, saying the vote wouldn't be fair and calling for protests across the East African nation.

The surprise move on Tuesday casts one of Africa's biggest economies and most stable democracies deeper into uncertainty following a decision by its Supreme Court to annul the results of the initial poll in August, in which the incumbent president, Uhuru Kenyatta, was declared the winner.

The Aug. 31 ruling, a first for Africa, followed a petition by Mr. Odinga and his NASA coalition. The court ordered a runoff between Messrs. Odinga and Kenyatta to be held on Oct. 26.

In the weeks since, Mr. Odinga has raised concerns that the new date didn't leave sufficient time to put in place safeguards preventing renewed irregularities in the vote—a charge that he re-



ing him it's the right of people to decide," Mr. Kenyatta told a crowd of supporters at a campaign stop in the town of Voi.

His party, the Jubilee coalition, holds a large majority in Parliament and wants to pass several emergency electoral law amendments, one of which says that if one candidate boycotts a vote, the other automatically wins.

The electoral body, the Independent Electoral and Boundaries Commission, said it was trying to determine what Mr. Odinga's withdrawal meant for the planned vote.

"The Commission and the legal team are meeting and will communicate way forward," it said in a tweet from its verified account on Tuesday.

Some analysts said Mr. Odinga's withdrawal puts into question the Oct. 26 date and further polarizes an already divided society.

The decision to annul the August elections was just the fourth such ruling world-wide. Mr. Kenyatta has insisted the vote must go ahead on Oct. 26.

France's Public Workers Go On Strike

By WILLIAM HOROBIN

PARIS—French leader Emmanuel Macron's truce with his country's unions is showing signs of unraveling less than six months into his presidency, as public-sector workers took to the streets Tuesday to protest his attempts to overhaul the sluggish economy.

For the first time in a decade, all nine of France's public-sector unions called on their members to strike, shutting down schools and disrupting flights and health services around the country.

The strikes, by unions that had initially given Mr. Macron their tacit support, suggest they won't stand by his side as he pursues sweeping changes that chip away at decades-old workplace protections many French see as essential rights.

In his first steps, Mr. Macron in September pushed through decrees to loosen labor laws, prompting demonstration by private-sector unions. The backlash against those measures is gaining momentum after Force Ouvrière, a main union that until now chose to stay on the sidelines, said this month it would join protests.

Demonstrators in Paris brandished placards saying they were "badly paid, distrusted, less secure and fed up," and chanted for public- and private-sector workers to unite their protests. Police said around 26,000 people attended the march in Paris, slightly more than the 24,000 counted at protests in September against Mr. Macron's changes to labor laws.

"I'm here to protest against Macron's general policies," said Stéphane Guyon, a university teacher who traveled from outside the capital.

Mr. Macron wants to retool the French economy with more-flexible labor laws and a leaner state that taxes and spends less. But with nearly 5.5 million people on the state payroll, the public sector is a powerful constituency—one that has derailed reform efforts by past presidents.

In his campaign, Mr. Macron branded his pro-business policies as central to a bipartisan economic renewal that would overcome France's traditional political and social divisions. But Mr. Macron's alliance of supporters has proved fragile as old divides reopen.

Global Economic Expansion Exceeds Forecasts, IMF Says

By JOSH ZUMBRUN

The world economy's acceleration this year has been stronger than earlier estimates, with an upswing under way across nearly all of the world's major economies, the International Monetary Fund said ahead of a meeting of the world's finance chiefs in Washington this week.

In its flagship report, known as the World Economic Outlook, the IMF raised its forecast for growth to 3.6% this year and 3.7% next year, an acceleration from the 3.2% growth recorded in 2016.

That is up 0.1 percentage point in each year from the most recent round of forecasts, released in July.

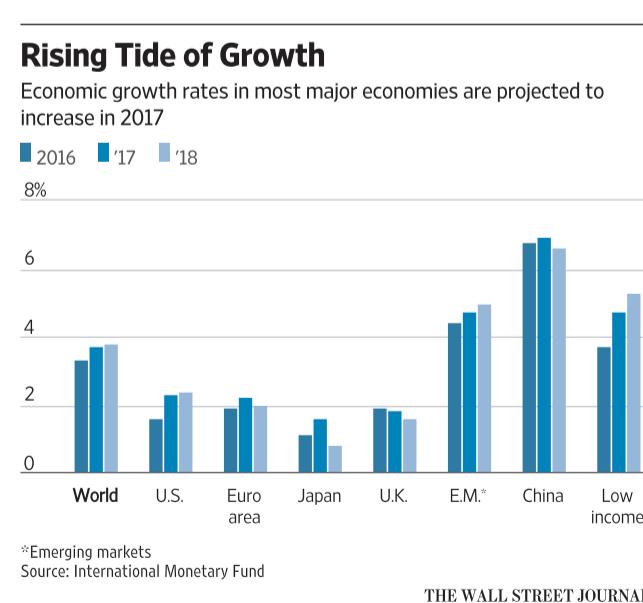
The upturn has been heralded by many policy makers and economists. The IMF agreed that in the short term, the global economy has achieved a degree of momentum that has eluded the world for many years.

"The current global acceleration is also notable because it is broad-based—more so than at any time since the start of this decade," said the IMF's chief economist, Maurice Obstfeld.

But the organization also cautioned that recovery from the financial crisis of 2007-09 remains incomplete, and that

Rising Tide of Growth

Economic growth rates in most major economies are projected to increase in 2017



latent risks could return within a few years.

"Policy makers should seize the moment: The recovery is still incomplete in important respects, and the window for action the current cyclical upswing offers will not be open forever," Mr. Obstfeld said.

It has become clear that 2017 will be a year that bucks the trend of the past decade, in which economic forecasters repeatedly started the year optimistic about growth prospects but then marked them down.

The improvements haven't

been large, but have been witnessed nearly everywhere, with increases of 0.1 or 0.2 percentage point in the U.S., eurozone, Japan and China. Canada's growth forecast has notched up 0.5 point since the July estimate, and other advanced economies were up 0.3 point.

This year will likely be the strongest since 2014, with most major economies strengthening. Enough may strengthen again in 2018 that it could be the strongest year for growth since 2011, according to IMF projections.

This is Not Your Grandfather's Office Chair

X-CHAIR

30 DAY Risk Free Trial | FREE Shipping | \$100 off

Free footrest with code: FreeFootrest

BuyXchair.com | 844-4-XCHAIR | Corporate Discounts Available

WORLD NEWS

A New Cold War Grips Arctic Enclave

Unprofitable coal-mining operations have come to symbolize a broader power play between Norway and Russia

BY SARAH MCFARLANE
AND JAMES MARSON

BARENTSBURG, Norway—In this coal-mining town on the Arctic archipelago of Svalbard, the school teaches in Russian, food is priced in rubles and a large Soviet-era sign declares: "Our Goal is Communism."

But this state-funded slice of Russia is actually on Norwegian territory, and Oslo subsidizes a separate coal mine a few dozen miles away.

Svalbard has an unusual status that makes it a flash-point of an escalating face-off in the Arctic between Russia and the West.

Norway, a member of the North Atlantic Treaty Organization, and Russia subsidize these unprofitable mines to keep a strategic footprint on an icy group of islands where Oslo and Moscow have been the main players since a 1920 treaty among multiple nations recognized Norwegian sovereignty but allowed other nations to develop some commercial interests.

But on Thursday, Norway will decide whether it wants to continue plowing money into coal production here, a move that could weaken its hold on the islands just as Russia cements its Arctic presence with its largest military buildup there since the Cold War.

The mines highlight Russian President Vladimir Putin's focus on projecting power despite the cost. Russia continues to use its military in eastern Ukraine, despite economic sanctions that have hobbled its economy, and is investing in the defense of other isolated parts of its territory.

"It's probably not normal for there to be a loss-making company on foreign territory," says Alexander Veselov, the head of the Russian state-owned company, Arktikugol, that runs the



DIGGING IN: Russia operates a coal-mining facility, lower right, in Barentsburg, above right, on the Arctic archipelago of Svalbard. Kurt Even 'Darris' Hansen, above left, works as a coal miner at a Norwegian-operated facility in nearby Longyearbyen. Norway on Thursday is set to announce whether it will continue coal operations in the area.

mine and Barentsburg itself. "The state thinks that there are state interests, roots here," he said.

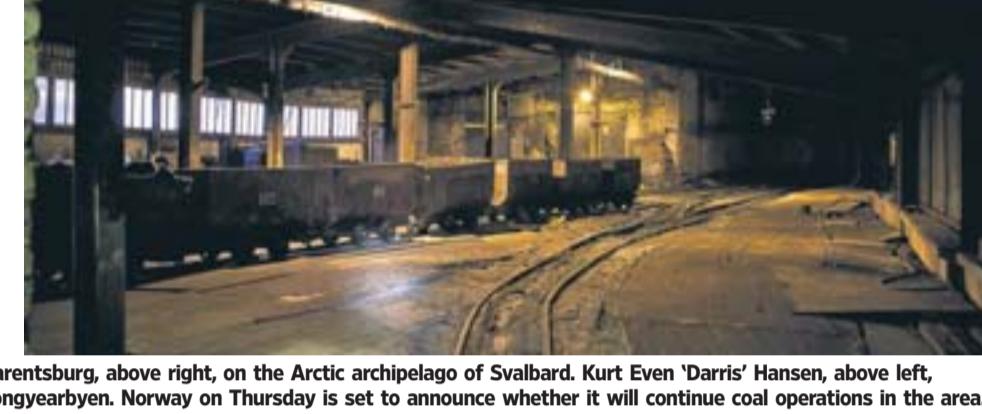
Russia and Western countries are jostling for position in the Arctic as thawing oceans open up potential commercial opportunities and Mr. Putin further asserts Moscow's influence abroad.

He says the Arctic is significant for strengthening Russia's global position and economy, citing potentially huge oil resources. Russia has upgraded its northern fleet, conducted large military exercises in the region, and opened a revamped military base on the archipelago closest to Svalbard.

U.S. government officials, including Secretary of Defense Jim Mattis, have raised concerns over Russia's moves and said the U.S. needs to develop a more-robust Arctic strategy. NATO has described its lack of maritime resources in the region as a weakness.

"Svalbard is part of Norway and therefore it's part of NATO," Secretary-General Jens Stoltenberg said on Monday. "So, of course, all the NATO security guarantees apply to Svalbard. When it comes to the question of coal mining, that's for the Norwegian authorities to decide."

There is no debate in Russia, officials say, even as its



KNUUT EGIL WANG/MOMENT/INSTITUTE FOR THE WALL STREET JOURNAL (3)

coffers are depleted by weak oil prices and the international sanctions that followed its annexation of Crimea.

Svalbard has already sparked heated exchanges. Russian Deputy Prime Minister Dmitry Rogozin, who was banned from Norway after Russia's Crimean annexation, tweeted photos of himself visiting in 2015, drawing Norwegian complaints. In May, Norway angered Russia by hosting a NATO meeting there.

Russian officials say Norway is using its ownership of the archipelago to squeeze operations. The Norwegian government didn't comment.

Russia, which started mining here in the 1930s, fo-

cused on Barentsburg and another settlement called Pyramiden.

After the Soviet Union collapsed, Russia's economy tanked and this Arctic settlement fell with it. Pyramiden was abandoned, and by 2006, Barentsburg was on the edge of collapse.

In 2007, as the Russian president promoted a more assertive foreign policy, Mr. Veselov, a veteran coal executive, was brought in to revive the mining operation.

Russia's government has ordered coal production to slow to stretch reserves out until 2032, and will then face a decision similar to Norway's on whether to invest in

a new mine, Mr. Veselov said.

Per Nilssen, production manager for Store Norske, Norway's state-owned mining company, said time may be running out for Norway's mining operations.

Both countries are turning to tourism. In Russia's settlements, visitor numbers have doubled in the past four years, and income from tourism stood at \$2.4 million last year, more than from mining.

Norwegian politicians and academics admit that without a coal mine, their country's presence will diminish, in part because tourism is so seasonal.

—Julian E. Barnes

contributed to this article.

FROM PAGE ONE

PELTZ

Continued from Page One
ger issues Mr. Peltz threw into focus—costs, hipper brands and nimbler management.

Mr. Peltz and Mr. Taylor shook hands after Tuesday's meeting. Mr. Peltz congratulated the CEO. "We'll talk," Mr. Taylor said.

"We'll talk but we don't listen," Mr. Peltz replied. Mr. Taylor responded, "No, no, no, that's not true."

"At best for them it's a Pyrrhic victory," Mr. Peltz said after the meeting. "If they'd gotten me on the board there would be no short-term pressure."

P&G shares fell immediately after the vote news and closed Tuesday down 50 cents to \$91.62. The stock is up nearly 9% on the year.

Trian is among the few activists to prove it can present a serious challenge to the biggest blue-chip companies. Historically, the fund has avoided proxy fights and talked its way into boardrooms with settlements, more akin to General Electric Co.'s move Monday to give Trian a seat on its board.

However, if the initial P&G tally holds up, it would mark a second defeat in a major proxy campaign for Trian, which lost a similar vote at DuPont Co. in 2015.

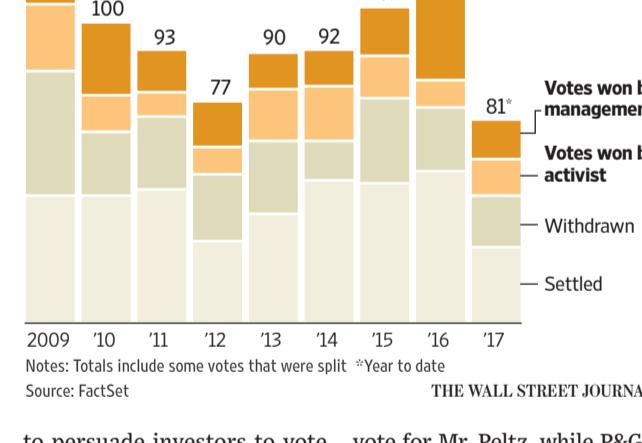
DuPont had fended off Mr. Peltz by likening his style to "shadow management" and won the votes of all three big index funds that had appeared uneasy with Mr. Peltz's style. Since then, Trian has aggressively courted that investor demographic, trotting out executive allies to detail their largely positive interactions with his fund at investor meetings.

Trian narrowly lost the DuPont vote, but subsequent events led some to argue the fund was right all along. DuPont management missed numbers it had pledged to hit, and the company has since merged with Dow Chemical Co. in a plan Trian helped design.

Mr. Peltz pointed to DuPont on Tuesday, saying P&G management now will have to live up to the promises of progress and change it made in trying

Counting Ballots

The number of proxy fights among U.S. companies and share of those that have gone to a vote.



Notes: Totals include some votes that were split *Year to date

Source: FactSet

vote for Mr. Peltz, while P&G's three biggest investors—Vanguard Group, State Street Global Advisors and BlackRock Inc.—were divided.

Vanguard, the biggest single P&G shareholder with a 7% stake, voted for P&G management, according to people familiar with the matter.

BlackRock and State Street, which hold around 10% combined, voted with Trian, these people added. Some actively-managed funds at BlackRock that control a small portion of shares voted with P&G management, one person said.

Many P&G employees and retirees rejected the activist's challenge—underscoring how companies' rank-and-file workers generally still distrust Wall Street prescriptions. P&G management won a big chunk of employee-owned stock plans, which controlled about 7.5% of the total vote, the people familiar with it said.

More than 400 people showed up for the shareholder meeting at P&G's Cincinnati headquarters, filling an auditorium and spilling into two overflow rooms.

The turnout reflected the large number of P&G shares held by retirees and other individuals, many of them living in Cincinnati. Retail investors own roughly 40% of the company, compared with an average of 12% at the S&P 500, according to S&P Global Market Intelligence.

and bring in outside talent. P&G countered that Mr. Peltz's arrival would disrupt a turnaround that is under way.

A large P&G shareholder, the California State Teachers' Retirement System, said the vote sends a message to P&G's board and management.

"Nearly 50% of shareholders—including large traditional passive asset managers—made it clear that they are looking for the company to change direction," the fund said in a statement.

Two top proxy advisers had recommended that investors

try the best pure cotton white non-iron dress shirt



UNBEATABLE INTRODUCTORY OFFER

\$24.95

reg \$89.50

you save
70%

• FREE monogramming
reg \$10.95

• add this pure silk tie for just \$19.95
reg \$72.50
blue, black, red, yellow, green, orange

white 100% wrinkle-free cotton / easy non-iron care

4 collar styles / button or french cuffs

regular, big & tall or slim fit sizes

paulfredrick.com/best
800-309-6000

use promo code T7HPWA

FREE EXCHANGES.

new customer offer. limit 4 shirts.

imported. shipping extra.

expires 12/31/17.

Paul Fredrick

WORLD NEWS



North Korean leader Kim Jong Un, at center front, attended a tribute to his father and grandfather at their mausoleum in Pyongyang on Sunday.

North Korea Hackers Stole War Plan

Suspected North Korean hackers stole military secrets, including a joint U.S.-South Korean plan detailing how to eliminate the Pyongyang leadership.

By Kwanwoo Jun
in Seoul
and Nancy A. Youssef
in Washington

ership in the event of war, in a breach of Seoul's defense data system last year, U.S. and South Korean officials said.

The hackers broke into the defense database in September last year and snatched the trove of classified military documents, Rhee Cheol-hee, a member of the ruling Democratic Party, said in an interview with local media published Tuesday.

The documents include a blueprint known as Operations Plan 5015, which the U.S. and

South Korea drew up in 2015 in case war broke out with North Korea, and detailed a range of joint military procedures that include a so-called decapitation strike targeting North Korean dictator Kim Jong Un and other top leaders for elimination, Mr. Rhee said in the interview.

His aides confirmed the comments, which were made to the Chosun Ilbo newspaper.

In Washington, two U.S. defense officials acknowledged the suspected North Korean hack had occurred. But they said the U.S. military regularly updates and revises its operational plans, and the plans have since been superseded, the officials said. They said they didn't foresee any impact on potential future military operations.

Mr. Rhee, a key member of the South Korean Parliament's

National Defense Committee, said the findings were confirmed belatedly by the country's Defense Ministry. The committee oversees the ministry, and Mr. Rhee represents the ruling party on the panel.

Mr. Rhee wasn't available

attacks on South Korea.

In March, Pyongyang reacted angrily to reports of a U.S.-South Korean plan for a decapitation strike, with the general staff of its army issuing a rare statement warning it is ready to "mercilessly smash the enemy's moves" with its own special operation and pre-emptive strike.

South Korea's Defense Ministry said in May it suspected North Korea had hacked into its military network but didn't say what data had been taken.

The hackers stole 235 gigabytes of data, 22% of which have been identified, according to Mr. Rhee, who said he had been briefed by Defense Ministry officials. The documents covered classified wartime operational plans, military facilities and power plants in South Korea, he said.

The development comes

amid heightened tensions over Pyongyang's quest to develop a nuclear-tipped missile capable of hitting U.S. cities. Over the weekend, President Donald Trump hinted at military action against North Korea, tweeting that "only one thing will work" to rein in the regime's weapons program.

South Korea's Joint Chiefs of Staff office said early Wednesday that the U.S. flew two B-1B bombers over the Korean peninsula Tuesday night and conducted bombing drills, in a show of force against North Korea. At the same time, the U.S. aircraft carrier Ronald Reagan was heading toward the Korean Peninsula for scheduled maneuvers, a U.S. official said.

Meanwhile, North Korea was reported by a Russian official to be preparing to test another missile.

U.S. Firms Tread Carefully on Trade Probe

U.S. business groups praised the Trump administration's investigation into China's trade

By Jacob M. Schlesinger in Washington and Eva Dou in Beijing

practices—but cautioned on Tuesday that a heavy-handed probe could backfire, harming American firms.

The investigation into allegations that China improperly pressures U.S. high-tech firms to turn over intellectual property was launched in August

under a little-used Section 301 of U.S. trade law, which gives the president broad discretion to penalize a country found to have employed "unfair" or "discriminatory" trade practices.

"We appreciate the...focus on these important issues," Erin Ennis, senior vice president for the U.S.-China Business Council, told a panel of government officials chaired by the U.S. Trade Representative's office. Speaking at a public hearing in Washington, she said an overly aggressive approach of "simply seeking to impose penalties or restrict

trade" could end up "inhibiting commercial cooperation that benefits U.S. companies and U.S. citizens."

U.S. officials have said the investigation could take up to a year, and that they have yet to determine what, if any, sanctions would be imposed.

Representatives of Chinese business groups told the panel that complaints about forced technology transfer were exaggerated and U.S. trade penalties were unwarranted.

"Both U.S. and Chinese companies can enter into contracts or choose business part-

ners freely and independently," said Wang Guiging, vice president of a Chinese business group.

"The protection of intellectual property rights and the business environment in China have been substantially improved," said Chen Zhou, vice president of the China Chamber of International Commerce.

U.S. business groups have long raised concerns about China's methods for acquiring intellectual property and have been generally supportive of the probe. But few companies want to go public with those

concerns, for fear of retaliation from Beijing.

That hesitancy is complicating the investigation so far. Lee Branstetter, an economics professor at Carnegie Mellon University said in written comments that given companies' risk of "extreme retribution" from Beijing if they assisted publicly with the probe, the government should consider using subpoenas to compel assistance. "Only if firms face strong legal penalties for withholding evidence can they be compelled to tell the whole truth," he wrote.



POLL POSITION: Liberians in Monrovia waited to vote in Tuesday's presidential election.

UNITED KINGDOM

Trade Deficit in Goods Widens to a Record

The trade deficit in goods widened visibly in August to hit the highest level on record, new figures showed, signaling that the hoped-for rebalancing of the economy toward trade has yet to materialize.

Britain imported £14.2 billion (about \$18.6 billion) more in goods than it sold to the rest of the world, the Office for National Statistics said, a widening of £1.4 billion from the prior month. This was driven largely by a drop in the export of fuel and an increase in imports of semimanufactured goods and mechanical machinery.

The figures also showed that trade between the U.K. and the rest of the European Union grew at a healthy pace in the three months through August.

The data highlight the close economic links between the world's fifth-largest economy and the 28-country bloc and the risks if the U.K. fails to reach a new trade agreement with the EU post-Brexit.

British Prime Minister Theresa May said on Monday that the U.K. was developing contingency plans in case there is no deal.

Goods exports to the EU grew by more than £1.7 billion in the three months through August, the ONS said, but they were outpaced by imports from the bloc, which increased by £2 billion.

In August, the U.K.'s goods trade deficit with the EU widened by nearly £1 billion.

—Wiktor Szary

China Is Charging Ahead in Global Electric-Car Race



CHINA'S WORLD

By Andrew Browne

SHANGHAI—Watch out Detroit: A Chinese electric-car revolution is on the way.

China is placing big bets on a plan to reshape the global auto industry by replacing gas-guzzling cars on its streets with new-energy vehicles.

Ahead of Donald Trump's trip to China in November,

the White House is focused on holding back Chinese exports in traditional industries like steel and aluminum. But that's a sideshow. A titanic struggle is under way to control the future from robotics to medical equipment and artificial intelligence. In new-energy vehicles, China is firmly in the driver's seat.

Its industrial goal is to leapfrog over foreign car makers in the domestic market, by far the world's largest—and the most important for General Motors—and become an export powerhouse. Having tried and failed to catch up with Western and Asian makers of traditional vehicles, the country is throwing everything it has at electric cars.



Korea 20 years to build a world-class car industry; China isn't there yet after 40 years. Beijing's initial idea was to invite a few global auto makers to form joint ventures with state firms, absorb their technology and then go it alone. But state car giants have been largely content to rake in profits from hookups with the likes of GM, Ford and Toyota, which supply most of the designs and technology.

GM develops some models locally with its Shanghai partner; other firms have been much stingier with technology transfers, not wishing to hand over their most valuable secrets.

This is not a mistake that Beijing intends to repeat. The Chinese car market has grown from less than one million in 2000 to 24 million last year, of which around 350,000 were electric plug-ins.

Spurred by decrees to ramp up production of electric vehicles and invest in research and development, the world's leading car makers will have no choice but to shift their critical know-how to China.

Environmental concerns are part of China's overall calculations. That means electric. China already accounts for one-third of global car sales, and its domestic market could double from here. That's still nowhere near U.S. per capita ownership—one reason electric cars are becoming the poster child for China's global industrial ambitions.

As China goes, so will the world's auto industry. Increasingly, its output will be stamped "Made in China."

Beijing has said it is studying a move to ban gas-powered cars. It has been specific about who it expects will win the new battle for China's eager car buyers: The "Made in China 2025" blueprint for how to dominate cutting-edge industries calls for at least 70% market share for homegrown plug-in vehicles by 2020.

Ironically, this strategy is likely to involve what at first looks like a breakthrough for foreign auto makers in China.

Expect an announcement on 100% foreign-owned electric-car plants in special economic zones, possibly during Mr. Trump's visit. Chinese leaders will trumpet this as

a major concession to Tesla, among others.

In fact, says Michael Laske, the China chief executive of Austrian auto consultancy AVL List GmbH, China's real aim is to accelerate technology imports to boost what it calls a "strategic emerging industry" and attract global supply chains. "It's brilliant," Mr. Laske says.

Success is by no means ensured. Although electric-car sales in China are booming, skeptics note that so far hefty subsidies have been needed to persuade consumers to buy.

But we heard similar disbelief about the solar industry, which China now dominates after raising the panels' performance and using econ-

omics of scale to drive down the cost of making them.

Recall, too, that Chinese smartphone brands have knocked Apple off its pedestal in China.

Why would electric cars be any different? The critical point, notes Gary Rieschel, the founder of Qiming Venture Partners, one of China's leading private-equity firms, is that they are dramatically simpler than regular cars mechanically. The country is the world's largest battery maker. In electric cars, Chinese state planners see an opportunity to reverse one of their most frustrating setbacks. It took Japan and South

WORLD NEWS

Journal Reporter Is Sentenced in Turkey

Conviction on terrorist propaganda charges highlights increasing targeting of journalists

BY THOMAS GROVE

A Turkish court sentenced Wall Street Journal reporter Ayla Albayrak to two years and one month in prison Tuesday, declaring her guilty of engaging in terrorist propaganda in support of a banned Kurdish separatist organization through one of her Journal articles.

The conviction of Ms. Albayrak, who is currently in New York, highlights the increasing targeting of journalists in Turkey, where President Recep Tayyip Erdogan's government has gained attention for deteriorating media freedoms.

"This was an unfounded criminal charge and wildly inappropriate conviction that wrongly singled out a balanced

Wall Street Journal report," said Wall Street Journal Editor in Chief Gerard Baker. "The sole purpose of the article was to provide objective and independent reporting on events in Turkey, and it succeeded."

Ms. Albayrak plans to appeal the decision. "Given the current climate in Turkey, this appalling decision shouldn't have come as a surprise to me, but it did," she said.

Turkish legal actions against Ms. Albayrak began after the publication on Aug. 19, 2015, on the Journal's website of her article "Urban Warfare Escalates in Turkey's Kurdish-Majority Southeast." The article and accompanying video reported on the state of a conflict in Silopi, Turkey, between Turkish security forces and the outlawed Kurdistan Workers' Party, or PKK. It included interviews with the local mayor and residents, a Turkish government official, and a representative of an organiza-

tion Turkey says is the youth unit of the PKK.

Turkey, the U.S. and the European Union, consider the PKK a terrorist organization.

In November of the same year, Ms. Albayrak, who has dual Finnish and Turkish citizenship, received a written order on her door to visit her local police station in Istanbul where she was notified she was under investigation for spreading terrorist propaganda.

At the police station, she gave a statement saying the article accurately reflected the state of the conflict between the PKK and the Turkish government. In April 2016, a prosecutor in southeastern Turkey filed an indictment against Ms. Albayrak alleging that she violated antiterror laws.

William Lewis, Dow Jones's chief executive officer and publisher of The Wall Street Journal, said: "This ruling against a professional and re-

spected journalist is an affront to all who are committed to furthering a free and robust press. We call on those who share this commitment to make their voices heard.

"The notion that our reporter's commendable and insightful work led to a criminal

this conviction."

As part of the article she was convicted for, Ms. Albayrak interviewed a person who described herself as a member of the Patriotic Revolutionary Youth Movement, or YDG-H, which the Turkish government says is the youth unit of the PKK.

Ms. Albayrak said in a statement included in the court documents that the original article didn't include any praise for the group, but rather provided a balanced and objective view of urban warfare that had gripped areas of Turkey's predominantly Kurdish southeast at the time.

"The decision shows the extent to which the authorities did not want the operations that were going on in Turkey's southeast to be reported on," said Ms. Albayrak. "It also shows yet again, that the international media is not immune to the ongoing press crackdown in Turkey."

Court documents filed against Ms. Albayrak say the Journal article and video, which included images of men and women bearing PKK emblems, provided fodder for 24 Turkish-language websites that translated parts of the article. Turkish officials sent a list of the websites' articles in late August to the country's Telecommunication Directorate to have them blocked.

Ms. Albayrak and the Journal have said they have no relationship with any of the Turkish-language websites that published only parts of her article. The Journal said excerpts published by the websites were distorted.

Mr. Baker said Ms. Albayrak embodies The Wall Street Journal tradition, "spending years as an intrepid journalist producing insightful, fair and impartial coverage from Turkey. We will work tirelessly to overturn this preposterous conviction."

Redress Ordered In Fukushima Case

BY MAYUMI NEGISHI

TOKYO—Negligence by the Japanese government and **Tokyo Electric Power** Co. caused the triple meltdowns at the Fukushima Daiichi nuclear-power plant, a court ruled in the biggest class-action suit tied to the March 2011 accident.

The Fukushima District Court on Tuesday ordered the government and Tepco to pay ¥498 million (\$4.4 million) plus delinquency charges to 2,907 people who fled radiation that was released into the air and water after a tsunami flooded the power plant.

If the government had ordered Tepco to ensure the plant was ready to withstand a tsunami wave of 15.7 meters (51.5 feet), Tepco would have

made sure critical instruments were waterproof, the ruling said. "The accident, triggered by total loss of power, could have been avoided," Judge Hideki Kanazawa said.

The compensation is a fraction of the damages the residents had sought. Still, with some 30 class-action lawsuits brought by more than 10,000 affected residents, the ruling is a sign additional compensation costs could weigh on the government and Tepco for years.

Tepco has paid more than ¥7.6 trillion (\$67 billion) in compensation to residents affected, and has been struggling to clean up the reactors.

As of September, nearly 55,000 Fukushima residents were registered as evacuees, meaning they can't return



Japan Prime Minister Shinzo Abe attending a campaign rally in Fukushima, where residents sued over the 2011 reactor meltdowns.

home and haven't settled permanently elsewhere.

The plaintiffs argued the government and Tepco failed to give adequate attention to studies that said a major tsunami could occur in the area of the plant. A 2002 study by the government's Earthquake Research Promotion Unit said there was a 20% chance of a

magnitude 8 tsunami-triggering earthquake in the area off Fukushima within 30 years.

The defendants said the scientific basis for such predictions was unclear, and even if the calculations were correct, the chance was too low to require immediate steps. The government said it wasn't until after the accident that it gained the

ability to force Tepco to take anti-flooding measures. Both argued the compensation already being paid to displaced people was adequate.

On March 11, 2011, a tsunami triggered by a quake flooded the Fukushima Daiichi plant, knocking out auxiliary power sources that were supposed to keep the reactors'

cooling systems running. Three reactors melted down.

"We deeply apologize again for the disruption and concern that the Fukushima Daiichi accident caused," a Tepco spokesman said. "We will evaluate the ruling and make a decision on how to respond." The Ministry of Economy, Trade and Industry declined to comment.

Critical Data
Connect to the markets in real time with a redesigned data center.

Find It Easier
Search is always right at your fingertips.

Save and Share
Easily share stories or save them for offline reading.

Easier Navigation
A cleaner navigation bar gets you where you want to go faster.

What's News
A streamlined What's News feed brings you the day's top stories.

Upwardly Mobile

Introducing the new WSJ iPhone app for iOS. With an enhanced data center, easier navigation, save and share functionality and more, the new WSJ app keeps you moving.

DOWNLOAD NOW



THE WALL STREET JOURNAL.
Read ambitiously

IN DEPTH

GUPTA

Continued from Page One
ture as the liberal democracy and free-market economy conceived of by Mr. Mandela is at risk because of the Gupta family's political influence. The judge wrote: "Could it be possible that the future, so bright in 1994, was now only history?"

Mr. Zuma, who became president in 2009, has repeatedly denied any wrongdoing and pledged to establish a commission to investigate business influence on government.

A lawyer for the Guptas said they declined to comment, and a spokesman didn't respond to questions. The family has previously denied wrongdoing and said they are victims of an attack by the country's established, mostly white-owned businesses. Atul Gupta, who leads the Gupta businesses, has said "there is no authenticity" to the leaked documents, without being more specific.

Among the companies that have been drawn into the scandal, the U.K. operations of one of Europe's largest public-relations firms, Bell Pottinger, collapsed in mid-September after revelations that it tried to discredit rivals of Mr. Zuma as defenders of "white monopoly capitalism" and "economic apartheid." Bell Pottinger was hired by the Gupta holding company, Oakbay Investments.

SAP, the German software maker, and U.S.-based consulting firm McKinsey have put employees on leave and launched internal investigations of their dealings with Gupta-linked companies. Last month, KPMG cleared out its top management in South Africa after concluding it fell short of its own standards during the 15 years it audited Gupta firms.

No-confidence vote

President Zuma has kept dissension within the ANC over the scandal under control. He survived a no-confidence vote in the National Assembly in August. His presidential term runs out in 2019, and the winner of December's vote to lead the ANC will become the favorite in the presidential race.

The party's top two candidates are Cyril Ramaphosa, the ANC's deputy president and a critic of Mr. Zuma, and the president's ex-wife and political ally, Nkosazana Dlamini-Zuma. Mr. Ramaphosa said in April that "state capture" by business, "if left unchecked, could well destroy our revolution."

Atul Gupta, arrived in South Africa in 1993, months before the first democratic election swept away white-minority rule and the ANC into power.

Mr. Gupta said in a 2011 interview that his father, a businessman in the Indian state of Uttar Pradesh, believed "Africa would become the America of the world." Atul Gupta started a computer-hardware distribution company, called Sahara Computers, and his brothers Ajay and Rajesh soon followed.

In 2007, Mr. Zuma won the ANC presidency. Eight months later, two of his roughly 20 children, Duduzane Zuma and twin sister Duduzile, then 26, joined Sahara's board of directors, according to court documents.

Some outsiders saw the move as the culmination of a quest by the Gupta family to court connections in the party and convert them into wealth.

Duduzane Zuma didn't respond to requests for comment, and Duduzile Zuma couldn't be reached. She is no longer a Gupta company director.

The Guptas landed in the consciousness of most South Af-



Brothers Ajay and Atul Gupta with the South African president's son, Duduzane Gupta, in Johannesburg in 2011.

ricans when a chartered Airbus SE A330 jet carrying more than 200 guests from India to a family wedding was allowed to land at an air-force base near Pretoria in 2013.

Police cars escorted the passengers to the wedding venue in Sun City, a gambling resort. The landing generated headlines across the country.

Invited guests included President Zuma and his ex-wife, 18 government ministers, 12 deputy ministers, the leaders of most South African state-owned enterprises, and prominent journalists and businessmen, according to documents that appear to have been obtained from Gupta-controlled companies and were made public.

President Zuma didn't attend the wedding, but the chief executive of KPMG's unit in South Africa did—and emailed a thank-you note to Atul Gupta. "I have never been to an event like that and probably will not because it was an event of the millennium," wrote Moses Kgosa, the KPMG executive.

The thank-you note was

for a fireworks display and \$34,301 for drinks, among other items.

Other documents show that money to pay the wedding costs flowed from a provincial government to a dairy farm for poor South Africans to various Gupta-controlled accounts in Dubai and then back to South Africa.

KPMG, the auditor of the Gupta event organizer, has said it failed to sufficiently question the origin of the wedding funds, though its internal review found no wrongdoing by the firm or its staff.

South Africa's auditing regulator and Parliament have said they are scrutinizing KPMG, which has said it is cooperating and launched its own independent review. KPMG declined to comment for this article.

Mr. Kgosa left KPMG in 2015. He says the firm cleared his attendance at the wedding and that it didn't affect KPMG's work for the Guptas.

Later in 2013, the Gupta family launched a 24-hour news channel, ANN7, expanding their media properties beyond the New Age newspaper. Coverage of President Zuma was usually positive.

In 2014, a Gupta-controlled mining company made its debut on the Johannesburg Stock Exchange with a value of about \$600 million. The government owned a 3.6% stake in the company.

As of last year, Atul Gupta was the richest nonwhite South African, with personal wealth estimated at more than \$750 million, according to South Africa's Sunday Times newspaper.

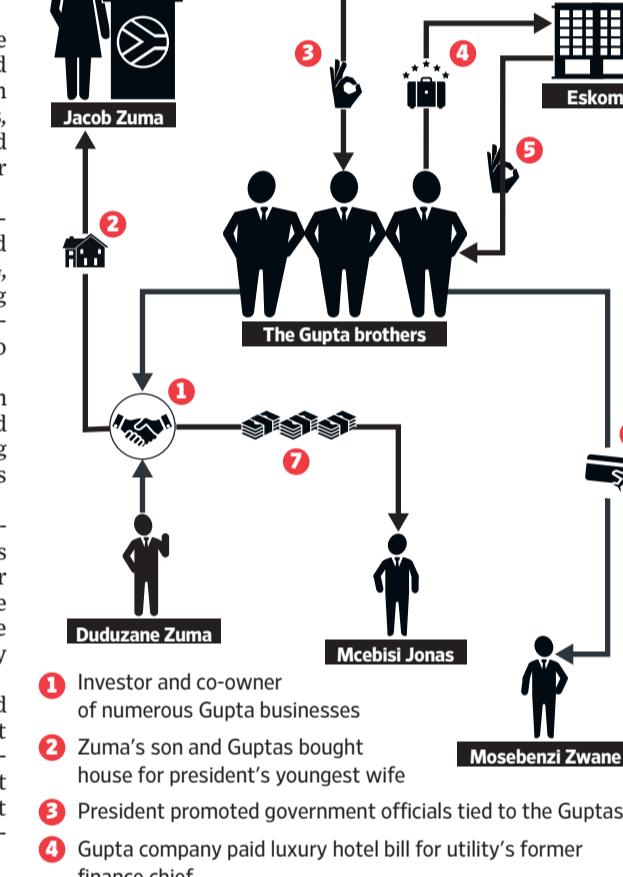
At least some of the family's financial success came from its ties to relatives of Mr. Zuma, according to the leaked documents and a report last year by South Africa's ombudsman, who investigates government misconduct.

The contract promised the 3-D printing company a 10% commission if Transnet SOC, a state-owned railroad and port operator, signed a software contract with SAP for at least \$7.3 million by year-end, according to the leaked documents.

Other documents show SAP

Well-Connected

Here are some of the Gupta family's links to people close to President Jacob Zuma, as detailed in leaked documents, a government report and court records. Everyone below has denied wrongdoing.



- 1 Investor and co-owner of numerous Gupta businesses
- 2 Zuma's son and Guptas bought house for president's youngest wife
- 3 President promoted government officials tied to the Guptas
- 4 Gupta company paid luxury hotel bill for utility's former finance chief
- 5 Utility reduced a fine against coal mine owned by Guptas and Duduzane Zuma
- 6 Gupta company paid to fly government minister and his gospel choir to India
- 7 Jonas said he was offered bribe and job of finance minister but refused

Sources: Leaked documents; Public Protector South Africa; affidavit from Mcebisi Jonas

THE WALL STREET JOURNAL.

paid the printing company last year almost as much as the contract's total value. Duduzane Zuma has denied any wrongdoing and has said he couldn't comment on the authenticity of the documents. Transnet declined to comment on whether it signed a contract with SAP.

SAP's South African unit denied making any kickbacks, but the statement was removed from the company's website. An SAP spokesman declined to comment on the removal. SAP has said it would release before the end of October the findings of an internal investigation into its dealings with the Guptas.

By late 2015, the country's finance ministry was questioning some of the lucrative deals with

government agencies and state-owned companies won by Gupta-controlled companies. Ajay Gupta tried to ease the pressure, according to the ombudsman's report and an affidavit filed with the High Court.

In October 2015, Deputy Finance Minister Mcebisi Jonas met with Mr. Gupta at the family's mansion in the Johannesburg suburb of Saxonwold. In the affidavit, Mr. Jonas said he was offered the post of finance minister—and 600 million rand (\$44 million).

Mr. Jonas said he was told by Mr. Gupta that the family wanted to increase its income from government contracts to 8 billion rand from 6 billion rand, according to the affidavit. Mr.

Jonas said he refused the job offer and money.

As the deputy finance minister was about to leave, Mr. Gupta tried one more time, according to Mr. Jonas. "If I had a bag that could carry R600,000 then I could get that amount there and then," Mr. Jonas recalled Mr. Gupta saying. Mr. Jonas couldn't be reached to comment for this article.

The lawyer for the Guptas says Ajay Gupta never met with Mr. Jonas. Duduzane Zuma, the president's son, has said he arranged the meeting, but no bribe was offered.

In December 2015, President Zuma replaced respected Finance Minister Nhlanhla Nene with an untested lawmaker. The move sent the rand down nearly 10% before President Zuma replaced the new finance minister.

Mr. Jonas went public with his bribe allegations in March 2016. They were denied by the Guptas and the president's political allies, but the rand sank again, a sign of growing discomfort with the family's political influence. Newspapers published articles about their connections almost every day.

Public-relations help

The Gupta family's holding company turned to Bell Pottinger, the public-relations firm that has represented the wife of Syrian President Bashar al-Assad, authoritarian Belarusian President Alexander Lukashenko and Oscar Pistorius, the double-amputee South African track star sentenced to prison last year for murdering his girlfriend.

Leaked documents and a review by an outside law firm hired by Bell Pottinger show that the PR firm launched what it called an "economic emancipation campaign" and led a social-media campaign against President Zuma's critics. Bell Pottinger also wrote speaking points for ANC officials.

A public-relations trade group said last month that Bell Pottinger's work on behalf of the Guptas was "likely to inflame racial discord in South Africa and appears to have done exactly that." The firm's U.K. operations collapsed as other large clients withdrew their business from Bell Pottinger. The firm's U.K. administrator declined to comment for this article.

Bell Pottinger dropped the Guptas in April, citing abusive and threatening comments against the public-relations firm's staff as public acrimony about the relationship flared.

The Gupta family's businesses are reeling from the scandal. Oakbay Resources & Energy Ltd. was delisted in July after firms needed to support its stock listing walked away from family-controlled mining company. The stock had lost about 70% of its value since the start of 2017, shriveling the family's net worth. The Guptas sold off some mining and media holdings last month.

The family has said selling the assets would help it focus on clearing the Gupta name from "unfounded media allegations."

On Monday, 20 Gupta-owned companies won a temporary reprieve in court to stop the South African unit of India's Bank of Baroda from closing company bank accounts. All the accounts used by Gupta businesses at other banks in the country have already been closed.

If the court upholds its original ruling that Bank of Baroda can close the Gupta bank accounts, the companies would essentially be cut off from South Africa's financial system and unable to pay employees.

POINTE

Continued from Page One
straps and long ribbons that keep the shoes on, and they select toe padding.

Once the dancers have their new pink-satin shoes in hand, store owner Ruthena Fink begins her "dog talk," holding up a mauled pair donated years ago by a young, dog-owning ballerina. There are usually gasps, she says.

Ms. Fink explains to the new dancers that their shoes must be aired out after wearing to keep perspiration from softening them too much. But, she warns those with pets, leaving dance shoes out to dry puts them at risk.

"Dogs will get after them if they're accessible at all," she says. "Hang them up high, and they should be OK, unless your

dog can jump really high."

Donna McCrea, owner of Standing Ovation Performance Apparel in Fort Wayne, Ind., also raises the "dog situation" at pointe-shoe fittings. Even so, every other month customers report dog-bite problems, she says: "We have so many people come in asking if they can buy just one shoe."

Danielle Downey, a member of the corps de ballet for the Pittsburgh Ballet Theatre, has lost two custom-made pairs to Quincy, her Old English sheepdog. The first pair, riddled last fall with "little puppy teeth marks," were already nearly worn out, she says: "I wanted to just give them to him as a chew toy, but I didn't want to give him the message that it's OK to chew them."

Ms. Fink explains to the new dancers that their shoes must be aired out after wearing to keep perspiration from softening them too much. But, she warns those with pets, leaving dance shoes out to dry puts them at risk.

"Dogs will get after them if they're accessible at all," she says. "Hang them up high, and they should be OK, unless your

dog can jump really high."

Donna McCrea, owner of Standing Ovation Performance Apparel in Fort Wayne, Ind., also raises the "dog situation" at pointe-shoe fittings. Even so, every other month customers report dog-bite problems, she says: "We have so many people come in asking if they can buy just one shoe."

Danielle Downey, a member of the corps de ballet for the Pittsburgh Ballet Theatre, has lost two custom-made pairs to Quincy, her Old English sheepdog. The first pair, riddled last fall with "little puppy teeth marks," were already nearly worn out, she says: "I wanted to just give them to him as a chew toy, but I didn't want to give him the message that it's OK to chew them."

Ms. Fink explains to the new dancers that their shoes must be aired out after wearing to keep perspiration from softening them too much. But, she warns those with pets, leaving dance shoes out to dry puts them at risk.

"Dogs will get after them if they're accessible at all," she says. "Hang them up high, and they should be OK, unless your

dog can jump really high."

Donna McCrea, owner of Standing Ovation Performance Apparel in Fort Wayne, Ind., also raises the "dog situation" at pointe-shoe fittings. Even so, every other month customers report dog-bite problems, she says: "We have so many people come in asking if they can buy just one shoe."

Danielle Downey, a member of the corps de ballet for the Pittsburgh Ballet Theatre, has lost two custom-made pairs to Quincy, her Old English sheepdog. The first pair, riddled last fall with "little puppy teeth marks," were already nearly worn out, she says: "I wanted to just give them to him as a chew toy, but I didn't want to give him the message that it's OK to chew them."

Ms. Fink explains to the new dancers that their shoes must be aired out after wearing to keep perspiration from softening them too much. But, she warns those with pets, leaving dance shoes out to dry puts them at risk.

"Dogs will get after them if they're accessible at all," she says. "Hang them up high, and they should be OK, unless your

dog can jump really high."

Donna McCrea, owner of Standing Ovation Performance Apparel in Fort Wayne, Ind., also raises the "dog situation" at pointe-shoe fittings. Even so, every other month customers report dog-bite problems, she says: "We have so many people come in asking if they can buy just one shoe."

Danielle Downey, a member of the corps de ballet for the Pittsburgh Ballet Theatre, has lost two custom-made pairs to Quincy, her Old English sheepdog. The first pair, riddled last fall with "little puppy teeth marks," were already nearly worn out, she says: "I wanted to just give them to him as a chew toy, but I didn't want to give him the message that it's OK to chew them."

Ms. Fink explains to the new dancers that their shoes must be aired out after wearing to keep perspiration from softening them too much. But, she warns those with pets, leaving dance shoes out to dry puts them at risk.

"Dogs will get after them if they're accessible at all," she says. "Hang them up high, and they should be OK, unless your

dog can jump really high."

Donna McCrea, owner of Standing Ovation Performance Apparel in Fort Wayne, Ind., also raises the "dog situation" at pointe-shoe fittings. Even so, every other month customers report dog-bite problems, she says: "We have so many people come in asking if they can buy just one shoe."

Danielle Downey, a member of the corps de ballet for the Pittsburgh Ballet Theatre, has lost two custom-made pairs to Quincy, her Old English sheepdog. The first pair, riddled last fall with "little puppy teeth marks," were already nearly worn out, she says: "I wanted to just give them to him as a chew toy, but I didn't want to give him the message that it's OK to chew them."

Ms. Fink explains to the new dancers that their shoes must be aired out after wearing to keep perspiration from softening them too much. But, she warns those with pets, leaving dance shoes out to dry puts them at risk.

"Dogs will get after them if they're accessible at all," she says. "Hang them up high, and they should be OK, unless your

dog can jump really high."

Donna McCrea, owner of Standing Ovation Performance Apparel in Fort Wayne, Ind., also raises the "dog situation" at pointe-shoe fittings. Even so, every other month customers report dog-bite problems, she says: "We have so many people come in asking if they can buy just one shoe."

Danielle Downey, a member of the corps de ballet for the Pittsburgh Ballet Theatre, has lost two custom-made pairs to Quincy, her Old English sheepdog. The first pair, riddled last fall with "little puppy teeth marks," were already nearly worn out, she says: "I wanted to just give them to him as a chew toy, but I didn't want to give him the message that it's OK to chew them."

Ms. Fink explains to the new dancers that their shoes must be aired out after wearing to keep perspiration from softening them too much. But, she warns those with pets, leaving dance shoes out to dry puts them at risk.

"Dogs will get after them if they're accessible at all," she says. "Hang them up high, and they should be OK, unless your

dog can jump really high."

Donna McCrea, owner of Standing Ovation Performance Apparel in Fort Wayne, Ind., also raises the "dog situation" at pointe-shoe fittings. Even so, every other month customers report dog-bite problems, she says: "We have so many people come in asking if they can buy just one shoe."

Danielle Downey, a member of the corps de ballet for the Pittsburgh Ballet Theatre, has lost two custom-made pairs to Quincy, her Old English sheepdog. The first pair, riddled last fall with "little puppy teeth marks," were already nearly worn out, she says: "I wanted to just give them to him as a chew toy, but I didn't want to give him the message that it's OK to chew them."

Ms. Fink explains to the new dancers that their shoes must be aired

GREATER NEW YORK

New Jersey Candidates Face Off

Guadagno and Murphy duel on taxes, pensions in their first debate as the Nov. 7 vote nears

BY KATE KING

NEWARK—The Democratic and Republican nominees for governor of New Jersey clashed over property taxes, public pensions and national politics in their first debate Tuesday night, one month before the Nov. 7 election.

Democrat Phil Murphy, a former Goldman Sachs executive who hasn't held elected office, repeatedly sought to link his opponent, Republican nominee Kim Guadagno, to the unpopular administration of outgoing Gov. Chris Christie, who is prevented by term limits from running for re-election.

Ms. Guadagno, who has served as Mr. Christie's lieutenant governor since 2010, said Mr. Murphy would raise taxes if elected.

Mr. Murphy attacked Ms. Guadagno and the Christie administration for favoring big business and the wealthy over school funding. "They have chosen to give out tax incentives to large corporations in our state," he said. "All of that has come at the expense of the middle class."

He pledged to fully fund the state's public schools, which he



New Jersey governor hopefuls Phil Murphy and Kim Guadagno at the debate Tuesday night at the New Jersey Performing Arts Center.

said were underfunded by \$9 billion during Mr. Christie's administration.

Ms. Guadagno fought back, asserting that her opponent's platform would come at the expense of the state's nine million residents. "Phil Murphy has no plan for lowering property taxes," Ms. Guadagno said. "That \$9 billion is coming from you if Phil Murphy is elected governor."

Mr. Murphy has campaigned on a progressive platform that includes increasing state funding for public pensions and schools, community college and transportation projects.

Ms. Guadagno has pledged to reduce property taxes for New Jersey residents by implementing a "circuit breaker" that would cap the school portion of residents' property tax bills at 5% of their household income.

In discussing benefits for public employees, Mr. Murphy reiterated his promise to fully fund the state's annual contributions to the pension system "as fast as possible."

Ms. Guadagno said that pledge was unrealistic given the state's budget constraints. "What I will do as governor is talk about it honestly and openly," she said about the

state's pension challenges.

The candidates disagreed on how to handle President Donald Trump's immigration policy, including his decision to end the Deferred Action for Childhood Arrivals program. Ms. Guadagno said she would urge Congress to pass legislation "to fix the problem once and for all," but said she would ultimately follow federal law.

Mr. Murphy said he would seek to protect these immigrants even if Congress doesn't act before the program expires. "We will stand up to this president if need be. We will be a sanctuary—not just city—but

state," he said.

Both candidates said they would loosen restrictions on marijuana, although Ms. Guadagno said she would support only decriminalization and an expansion of the state's medical marijuana program. Mr. Murphy supports full legalization.

Mr. Murphy is outpacing his Republican opponent in the polls and with fundraising. A poll published Oct. 3 by Monmouth University found Mr. Murphy with a 14-point lead among likely New Jersey voters, although nearly half of the respondents had no opinion about either candidate.

Hopefuls Spar in Mayoral Debate

BY MARA GAY

Mayor Bill de Blasio faced his challengers in the New York City mayoral race on the debate stage for the first time Tuesday night, defending his record against a Republican and a renegade insurgent who has drawn comparisons to President Donald J. Trump.

Mr. de Blasio said the city had flourished on his watch.

And he drew a contrast between his liberal policies and the views of his opponents, Republican Nicole Malliotakis and independent Bo Dietl, who have said they voted for Mr. Trump.

"My two opponents are right-wing Republicans who voted for Donald Trump. I'm a progressive," said Mr. de Blasio, a Democrat, going on to list his accomplishments.

"We have a city that is now the safest city in America. Our graduation rates are up, our test scores are up," he said.

The event, at Symphony Space on Manhattan's Upper West Side, offered a rare chance to see Mr. de Blasio's record challenged in what has been a sleepy election season.

The debate was fiery at times, with Ms. Malliotakis, a state Assemblywoman from Staten Island, attacking the mayor's handling of homelessness and his management of the city. The number of people living in shelters rose to a peak of more than 60,000 late last year, according to city data.

"He has turned homelessness into a business," Ms. Malliotakis said, noting the city spends millions every year to shelter people in hotels.

Mr. de Blasio said the city was working to build shelters. He responded to some of the toughest criticism during the debate by underscoring what he considers to be his signature accomplishments, a decline in overall serious crimes, and an initiative to expand pre-kindergarten.

Ms. Malliotakis also criticized Mr. de Blasio's approach to the city's ailing subway system, which is largely under New York Gov. Andrew Cuomo's control. Ms. Malliotakis said the mayor mishandled the relationship with Mr. Cuomo, a fellow Democrat.

"Are you afraid of Governor Cuomo?" she asked, drawing cheers from the crowd.

"I am very comfortable taking on the governor when he's doing something wrong that's going to hurt New York City," Mr. de Blasio said.

Mr. Dietl, a former New York Police Department detective who failed to secure a major party nomination is running on the "Dump the Mayor" line. At one point, asked about a Daily News report showing he owed nearly \$500,000 in New York state taxes, Mr. Dietl seemed to direct his anger toward the moderator who asked the question, NY1 political reporter Grace Rauh.

"There is no problem with my taxes," he said. "That's another way that you're trying to take me down. What'd you make last year? I made \$1.8 million."

The mayor is likely to cruise to victory in a city where Democrats outnumber Republicans by more than 6 to 1.

'Micro-School' Aims to Transform Education

BY LESLIE BRODY

On the hip second floor of a commercial building in Manhattan sits the city's newest private "micro-school." With only 24 students, it has big ambitions to transform American education.

The Union Square middle school opened this fall as a laboratory for AltSchool, a startup that creates software to let children learn at their own pace. Its six full-time teachers meet regularly with engineers to develop the online platform. One goal: Selling it to public and private schools nationwide this year.

"In a sense we're guinea pigs," said Michelle Byron, whose 11-year-old son Paul likes that AltSchool lets him zip ahead in math. "Would I have liked it to be farther along when we found it? Sure, but we're working for the greater good."

Launched in 2013 in San Francisco, AltSchool has seven lab schools and has raised more than \$170 million in venture capital. It is part of a "personalized learning" movement that has fans and skeptics. Supporters say it helps children become self-directed and persistent, which will help them in a modern workplace. Critics say that hype about the approach has run ahead of any extensive research showing it works.

AltSchool officials describe their digital platform as a master organizer. Students can tap into customized "playlists" of assignments tailored to their particular goals. They click through quizzes for instant feedback. A "portrait" stores evidence of their skills and social-emotional progress.

The Union Square site has the laid-back vibe of an industrial-chic office, with high ceilings, painted exposed pipes and clear walls. Devin Vodicka, the company's chief impact officer, compares traditional



Students prepared for classes at their Union Square middle school. They learn at their own pace using software created by AltSchool.

schools to a train: Students get on for the ride but have no say about its speed or path. He sees AltSchool as letting students steer a car while obeying rules of the road.

"Our role is going to shift away from making the trains run on time to equipping your child to drive their own learning," he said. The destination isn't wholly up to the student, however: Mr. Vodicka expects eighth-graders to leave with the skills outlined by the Common Core, a set of academic expectations adopted by most states.

Students get leeway to pursue interests. In a unit on the ancient Silk Road, for example, some students cooked dishes from countries along the trade routes while others performed their own play about a hunchback in "One Thousand and One Nights."

Skeptics of "personalized learning" say that when stu-

dents get too much autonomy, many don't tackle work that is challenging enough or ordered in an effective sequence, and they end up with troubling gaps in knowledge.

Benjamin Riley, founder of Deans for Impact, a group of education school deans, said it is hard to provide enough sophisticated material for this individualized approach. "There is an unfortunate fantasy that develops that kids need to be engaged in these acts of creativity some great percentage of the time," Mr. Riley said. "Maybe, but only if those activities are actually stimulating thinking that matters."

AltSchool opened in Union Square this fall with tuition of \$37,500. It has four sites in the San Francisco area, plus elementary schools in Brooklyn Heights and the East Village. About one-quarter of its 400 students overall get financial Please see MICRO page A12B

Math Lesson: Write Down Your Goals

At the start of math class at AltSchool Union Square one recent morning, a teacher asked every student to write down a personal "academic goal" and a "habit goal" for the period.

For Simona Freed, age 10, the latter was to be more organized. "I'd like to get better at long division," she added.

"That's not my natural talent."

In keeping with the middle school's progressive bent, a dozen children in grades five, six and seven sat in the same room, working at their own levels. By the window overlooking 14th Street's bustle, two of the more advanced students converted fractions into decimals.

In a corner, a teacher encouraged two boys who needed extra help, using colored blocks as visual aids to add easy fractions. They used a common curriculum called Singapore Math.

Cameras peeking discreetly from the walls videotape every class so teachers can analyze how to do better. Students spend about 25% of the school day on computers, at times looking at video clips about concepts that confuse them.

Teachers often break classes into small teams and circulate, working with some children one-on-one.

Instead of report cards with A to F grades or numerical ones, students get ongoing data on milestones they have accomplished.

"We're your co-pilots here," humanities teacher Jaqi Garcia tells students. "We can shape the journey together."

—Leslie Brody

OYSTER PERPETUAL
COSMOGRAPH DAYTONA



ROLEX

KRAVIT
JEWELERS
Since 1927

3187 Long Beach Road Oceanside, New York • Tel: 516-766-3855

ROLEX, OYSTER PERPETUAL, COSMOGRAPH AND DAYTONA ARE TRADEMARKS.

GREATER NEW YORK

METRO MONEY | By Anne Kadet

An Exemplary Waiter Strikes Out on His Own

A It's always wonderful to see someone who is great at his job. For years, one of my favorite examples was Pedro Morales, the second-shift waiter at the Cobble Hill Coffee Shop in Brooklyn.

No matter how nuts the place got, Mr. Morales was smiling and calm, handling the crush with aplomb. He always remembered how you took your coffee. When he vanished this summer, the place wasn't the same.

I was thrilled, then, when a fellow fan told me she'd spotted Mr. Morales at a new coffee shop in the Midwood section of Brooklyn. He'd opened his own restaurant!

It's a risky move. According to Crain's New York Business, the number of coffee shops and diners in the city has declined over the past 25 years from more than 1,000 to fewer than 400.

Last week, I ventured down to Mr. Morales's AVP Coffee Shop for lunch. The place has just 24 seats. There were the usual framed prints, plum-colored booths and mints by the register. He had four two-dollar bills taped to the wall for luck.



Waiter Pedro Morales took a gamble and opened a small coffee shop in Brooklyn's Midwood section.

in Mexico, harvesting greens, tomatoes and pumpkins. He moved to New York City in 1992 and got his first job as a delivery man at a West Side diner.

It's been coffee shops ever since, working at joints all over Manhattan including the Silver Star Restaurant on the East Side and Manatus in the West Village, typically earning \$500 to \$800 a week.

Mr. Morales arrived at the Cobble Hill Coffee Shop in 2012, where he worked 12-hour days and earned \$1,000 a week—enough to start saving. Last year, he and Rene Martinez, the short-order cook working the same shift, decided to team up and open their own spot.

Their diner, a former Mexican restaurant, is right off the Avenue P stop on the F line, between a vape shop and a smartphone repair store. A modest renovation cost \$35,000; the rent is \$4,000 a month.

It is, however, a 90-minute commute from his home in the Corona section of Queens. Seven days a week, Mr. Morales wakes at 4:30 a.m. to open the restaurant by 7 a.m. He's hired zero help. 14 hours a day, it's just him waiting tables in front and Mr. Marti-

nez cooking in the back.

"I'm happy, but a little bit tired," he added.

New York City Hospitality consultant Demetrios Kafchitas said there is a reason you don't see many coffee shops opening these days: They're expensive to run.

Compared to the increasingly popular "fast casual" spots with their buffet-style service and limited menus, coffee shops—with their table service and extensive menus—incurred higher rent, food and labor costs, he said.

AVP can make a go of it, Mr. Kafchitas said, but only given high volume. Factoring in \$4,000 rent and food costs of 25%, the restaurant will need to generate \$10,000 in sales a week—roughly 130 meals a day.

"It's an admirable story," he said. "Good luck to those two guys!"

Mr. Morales said that six weeks in, he's serving about 50 meals a day. He's covering the bills, but so far there is nothing left for him or Mr. Martinez.

"Every week we improve," he says. "Not crazy, crazy, but little by little. Hopefully it keeps going."

anne.kadet@wsj.com

MICRO

Continued from page A12A
aid.

The company has drawn high-profile funders such as Facebook Inc. Chief Executive Officer Mark Zuckerberg and Laurene Powell Jobs, widow of Apple Inc. co-founder Steve Jobs. Teachers can get shares as part of their compensation package. Officials said the company subsidizes the lab schools, which aren't expected to turn profits.

Parents praised the per-

sonal focus and community spirit at the Union Square site, which aims to expand to 100 children. Meredith Gould, a sixth-grader, said its small size was a relief after a public school class that had 34 students. "I get a lot of attention for what I need," she said.

A science class for a dozen children, however, showed limitations. After a teacher asked them to research hurricanes, they opened Chromebooks to make slideshows. Several simply typed information from Wikipedia. One fifth-grader who had trouble spelling didn't attempt to write "dangerous" or

"mosquito" correctly, knowing a spell-check function would fix his errors. A spokeswoman said that for new students, "transitioning to this way of learning involves some acclimation."

AltSchool hasn't had an independent evaluation of academic outcomes, and it is too new to be accredited in New York.

Larry Cuban, a Stanford University education professor emeritus who visited AltSchool in California, said it benefited from wonderful teachers and selective admissions. But he questioned how well the platform would work in larger environments.

The number of New York City public school students taking Advanced Placement exams—and passing them—continues to rise.

The city Department of Education released data Tuesday showing that more than 49,000 district and charter students took at least one AP exam this year, and almost 26,000 passed at least one.

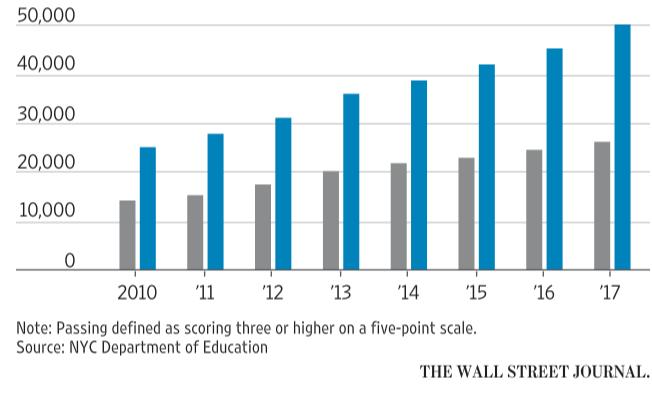
Mayor Bill de Blasio has pushed to expand AP offerings. Supporters say the AP program exposes students to challenging academics, and at some colleges students can save money by getting credits for high scores. Skeptics say the rigor of the courses varies among schools, and the program's expansion spurs some poorly prepared students to take AP classes and flounder.

About 33% of city students take at least one AP exam during high school, almost double the percentage a decade ago.

City Students Gain on Advanced Placement Tests

Pencils Down

New York City public school student results on Advanced Placement exams



Note: Passing defined as scoring three or higher on a five-point scale.

Source: NYC Department of Education

THE WALL STREET JOURNAL.

Among students who started ninth grade in 2013, about 40% of Asian students passed at least one AP exam in high

school, along with 29% of white students, 14% of Hispanic students and 7% of black students.

—Leslie Brody

GREATER NEW YORK WATCH

NEW YORK

Ex-Accountant Sent To Prison for Theft

A former accountant was sentenced Tuesday to up to 15 years in prison for stealing more than a million dollars from the

estates of two women who fled Nazi Germany before World War II.

Richard Doren, 51 years old, will have to repay the more than \$1.7 million that he stole, according to the conditions of a deal arranged in June and September, when he pleaded guilty to grand

larceny charges.

According to prosecutors, Mr. Doren for 20 years worked for and eventually managed an accounting practice in Midtown Manhattan, where he was assigned the task of searching for the two deceased women's next of kin. Both clients had no children and many of their relatives had died in the Holocaust.

Prosecutors said Mr. Doren pocketed money he was supposed to be disbursing to the relatives of the two women. Then, while he was out on bail, Mr. Doren swindled a plastic surgeon out of more than \$500,000, prosecutors said.

Prosecutors said Mr. Doren used the stolen money to pay for vacations, football games, hotel stays, restaurant meals, home improvements and cars.

Mr. Doren, wearing a khaki prison uniform, declined to speak during the hearing in Manhattan Supreme Court. His lawyer also declined to comment.

—Thomas MacMillan

NEW JERSEY

Former Mayor Accused of Stealing

A former Spotswood mayor stole money from a scholarship fund named for an emergency responder killed in the line of duty and used it to gamble in Atlantic City, authorities say.

Middlesex County prosecutors say Nicholas Poliseno turned himself in Tuesday. The 39-year-old is charged with theft. It wasn't known if he retained an attorney.

Authorities say Mr. Poliseno stole the money in June 2016 from the Hinal Patel Scholarship Fund, which annually awards a scholarship to a Spotswood High School student.

The 22-year-old emergency medical technician was killed in July 2015 when the ambulance she was riding in was stuck by a car.

—Associated Press

OUT TODAY

alexa

FREE INSIDE THE NEW YORK POST

MORENA BACCARIN

MEET THE GOLDEN GIRL OF 'GOTHAM' & 'DEADPOOL'

PLUS European Runway Report

Cartier

CELEBRATING 100 YEARS OF TANK



LONDON

JEWELERS

Americana Manhasset - 516 627 2475 | Wheatley Plaza - 516 621 8844

East Hampton - 631 329 3939 | Southampton - 631 287 4499

LONDONJEWELERS.COM

LIFE & ARTS

THE MACARTHUR AWARDS

The 'Genius Grant' Winners

WHEN TOLD THAT THEY'VE BEEN selected for the MacArthur Fellows Program, "genius grant" winners are given a phone number to use for a variety of reasons—including if, a little later, they start to think that they dreamed up the whole thing.

The MacArthur, whose 2017 fellows were announced Wednesday, scores high in pinch-me points. This year's 24 winners, who each receive \$625,000 over five years to be spent however they would like, include an opera director who once staged a performance among rushing commuters

in a train station; a computer scientist who used her own breast cancer to spur her oncology-data research, and an anthropologist who has studied artifacts left by undocumented migrants along the U.S.-Mexico border.

—Ellen Gamerman



Jason De León

The anthropologist's research is framed around improving understanding of the migrant experience along the U.S.-Mexico border through a combination of ethnography, archaeology and forensic science. Mr. León, 40, who works in the anthropology department at the University of Michigan in Ann Arbor, has used archaeologically recovered migrant artifacts to help tell their story. With the grant, he plans to continue to stage exhibits, incorporating footage from drones that survey migrant remains and document migration routes in Mexico and Arizona. A trained archaeologist, he had worked on ruins in Mexico before switching to contemporary immigration issues. "Archaeology doesn't have to be about the ancient past," he said. "It can be about this morning or last week."



Gabriel Victoria

The immunologist researches how antibodies are generated. "When we first get in contact with a foreign substance or disease agent, we make antibodies against these—they're not very good but they evolve to become very good over time," he said. "We try to understand the process whereby these antibodies get trained to be very good." Dr. Victoria said his work could further research on vaccines for diseases such as malaria or HIV, or it could be applied to, say, a flu vaccine that would last longer than a year. The 40-year-old New Yorker was a concert pianist early in his career but tired of all-day practice sessions and in his mid-20s pursued a master's degree in immunology. "Music trains you how to teach yourself things," he said. "It also gives you the endurance to just keep trying things over and over until they work."



Rhiannon Giddens

In her performances, the Greensboro, N.C., singer, songwriter and instrumentalist attempts to shed light on black musicians whose history with musical genres including folk and country has largely remained untold. "The history of American music has been whitewashed and bowdlerized with imaginary narratives of where this music comes from," she said, calling the period between the emancipation of slaves and the start of the 20th century a particularly unexplored chapter in music. Among other things, the grant enables Ms. Giddens, 40, to pursue a longtime goal of creating a stage work about an 1898 massacre in Wilmington, N.C. In that episode, working-class blacks and whites joined in a political party before white supremacists launched a violent campaign against black politicians to break up their movement.



Kate Orff

The landscape architect is the first from her profession to receive a genius grant. In her work, which includes projects around coastal infrastructure plans and urban-park design, the 45-year-old New Yorker searches for ways to integrate cities and their surrounding ecosystems. The grant will help Ms. Orff, founding partner of the landscape-architecture and urban-design firm SCAPE, to pursue ongoing research into reclaiming America's endangered bays and wetlands, with an eye toward reducing dependence on oil and petrochemicals and addressing challenges posed by factors such as climate change. "Landscape architecture is this true hybrid of arts and sciences," she said. "We are working with living systems, living organisms, and we're trying to combine them with culture."



Regina Barzilay

The computer scientist at the Massachusetts Institute of Technology in Cambridge Mass., is an expert in computational linguistics and recently began applying machine learning to the field of oncology. When Ms. Barzilay, 46, was diagnosed with breast cancer in 2014, she was struck by the uncertainty around her treatment process. "I firmly believe there is a lot of really important information and patterns that are hidden in the data of cancer patients," she said. Imaging and pathology data are "lying around as dead weight" instead of being used to make more predictions about who is likely to get cancer and how that cancer should be treated, she said. Due to funding constraints, Ms. Barzilay had been furthering this study with her students on weekends and evenings.



Yuval Sharon

The opera director's immersive works include a 2013 piece on immigration staged in a bustling Los Angeles train station, with audience members listening on headphones to performers scattered around the terminal. The 37-year-old Los Angeles resident hopes to make the art form fresh for younger audiences. Next month, the founder and artistic director of the production company The

Industry will collaborate with other organizations to present a new operatic staging of "The War of the Worlds." The performance will be presented inside a Los Angeles concert hall and broadcast onto the street through repurposed air-raid sirens. "We're taking opera outside the hallowed concert hall and right out into the life of the city," he said.

► For a complete list of winners, go to WSJ.com



Renoir's 'Luncheon of the Boating Party' (1880-81)

ART REVIEW

MOST COLORFUL COMPANY

BY KAREN WILKIN

Washington IN JULY 1923, Duncan Phillips made his most ambitious acquisition to date for the burgeoning modern art collection, the Phillips Memorial Gallery, he had opened here just 18 months earlier. Pierre-Auguste Renoir's "Luncheon of the Boating Party" (1880-81), bought from the Durand-Ruel Gallery for a then astonishing \$125,000, was intended as a stellar attraction. Phillips was thrilled by his purchase. He had been entranced by the light-struck scene of sporty young men and flirtatious young women in fetching summer hats, crowded around the remains of a wine-fueled meal, since first encountering it more than a decade before.

It's easy to understand why. With its 14 figures, the picture is among Renoir's most complex and, at almost six feet wide, one of his largest. It's also delicious, perfectly evoking a lazy summer afternoon from a vanished era, with its young, attractive people relaxing in informal groups under a striped awning, beside the Seine.

Phillips was clearly driven by enthusiasm—he called the painting "the masterpiece of Renoir"—but he was also cannily calling attention to his new museum. Renoir's dealer, Paul Durand-Ruel, purchased the painting soon after its completion, in 1882, and lent it to the seventh Impressionist exhibition; over the next four decades, the Durand-Ruel gallery exhibited it not only in Paris but also in

Please see RENOIR page A14

LIFE & ARTS

MY RIDE | By A.J. Baime

A World War II Jeep Survives 75 Years Later

Don Foran, 91, a retired civil engineer and World War II veteran from Amarillo, Texas, on his 1942 Willys Jeep, as told to A.J. Baime.

In 1944, I was a soldier assigned to the 687th Field Artillery Battalion. The Army needed Jeep drivers, so I volunteered. The Jeep was first built for World War II. It had four-wheel drive and made our Army mobile in a way it had not been before. As the saying went at the time, "It's as faithful as a dog, as strong as a mule and as agile as a goat." Willys built 362,894 Jeeps. Ford built them also, but Willys built the most.

During the collapse of Nazi Germany and after, I drove Jeeps through the country, at times behind enemy lines on scouting missions. The farm villages had no towns left. They were utterly destroyed by bombing from the air, and the cities were even more destroyed. I saw the Dachau prison camp.

In December 1945, after the war was over, I drove a Jeep to deliver documents regarding the Nazi war crimes trials for many miles to Munich. The Jeep was an open vehicle and my windshield had been destroyed. It was about zero degrees, and I got lost because there were no signs. But I eventually found where I was going.

In 1992, I retired and I needed something to keep me occupied. My nephew Joe Foran spotted a 1942 Willys Jeep for sale in Gladewater, Texas. I contacted the owner and negotiated a price of \$1,100. In my shop in Amarillo, I took that Jeep apart and put it back together over the course of about a year and a half. The Army was very good at making training manuals so soldiers were able to fix these Jeeps. I used a training manual to learn how each part of the Jeep worked.

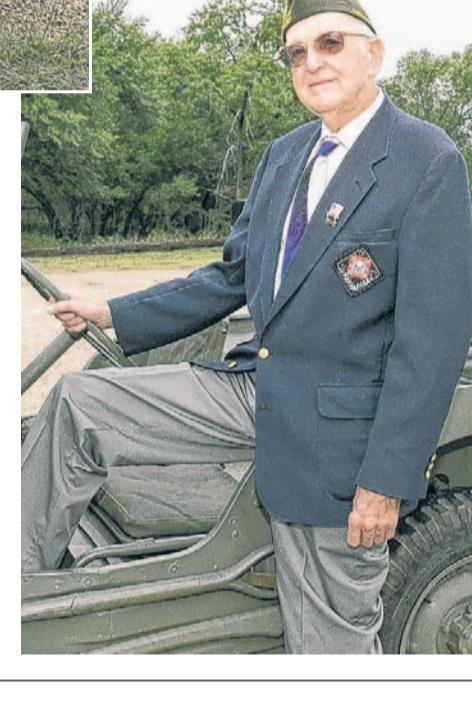


I also had it repainted Army green. I drove this Jeep in local parades in Texas for years. If anyone wanted to go for a ride, I was happy to take him. I am a member of the VFW Post 430 in Canyon, Texas. Recently I signed the title over to the VFW. I have begun to give away my possessions because I am 91 and I realize I am not long for this world. But I still go and see the Jeep. It sure brings back memories.

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



Don Foran stands with the 1942 Willys Jeep that he restored in his shop in Amarillo, Texas. Mr. Foran in Germany during World War II, above. He drove a Jeep for the U.S. Army during the war.



CLOCKWISE FROM TOP RIGHT: DAN FORAN; DELLA MOYER FOR THE WALL STREET JOURNAL

ADVERTISEMENT

Showroom

To advertise: 800-366-3975 or WSJ.com/classifieds

AVIATION

**FLY WITH UNITY JETS AND SAVE
UP TO 30% VERSUS WHEELS UPTM
& NETJETS[®]/MARQUIS JET CARD[®]**

UNITY JETS PROVIDES A TRIP-BY-TRIP SOLUTION WITH
NO MEMBERSHIP FEES, NO INITIAL CAPITAL AND
NO PEAK DAY RESTRICTIONS

UNITYJETS[®]

888.758.5387
UNITYJETS.COM

"THE #1 JET CARD AND FRACTIONAL OWNERSHIP ALTERNATIVE."

LEASE

877-989-1500

- Nationwide Delivery
- We now lease in NY
- Buy or Sell
- Trades Accepted

39 mos., 10K miles/yr, 0 Down, GAP included + TTL. Closed end lease.

All New Makes & Models • 0 Down • Call 7 Days

www.LEASEFAX.com

| | | | | | |
|---------------------|----------------|------------------------|--------|---------------------------------|----------------|
| 2018 Audi Q7 | 699mo | Jeep Gr Cherokee Ltd | 459mo | 2018 Mercedes GLE43 C4 | 899mo |
| Cadillac Escalade | 799mo | Jeep Unlimited | 339mo | 2018 Mercedes GLS | 859mo |
| Chevy Corvette | 699mo | Land Rover Disco Sport | 499mo | 2018 Mercedes GLS6310K off MSRP | |
| Chevy Suburban | 519mo | Lexus GX460 | 509mo | Mercedes G63 | \$10K off MSRP |
| 2018 Chevy Traverse | 359mo | Lexus LX570 | 1029mo | 2018 Mercedes S560 | 1299mo |
| Corvette Z06 | \$10K off MSRP | Lexus ES350 | 379mo | 2018 Porsche Macan | 699mo |
| Chevy Tahoe | 499mo | Lincoln Continental | 499mo | 2018 Porsche Cayenne | 769mo |
| GMC Denali | 729mo | Lincoln Navigator | 699mo | Range Rover | 1059mo |
| GMC Yukon SLE | 499mo | 2018 Mercedes GLC | 499mo | Range Rover Sport | 799mo |

BOATING

MORAN
YACHT & SHIP

FINEST FEADSHIPS AVAILABLE FOR SALE

Join Us At The Fort Lauderdale Boat Show
November 1 - 5, 2017 Fort Lauderdale, FL
Contact Us Today For VIP Tickets!



CONTACT US TODAY FOR MORE INFORMATION!
(954) 768-0707 FEADSHIP@MORANYACHTS.COM WWW.MORANYACHTS.COM

THE WALL STREET JOURNAL.

SHOW ROOM

ADVERTISE TODAY

(800) 366-3975
sales.showroom@wsj.com

For more information visit:

wsj.com/classifieds



© 2017 Dow Jones & Company, Inc.
All Rights Reserved.

RENOIR

Continued from page A13
ajor cities in the U.S. Phillips's assertion that the painting's "fame is tremendous....People will travel thousands of miles to our house to see it"

proved accurate. "Luncheon of the Boating Party" is still one of the most admired and important works in today's Phillips Collection.

Not surprisingly, the painting has been exhaustively studied, not only for what it tells us about Renoir's approach and his evolution but as a sociological document—evidence of the loosening of social structures in France's Third Republic that allowed the members of different classes

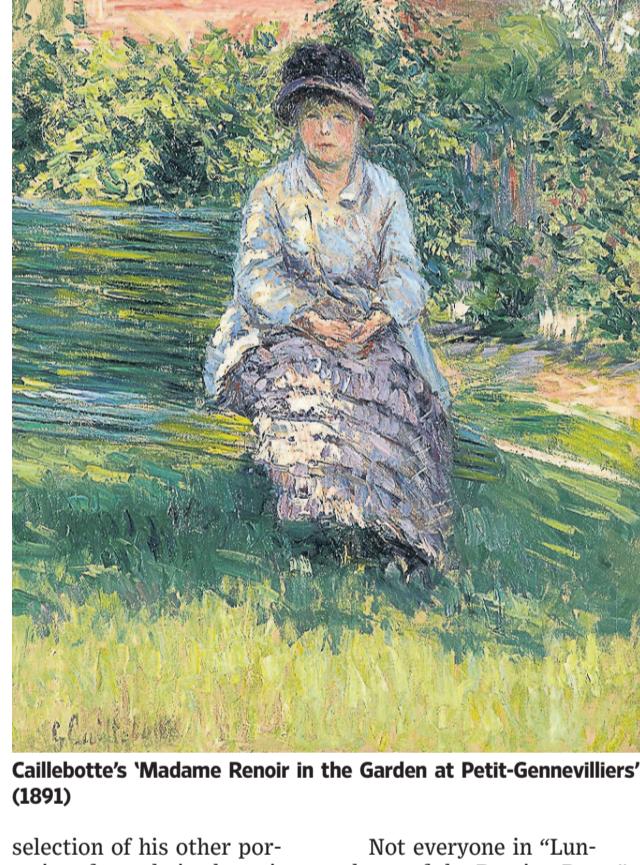
portrayed in "Luncheon of the Boating Party" to happily spend leisure time together. Now "Renoir and Friends: Luncheon of the Boating Party," at the Phillips Collection, examines the history of its making, with particular focus on the cast of characters.

Organized by the museum's chief curator emerita, Eliza E. Rathbone, the exhibition and its informative catalog introduce us to a fascinating group ranging from Renoir's future wife, Aline Charigot—left foreground, playing with a little black dog—to Renoir's close friend, the painter/collector/sailboat designer Gustave Caillebotte, right foreground, in a sleeveless oarsman's shirt and sailor's "boater." We also

meet the actresses, intellectuals, writers and members of the aristocracy who were Renoir's friends and supporters, elsewhere in the picture.

Renoir preferred not to employ professional models, from choice as well as economic necessity. Somehow, he persuaded a group of his admirers to pose on the balcony of the Maison Fournaise, a restaurant and inn on the banks of the Seine, at Chatou, where Parisians could enjoy country life, dine and rent boats within reach of the city. What's more remarkable, Renoir executed the large canvas *en plein air*—out of doors.

At the Phillips, more than 40 works contextualize "Luncheon of the Boating Party" with some of Renoir's river scenes and compositions prefiguring the Phillips's great picture, along with a



Caillebotte's 'Madame Renoir in the Garden at Petit-Gennevilliers' (1891)

selection of his other portraits of people in the painting, testimony to the depth of his relationships with them. Photographs and works by other artists, notably Edgar Degas, Édouard Manet and Caillebotte, including portraits of the personages in "Luncheon of the Boating Party," offer further evidence of cross-connections and close relations.

Actresses, intellectuals, writers, artists, members of the aristocracy and his future wife

Caillebotte's casual image of Aline, seated in the garden of his house, is especially noteworthy, a miracle of bold brushwork and unexpected color. Renoir's more formal painting of Caillebotte's "sweetheart" is less compelling, alas, paling beside his "Portrait of Madame Renoir" (c. 1885, Philadelphia Museum of Art), a luminous, affectionate image whose pale, brushy background and confrontational quality suggest a less cerebral version of Paul Cézanne's portraits of his wife.

Not everyone in "Luncheon of the Boating Party" can be identified, despite anecdotal evidence and an annotated photograph. Some figures may be composites, and most of the women, as is typical of Renoir, resemble Aline, with her snub nose and round face, no matter who posed for them. Yet we learn something about everyone, mostly through comparative works. Perhaps most interesting, shown with his back to us, in a citified top hat, is the art historian and collector Charles Ephrussi, Marcel Proust's friend and the model for Charles Swann in "In Search of Lost Time," more recently chronicled by his descendant Edmund de Waal in "The Hare With Amber Eyes." Ephrussi owned that famous bunch of asparagus by Manet. That's included, too, in the Phillips's delightful exhibition.

So is Jean Renoir's 1936 film "A Day in the Country." Based on a Guy de Maupassant story, it brings Jean's father's painting to life. Make time to watch it.

Renoir and Friends: Luncheon of the Boating Party
The Phillips Collection, through Jan. 7, 2018

Ms. Wilkin is an independent curator and critic.

LIFE & ARTS



ROB WILSON

WORK & FAMILY | By Sue Shellenbarger

Tell the Hard Truth at Work

Companies need candor from their employees, but bosses must make clear they're open to bad news and contrary opinions

IT TAKES FINESSE to tell your boss and colleagues what you really think.

Terra Kunish was wary when a new chief executive arrived at her company in 2016 preaching candor among managers and employees. Phil Dolci says he promotes honest feedback at the Stow Co., a Holland, Mich., maker of home-storage products. "You can have a very difficult conversation with someone and still be compassionate," the chief executive says.

Ms. Kunish, a product manager, waited a few weeks to watch Mr. Dolci in action. "I needed to know he wouldn't throw me under the bus" for offering criticisms. He didn't.

She challenged Mr. Dolci directly after he nixed her proposal during an executive-team meeting to include a drill bit with one of the company's closet-shelving products. She asked to see him in his office after the meeting and made her case again, citing customer data.

Mr. Dolci says he saw that she was right, but didn't agree immediately. "I pushed back and she stood her ground," Mr. Dolci says. He has since promoted her twice,

to brand director. "It's important to me that employees have the courage to disagree with me," he says.

Giving candid critiques is essential to solving problems on the job. It's an especially hot topic at tech companies, with their flattened hierarchies and ceaseless time pressure. Employees may care deeply about their team's results and depend on their colleagues to do well, but hesitate to criticize them for fear of sparking conflict, hurting feelings or being seen as a jerk.

Airing disagreements face-to-face prods managers and employees to examine their assumptions and make better decisions, says Michael Roberto, a management professor at Bryant University in Smithfield, R.I., and an expert on decision-making. "You have to remember you're on the same team and you're trying to strengthen each other's argument—not win the argument," he says.

Asking permission before offering feedback can be helpful, says Achim Nowak, a Hollywood, Fla., executive coach. "Instead of pouncing on the person, say, 'I have a couple of thoughts I'd like

Rules for Delivering Criticism

DON'T:

1. Be rude, obnoxious or aggressive.
2. Belittle, embarrass or scare people.
3. Criticize colleagues in public.
4. Shout.
5. Repeat yourself.
6. Try to soften criticism by prefacing and following it with insincere praise.
7. Put colleagues on the defensive.
8. Send your criticism via text, IM or email.
9. Try too hard to be popular.
10. Make it personal, as in, "You're sloppy."

DO:

1. Build a trusting relationship first.
2. Use criticism as a tool for improvement.
3. Find fault with the behavior rather than the person.
4. Explain the impact in specific terms.
5. Invite colleagues to challenge your thinking.
6. Show compassion.
7. Be humble.
8. Stress that you want to be helpful.
9. Deliver feedback immediately, in person.
10. Ask questions to understand others' viewpoint.

to share with you. Is this a good time?" he says. Prefacing your remarks with, "I'm sure you've thought about this already," can lend humility, Mr. Nowak adds.

Bosses who want honest feedback often have to ask for it, welcome it warmly and listen carefully even when they disagree,

says Kim Scott. She is the author of "Radical Candor," a best seller about how to give honest feedback at work.

Art Karoubas, vice president of product at HighGround, a Chicago maker of employee-engagement software, asks employees every three months how he can be a

better manager. He listens when they challenge his plans. "Even if I'm 100% convinced that my idea is the best idea, I open it up and ask, 'What do you think?'" he says. Then he follows up with questions.

He listened recently to an employee who objected, saying that the team was planning to roll out a new software feature too fast. That started a conversation on his team about a broader change the employee thought was needed to improve the product, Mr. Karoubas says. They released the new feature on time, but laid longer-term plans to make the additional, broader fix.

Akhila Tadinada, a director in Redmond, Wash., for Hitachi Vantara, says she invites employees to challenge everything. She was reluctant to back an engineer's recent proposal to build an online marketplace for the company's industrial applications, saying customers wouldn't be interested. The engineer argued that it could be a helpful innovation. Although she was still skeptical, she gave him time to build a prototype and test it. The completed product was a big hit with executives at a recent customer conference.

Avoid turning criticism into a personal attack, Ms. Scott says. She recommends following a "situation, behavior, impact" formula: Describe the situation where the problem behavior occurred, the person's specific actions and their impact. Instead of saying, "You're sloppy," say, "You've been working nights and weekends and it's starting to take a toll on your ability to catch mistakes in your logic."

It's important to know the person well enough to anticipate his or her response, Dr. Roberto says. "You have to determine who can handle more radically or brutally candid criticism, and who needs a gentler approach," he says.

Ted Devine tries to hire employees who will thrive in the candid culture at his company, Insureon, an online small-business insurance agency in Chicago. "You have to build one-on-one relationships with people so they trust you. But also so you can push them," says Mr. Devine, the company's CEO.

Belen Tokarski, Insureon's chief administrative officer, says she enjoys a challenge, but facing Mr. Devine sometimes feels like "walking right into a fire." Her team recently missed one of its quarterly targets because she reassigned a few employees to closing sales.

"Why did we do that?" Mr. Devine asked. Ms. Tokarski defended her decision, and Mr. Devine told her, "OK, fine. These are battlefield decisions leaders have to make."

But he didn't pretend to be happy, he says. When employees slip up, "I don't want them expecting me to say, 'Hey, you missed your numbers, come on in, I'm going to buy you a beer,'" he says. "But I want them to give me bad news. The rule is, don't surprise me. Talk to me about it so I know and can try to do something about it."

ART

A HOMAGE TO DA VINCI AT AUCTION THIS FALL

BY KELLY CROW

RUSSIAN BILLIONAIRE Dmitry Rybolovlev will try to sell his rare, rediscovered Leonardo da Vinci portrait of Christ as "Salvator Mundi," or the savior of the world, for \$100 million at Christie's in New York next month—a record asking price for an Old Master at auction.

The oil painting from around 1500 depicts Christ as a Renaissance man dressed in flowing blue robes, his left hand cupping a crystal orb while his right raises a sign of blessing. The figure's brown, curly ringlets fall down around his shoulders, framing a long face and dimpled chin.

Less than 20 Da Vinci paintings survive, and all of the others—including his iconic "Mona Lisa"—are in museum collections. Christie's intends to auction off this example on Nov. 15 with the theatrical frenzy that its rival Sotheby's gave to selling Edvard Munch's "Scream" for nearly \$120 million a few years ago. On Tuesday, Christie's said it intends to market the work alongside "Sixty Last Sup-



'Sixty Last Suppers,' above, Andy Warhol's tribute to Da Vinci's masterpiece, goes on the block with Da Vinci's 'Salvator Mundi,' below.



pers," Andy Warhol's wall-size silkscreen homage to another Da Vinci masterpiece that the house estimates will sell separately for \$50 million.

Christie's plans to offer both paintings in its major contemporary sale in New York. It's an unusual twist

Vinci's \$11.5 million auction record. To break Warhol's record, it would need to top \$105.4 million.

"Da Vinci? He's the holy grail," said Loic Gouzer, Christie's co-chairman of post-war and contemporary art, adding that his team consigned the Warhol a few months ago and then approached the Da Vinci's owner with the pairing campaign. Christie's didn't name the paintings' sellers; a spokesman for Mr. Rybolovlev confirmed the Russian potash magnate's family trust is selling the Da Vinci.

Da Vinci painted the portrait around 1500, and it bounced between European royals for hundreds of years before shoddy cleaning efforts and over-painting rendered it almost unrecognizable. When it surfaced in 1958 at So-

theby's, it sold as a "school of Da Vinci" work for only £45. But in 2005 a group of Old Master dealers and a conservator took a closer look and campaigned for its re-authentication, ultimately winning validation from museums and Da Vinci scholars. Six years ago, "Salvator Mundi" made its public debut when it was included in the artist's retrospective at London's National Gallery.

More recently, the painting landed at the center of a complex pricing dispute between Swiss art dealer Yves Bouvier and his former client, Mr. Rybolovlev. Two years after the National Gallery show, Sotheby's helped the same Da Vinci dealers who fought for its rediscovery sell it privately for \$80 million to Mr. Bouvier. He turned around and sold it to Mr. Rybolovlev for \$127.5 million—a mark-up that later spurred Mr. Rybolovlev to sue Mr. Bouvier, alleging fraud. Both men remain enmeshed in criminal court cases in Europe pegged to the deal. Mr. Rybolovlev's family maintains uncontested title to the work and hopes "the forthcoming auction of this work will finally bring to an end a very painful chapter," according to his spokesman Brian Cattell.

Mr. Rybolovlev is selling the picture for far less than he paid for it in 2013. Ron Soffer, Mr. Bouvier's lawyer, said he doubts that the Russian billionaire needs the money from the sale. "If he is selling a painting by Leonardo da Vinci in an attempt to score a point in his case, one can only be baffled," Mr. Soffer said.

SPORTS

California's Breakup With the NFL

As the Rams and Chargers struggle to gain a foothold in Los Angeles, the 49ers also deal with questions about fan support

BY ANDREW BEATON

Carson, Calif.

STUBHUB CENTER is an apt name for the modest soccer stadium-turned NFL foster home for the Los Angeles Chargers. The tiny 27,000-seat stadium, named for a ticket-re-sale behemoth, has struggled to fill up for the country's most popular sport.

In the Chargers' first season back in L.A. after 56 years in San Diego, seats are noticeably empty at kickoff for home games. Many other seats are often filled by boisterous traveling fans of visitors like the Kansas City Chiefs. After a recent game against the Philadelphia Eagles, Chargers quarterback Philip Rivers said it didn't feel like a home game.

Chargers fans knew that starting over in L.A. wasn't going to be easy. "We've been moved from a city in San Diego that appreciated the team and the players," said Chad Smith, a Chargers fan at a recent game here.

The Chargers aren't alone in facing questions about their fan support. All four of California's teams are struggling with identity crises.

While the Chargers struggle in the L.A. suburb of Carson, where they are domiciled until a permanent home is completed in 2020, the Los Angeles Rams, in their second season back in Southern California, have seen home attendance fall by more than 20,000 per game since last season.

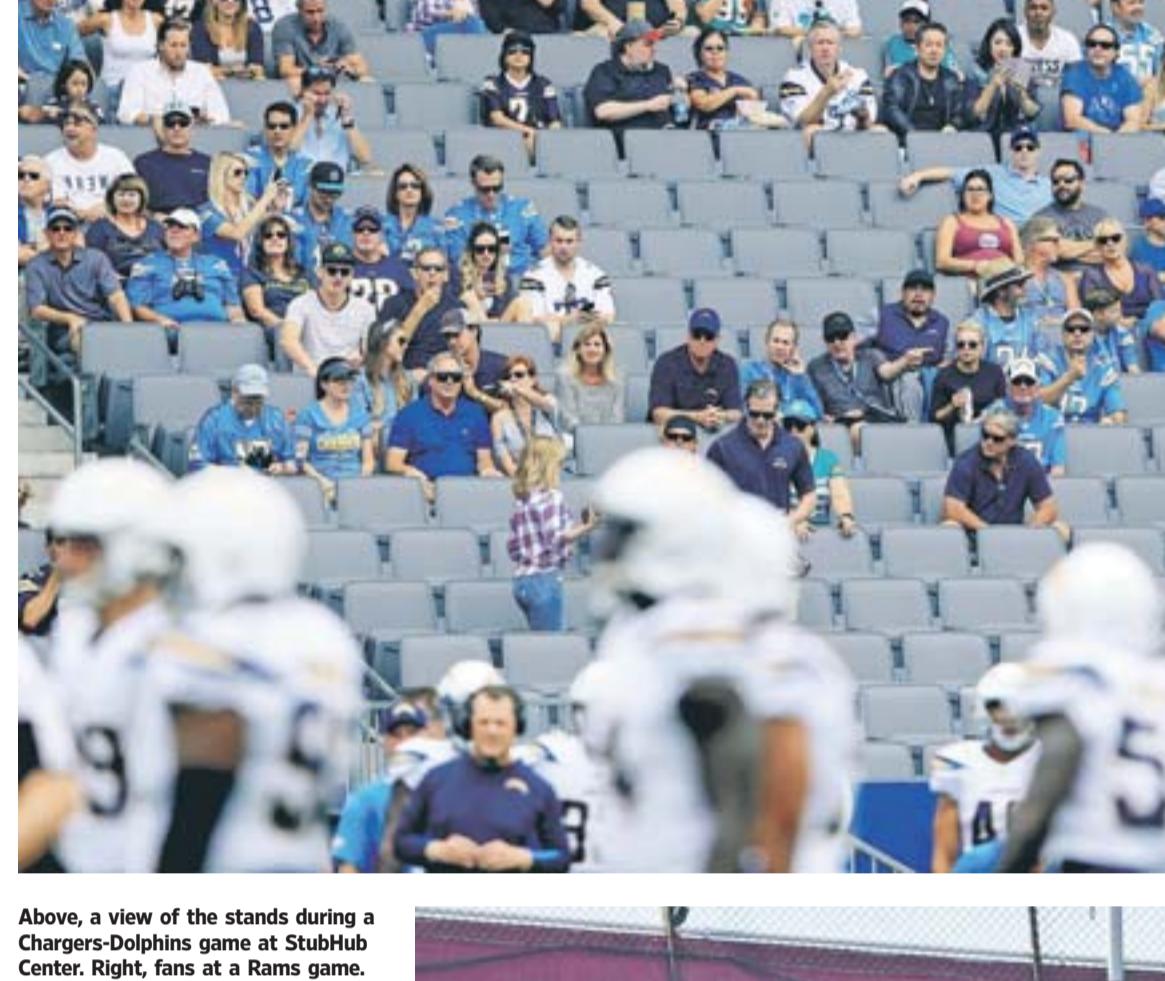
In the Bay Area, the San Francisco 49ers offer fans the chance to wait in traffic, sit in uncomfortably hot seats and watch one of the worst teams around. The state's most promising team on the field, the Oakland Raiders, is leaving soon after more than a half century in California for a glamorous new home in Las Vegas.

"It doesn't exactly seem like the Golden State for the NFL right now," said Andy Dolich, a former executive with teams such as the 49ers and Oakland A's.

If that's true, it's a problem for the country's most popular sport when it faces headwinds in the country's most populous state. L.A. in particular has been the area where the league saw the biggest room for growth going forward.

But in the early parts of this football season, startling pictures featuring swaths of empty seats have generated attention during and after Chargers, Rams and 49ers home games. The teams argue that the unflattering images aren't fully representative of reality.

For example, the Chargers say the crowds at kickoff don't reflect the ultimate size of the crowds, and the fans may just be on the concourses. "It is a very L.A. thing—arriving late has always



Above, a view of the stands during a Chargers-Dolphins game at StubHub Center. Right, fans at a Rams game.

been part of the culture here," said Mark Tamar, the team's vice president of fan experience.

Although the StubHub Center can hold 27,000, the Chargers said they consider anything above 25,300 a sellout because they don't count some unused seats—such as complimentary tickets for players and staff and unsold ones set aside for the Americans with Disabilities Act—against attendance.

There was a time when raising doubts about pro football here would be unthinkable. For much of the last half century or so, California has been a football paradise.

The Chargers were an AFL powerhouse that became one of the NFL's most iconic teams with their powder-blue jerseys. The 49ers spent two decades in the 1980s and 1990s as the league's model franchise. And the Raiders—with legendary coach John Madden, late owner Al Davis and notoriously fanatical supporters dressed in silver and black—are as much part of football lore as pigskin and the forward pass.

The same isn't exactly true today. The 49ers have ceded Bay Area primacy to the NBA's Golden State Warriors. The average ticket price on the secondary market for 49ers home games has dropped 32.5% since they moved to Levi's Stadium in 2014, according to



T-B: SEAN M. HAFFEY/GETTY IMAGES; KEITH BIRMINGHAM/SAN GABRIEL VALLEY TRIBUNE/ZUMA PRESS

Jesse Lawrence, founder of TicketIQ, a search engine that aggregates ticket listings.

Since last year, Rams' prices have dropped 10%. On the other end of the spectrum, because the StubHub Center is so small, Chargers tickets on the secondary market cost 70% more than they did a year ago when the team played in San Diego.

While the Chargers and Rams face the challenge of breaking into a new city, the entrenched 49ers' questions are different. Their stadium, which opened in 2014, has

been criticized for its location in Santa Clara, and its design, which leaves fans on the sunny side of the stadium with extremely hot seats. All of this to watch a team that is 2-19 since the start of the 2016 season. The 49ers have been working with an architecture firm for more than a year to study potential improvements to Levi's Stadium, which includes options to give fans relief from the heat.

The Chargers and Rams, on the other hand, still have a few years until they move into the \$2.6 billion

home they plan to share in Inglewood, Calif., where the NFL hopes to take hold with a premier venue in one of the country's biggest markets.

Los Angeles has always been somewhat of an enigma for the NFL. The league became richer than ever over the past two decades without a team in the country's second-biggest city.

Then after 21 years in St. Louis, the Rams repatriated to L.A. last season. The early returns were positive. Playing in the city's famous Coliseum, they averaged 84,457 fans in their first season. But they also went 4-12.

This year, attendance has cratered. Through the Rams' first three home games, they have averaged just 59,162 fans per game—which leaves a vast emptiness in the NFL's largest stadium, which can hold more than 93,000.

The Rams say the attendance decrease is in part by design. Before the season, they say, they aimed to sell fewer tickets and improve the in-game experience by engaging fans more intimately.

"It's fairly clear the opportunity we have in Los Angeles is unique," said Jamie Reigle, the Rams' new executive vice president of business operations, who came over after a decade with Manchester United. "That being said, there are some challenges in the market."

As Los Angeles sports fans mulled if they were ready to accept one NFL team, the Chargers quickly packed up, moved north and gave the city a second. The welcome for the Chargers has been short of a group hug. Los Angeles Mayor Eric Garcetti said in a recent radio interview that the city will "embrace any team that comes" and is "certainly happy to have the Chargers." But he added that L.A. "could have been happy with just [the Rams] too."

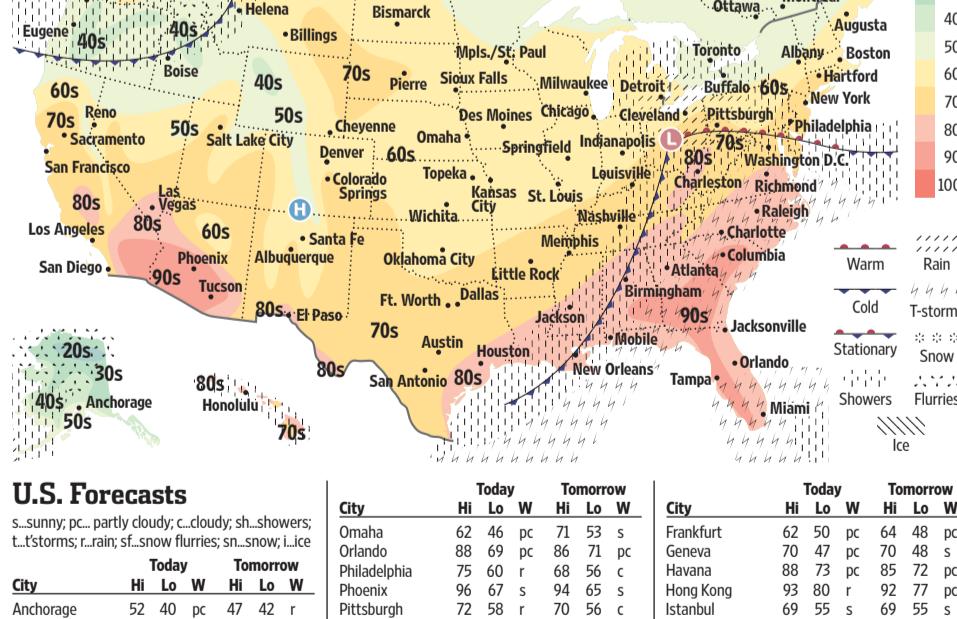
All of this has prompted questions about whether the team would actually consider moving back to San Diego. For now, that has been quashed, with the team noting they have already committed tens of millions to their facilities in the L.A. area. "There are no discussions of returning to San Diego from the league or at the club," NFL spokesman Joe Lockhart said last week.

Still, Victor Lopez, owner of El Pollo Grill near San Diego, hopes the team does just that.

His restaurant is giving away free tacos every time the Chargers lose. Just walk in and say "Spanos Taco"—a reference to the owners who moved the team away—and voilà. The Chargers are 1-4 so far this season.

Lopez says he has given away more than a few thousand tacos already. "By far the most successful promotion I've ever had," he said.

Weather



U.S. Forecasts

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

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

Today Hi Lo W Tomorrow Hi Lo W

Anchorage 52 40 pc 47 42 r

Atlanta 87 69 sh 85 67 pc

Austin 77 59 pc 86 65 pc

Baltimore 73 58 r 69 55 sh

Boise 57 34 pc 54 38 s

Boston 67 51 pc 60 48 s

Burlington 57 40 pc 62 43 s

Charlotte 88 69 pc 83 65 c

Chicago 64 55 r 67 57 c

Cleveland 69 58 r 72 60 c

Dallas 75 56 s 86 65 s

Denver 67 43 s 74 37 s

Detroit 61 53 r 67 57 c

Honolulu 88 76 sh 87 76 r

Houston 82 63 pc 88 69 pc

Indianapolis 67 55 sh 69 56 c

Kansas City 60 46 pc 72 58 s

Las Vegas 87 60 s 83 55 s

Little Rock 75 51 s 80 56 s

Los Angeles 79 60 pc 76 57 pc

Miami 88 78 sh 86 78 t

Milwaukee 63 55 r 65 56 c

Minneapolis 61 52 pc 67 52 pc

Nashville 78 53 pc 76 55 pc

New Orleans 87 73 pc 87 72 pc

New York City 72 56 r 67 55 pc

Oklahoma City 67 48 s 79 61 s

Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 63 54 c 59 52 pc

Athens 75 60 s 76 58 s

Baghdad 91 64 s 91 65 s

Bangkok 89 78 t 89 77 t

Beijing 61 41 pc 58 41 pc

Berlin 60 52 pc 61 47 pc

Brussels 63 53 c 62 50 pc

Buenos Aires 68 49 s 62 48 pc

Taipei 99 82 s 99 82 s

Dubai 59 46 pc 60 56 pc

Dublin 57 51 r 62 46 pc

Zurich 59 46 sh 58 51 pc

Today Hi Lo W Tomorrow Hi Lo W

Frankfurt 62 50 pc 64 48 pc

Geneva 70 47 pc 70 48 s

Havana 88 73 pc 85 72 pc

Hong Kong 93 80 r 92 77 pc

Istanbul 69 55 s 69 55 s

Jakarta 93 77 t 90 77 sh

Jerusalem 74 57 s 74 56 s

Johannesburg 71 46 s 76 48 s

London 65 50 r 62 55 pc

Madrid 82 50 s 83 54 s

Manila 88 79 t 88 80 t

Melbourne 75 48 r 65 50 pc

Mexico City 70 56 pc 70 55 pc

Paris 71 52 r 73 51 s

Milan 74 43 r 49 42 r

Mumbai 90 79 t 89 80 t

Rome 68 54 pc 68 53 pc

Rio de Janeiro 89 73 s 88 71 s

Riyadh 101 69 s 99 68 s

Rome 74 54 pc 73 54 s

San Juan 89 77 sh 90 78 sh

Seoul 70 52 r 58 45 c

Shanghai 75 66 sh 69 64 c

Singapore 86 79 t 87 79 t

Sydney 76 67 r 79 60 s

Taipei 90 78 pc 89 79 pc

Tokyo 77 69 c 79 62 pc

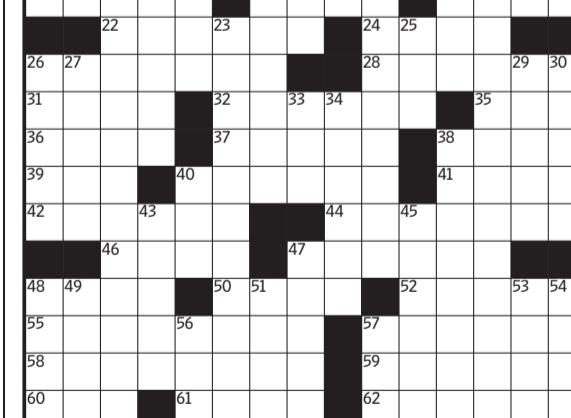
Toronto 53 47 r 62 55 c

Vancouver 53 41 sh 52 39 r

Warsaw 57 51 r 62 46 pc

Zurich 65 45 pc 66 44 pc

The WSJ Daily Crossword | Edited by Mike Shenk



UP TO SCRATCH | By Mark Diehl

Across

1 Tugboat's fee

7 Washington Square landmark

11 Spray in the pantry

14 Defense minister under Begin

15 Polynesian catch

17 Like many Scots

18 Place of business

19 Areas for dressing

20 Hoppy quaffs

21 You can bank on them

22 Working

24 "Brave New World" drug

26 Called on

OPINION

Sanctimony Bites Weinstein Dems



BUSINESS WORLD
By Holman W. Jenkins, Jr.

One of the few successes of John McCain's 2008 campaign was a 30-second ad called "Celeb." It interspersed images of Paris Hilton

and Britney Spears with Barack Obama and his adoring crowds. A narrator said: "He's the biggest celebrity in the world, but is he ready to lead?"

Pundits and political pros dismissed the spot as off-target and unconvincing. Mr. McCain seemed almost embarrassed by it, claiming his campaign was just having "fun."

Yet the implication that Mr. Obama was a glitzy Hollywood-style confection resonated with voters. Mr. Obama, just coming off his ecstatic appearance in Berlin, saw his poll numbers drop noticeably. His advisers were quoted in the press acknowledging the ad's power.

Which brings us to Harvey Weinstein. If Hollywood people are anything like normal people, they should be nearly as offended by Mr. Weinstein's presumptions about them as they are by his alleged bullying of women for sex. Where does he get off assuming his colleagues can be so easily manipulated, will so readily fall in line, just because he cites, as he did in his recent self-defense, their shared liberal politics?

How can somebody with his smarts be so heavy-handed and obvious as to think he can mint an instant pass for his transgressions merely by alluding to his opposition to the National Rifle Association and President Trump?

Then again, maybe we're missing the real point. Mr. Weinstein was reminding liberal elites that his trouble is their trouble, because they tolerated him for so long. That's why this scandal may have legs.

He was a guest at the Obama White House 13 times. He gave hundreds of thousands to the Clintons. In 2016, he hosted or headlined multiple fundraisers for Mrs. Clinton with people like Leonardo DiCaprio, Helen Mirren, Julia Roberts and Sarah Jessica Parker.

He was coached by Team Clinton for a campaign appearance on CBS. In turn, he coached campaign chief Robby Mook on how to answer the Bernie Sanders threat.

He's also a man who the Los Angeles Times now tells us was "generally loathed" in Hollywood. His sexual predations were so well known that they were the subject of a joke on "30 Rock." His behavior, we now learn, has been the subject of ongoing reporting projects at the New Yorker, New York magazine and the New York Times, which finally blew Mr. Weinstein out of the water with its 3,500-word account last week.

His offenses were the "biggest mess" Disney had to deal

with during its 12-year partnership with Mr. Weinstein, a former executive now tells the Times. Actresses Ashley Judd and Rose McGowan, who related their stories to the paper, as well as Lena Dunham, creator of HBO's "Girls," have been outspoken in the aftermath about Tinsel Town's history of covering up for Mr. Weinstein.

Maybe Hollywood progressives will tone down their self-righteousness.

Then there is Meryl Streep, who worked closely with Mr. Weinstein, who sang his praises at the Oscars. She claims never to have heard the unsavory stories. Her denunciation of Mr. Weinstein's alleged sins this week came not when the Times story broke, not when Mr. Weinstein took a leave of absence from the company he created—but only when his board (led by his brother) stuck a final fork in him by announcing his firing.

OK, hypocrisy is a price we pay for civilization. Politicians and Hollywood types especially are in the business of faking sincerity. Yet there is one thing about which the Hollywood-progressive nexus has been perfectly sincere: its conviction that its choice of political party is a testament to its own shining personal

virtue. The Democrats' enablers played a key role in fostering the inordinate self-righteousness of the modern progressive movement—which has reached absurd proportions lately with the violent bullies of the Antifa movement.

The McCain "Celeb" ad, in retrospect, was a signpost. Last year the Democrats finally offloaded a big chunk of working-class and middle-class America, many of whose residents had been Obama voters. The Democrats became the concentrated party of urban blue America, with urban blue America's special susceptibility to the self-celebrating aspects of social media.

Republicans and conservatives were understandably delighted by Mr. Weinstein's ludicrous appeal to partisan solidarity in the midst of his sexual harassment extremis. Maybe progressives would like to come up and watch him shower later?

Donald Trump, of course, has been guilty of offenses against feminism too, though apparently not like Mr. Weinstein's. Rather, the real connection is this: Liberal hypocrites like Mr. Weinstein were a big reason 63 million Americans voted for a conservative hypocrite like Mr. Trump.

Mr. Trump has his faults, but an excess of sanctimony isn't one. Just maybe when the Weinstein scandal has run its course, progressives will discover the virtue of toning down their own excessive claims to righteousness.

BOOKSHELF | By Jennifer Siegel

The Origins of Putin's Land Grab

Lost Kingdom

By Serhii Plokhy
(Basic, 398 pages, \$32)

In 988, Vladimir the Great, the Grand Prince of Kyiv (Kiev), embraced Christianity for himself and for the realm he had amassed. His domain of Kyivan Rus' encompassed lands traversing much of modern-day Belarus, Ukraine and European Russia. One thousand years after the end of his reign, a latter-day Vladimir—a Putin rather than a prince—praised him as the "gatherer and protector of the Russian lands and a prescient statesman who laid the foundations of a strong, united, centralized state, resulting in the union of one great family of equal peoples, languages, cultures, and religions."

Those gathered lands and peoples lie at the center of Serhii Plokhy's sweeping study "Lost Kingdom: The Quest for Empire and the Making of the Russian Nation." Mr. Plokhy, a professor of Ukrainian history at Harvard University, seeks to explain the centrality of the so-called western provinces to Russian identity. This is not merely an intellectual exercise but one closely linked to contemporary geostrategic debates. As Mr. Plokhy writes: "The question of where Russia begins and ends, and who constitutes the Russian people, has preoccupied Russian thinkers for centuries." While his study gets the reader no closer to a conclusive answer, it does show why this question is of such importance.

Mr. Plokhy traces the relationship between what became the Russian state, based in either Moscow or St. Petersburg, and the western lands where Russia's origin myth dwells. From the 1470s, when Ivan III pushed back the last of the Mongol horde, the legacy of Kyiv was crucial to the legitimacy of the Russian crown and state. From its inception, Russia relied on a tripartite loyalty to what was later articulated as Orthodoxy, autocracy and nationality. Mr. Plokhy makes it clear that the origins of this triumvirate lie in Kyivan Rus'. He begins his exploration of Russian identity with Ivan III's reconstitution of most of the lands once ruled from Kyiv and the expansion of the empire by his grandson, Ivan IV, who added the title of czar and conquered lands to the east unconnected to the Kyivan principality.

But Ivan IV's eastern conquests are not of great interest to Mr. Plokhy. Nor are all of the other vast and varied territories and peoples that were steadily incorporated into the Russian Empire by rulers from Ivan to the last Russian czar, Nicholas II, and then reincorporated by the Bolshevik and Soviet leadership. His gaze rarely strays from Ukraine and, to a lesser extent, Belarus, with an occasional eye toward the closely related Polish and Lithuanian lands. While his subtitle—referring to empire and "the making of the Russian nation"—might suggest a history of Russian imperialism and the development of Russian nationalism within a multi-national, multi-ethnic context, his subject is in fact the Slavic Russian empire alone. More specifically, his is a story of Russian and Ukrainian nationalism and identity—of Great Russia and Little Russia—in juxtaposition and in concert.

Throughout history, Ukraine's identity was at the mercy of Russian leaders, who viewed the western borderland as a key to their legitimacy.

As Mr. Plokhy relates, Ukrainian national identity was almost always at the mercy of Russia's leaders. When it suited the cause of Russian nationalism and anti-Polish imperialism in the czarist period, an independent "Little Russian" identity was encouraged, and its language, literature and culture were extolled. At other times, Ukrainian nationality and culture were subordinated and suppressed, since the development of non-Russian languages was seen as a threat to the security of the realm. In the Soviet period, at first, "Ukrainization" and "Belarusization" were seen as a means of winning over local cadres to support the Russian-dominated central Soviet authority. Once Stalin consolidated his position, however, he pivoted toward a policy that promoted Russification, out of a fear that non-Russian nationalism might be used by foreign states against the Russian Soviet center.

Russian and Soviet expansion into the western borderlands was always conveniently couched in terms of the reunification of medieval Kyivan Rus'. When Catherine the Great absorbed the purloined lands of partitioned Poland near the turn of the 19th century, she justified it as the reunification of the lands settled by Eastern Slavs with the others ruled from Kyiv centuries before. During World War I, Romanov war aims included adding the missing portions of Kyivan Rus' that Austria had claimed. When Stalin sent the Red Army into central Poland after the Nazi-Soviet Pact in 1939, it was framed as a step to protect their "blood relatives, Ukrainians and Belarusians residing in Poland."

There is never any doubt that Mr. Plokhy sees similar rhetoric underpinning Mr. Putin's policies in the "near abroad." Through the soft-power methods of the Russian World Foundation (*Russkii mir*), an organization that Mr. Putin established in 2007, and by other efforts, he sought, as he said, to "unite all who cherish the Russian word and Russian culture, wherever they may live, in Russia or beyond its borders." Then came the 2014 annexation of Crimea, reattaching what Mr. Putin described as "historically Russian land." This was followed by the deliberate destabilization of the Russian-speaking areas of Ukraine's east and south and, not least, the insurrection in the Donbas region along Russia's border. It was undertaken, in the words of one of its local leaders, as "a war for the Russian World."

The bloody war and gray-zone conflict that followed might not ultimately accomplish Mr. Putin's desire of uniting the Russian World. But it indicates his inclination to act on historical claims, such as those voiced by Anton Denikin, a Russian White Army leader whom Mr. Putin has praised. It was Denikin who said, a century ago: "No Russia, reactionary or democratic, republican or authoritarian, will ever allow Ukraine to be torn away. The foolish, baseless, and externally aggravated quarrel between Muscovite Rus' and Kyivan Rus' is our internal quarrel, of no concern to anyone else, and it will be decided by ourselves."

Ms. Siegel, a professor of history at The Ohio State University, is the author of "For Peace and Money: French and British Finance in the Service of Tsars and Commissars."

A Surprise Victory—and Then What?

POLITICS & IDEAS
By William A. Galston

We have arrived at an unusual moment in our political history. Rarely do both political parties struggle simultaneously with deep internal divisions.

Often neither does. Victory is the classic salve for pre-election wounds—or so we thought before last year.

When a party loses an election it expects to lose, it tends to leave things as they are. When a party loses an election it expects to win, it experiences a profound shock and questions everything from its institutions and tactics to its most fundamental assumptions about issues and voters.

By contrast Donald Trump's victory has posed a historically unusual question: What happens when a political party wins a national election it expected to lose?

By mid-1984, few Democrats expected Walter Mondale to beat Ronald Reagan. Mr. Mondale's 18-point defeat prompted a few young Democrats to plot party renewal but evoked no wholesale changes from the party's leadership.

By contrast, when Michael Dukakis blew a huge mid-June lead over George H.W. Bush and lost the 1988 presidential election by 7 points, the ensuing rancorous internal debate was resolved only when Bill Clinton won his party's 1992 nomination and the election.

In a similar vein, few Republicans were surprised when John McCain lost to Barack Obama in 2008. By the fall of that year, the economy was collapsing, and President George W. Bush's job approval had fallen below 30%. Mr. McCain waged a valiant struggle, but his defeat didn't trigger sustained intraparty debate about the path forward. Despite the rise of the tea party, the race for the 2012 Republican nomination was fought on familiar terrain with predictable results: Mitt Romney, who had come in second to Mr. McCain four years earlier, prevailed.

Many Republicans believed the weak economic recovery gave their nominee a good chance of beating Mr. Obama. On election night, Mr. Romney and his key advisers were confident of victory. His 4-point defeat led to the famous "autopsy" commissioned by then-Republican National Committee chairman Reince Priebus and to a chaotic 17-candidate scramble for the 2016 nomination, with a winner few had predicted when the contest began.

As Mr. Trump delivered his acceptance speech at the GOP convention, not many Republicans leaders believed that he would become president, and their number dwindled further after the release of the "Access Hollywood" recording.

On election night, despite some late-breaking adversity, Hillary Clinton's campaign remained confident of victory. As was the case for Democrats

after 1988 and Republicans after 2012, Mrs. Clinton's surprise defeat has stirred up intraparty debates that will take at least one presidential nomination cycle to resolve.

A party surprised by victory is likely to be unprepared to govern. In summer and fall 2016, Republicans spent little time developing a legislative alternative to ObamaCare, in part because they anticipated using the "repeal and replace" slogan against an expected Clinton presidency.

The GOP wasn't ready to govern, and Trump only wants to deepen its divisions.

Mr. Trump's victory also called into question business as usual within the Republican Party, a challenge with which its surprised leaders were poorly prepared to cope. In effect their nominee was an independent, running under their flag but against their history. He rejected long-held party orthodoxy—on trade, foreign policy, entitlements and much else—bringing to the fore the concerns of a portion of the party's base that its leadership had long ignored.

In so doing, Mr. Trump underscored the conflicting interests within the Republican coalition. Business-oriented Republicans favor free trade, an open door for low-wage

and high-skill workers, and tax cuts for corporations financed in part by cuts to Social Security and Medicare—in each case, contrary to the preferences of working-class Republicans. To keep faith with his base, the president has plunged into controversy with fellow Republicans on a broad front, in the Senate and even within his administration.

For the first time since 1938, a sitting president threatens to back a purge of veteran elected officials from his own party.

Although the debate among Democrats is tinged with residual bitterness from the nominating contest, it concerns means rather than ends. Most Democrats favor guaranteed access to health care for all Americans, for example; the debate between the backers of single-payer and those who want to build on the Affordable Care Act is about the best route to an agreed destination.

The differences between Mr. Trump's base and the Republican establishment cut deeper. Populism is one thing, conservatism quite another. Conservatives can be, and often are, oriented toward the future. Think of Ronald Reagan's optimism, which shaped a generation of his followers. Right-wing populists seek to "make America great again" by harking back to a past whose disappearance they lament. Forging unity from these polar opposites would challenge subtler minds than those at either end of Pennsylvania Avenue.

Having to address the policies that were suffocating its economy to begin with.

Puerto Rico must instead focus on strengthening private enterprise to promote growth. Allowing the government to feel the pain of its debt would leave politicians no choice but to adopt pro-growth policies, including a reduction in income taxes paid by the territory's highest earners. At present, Puerto Ricans earning more than \$61,500 a year face a minimum annual levy of \$8,430, plus 33% tax on what they earn above \$61,500. The income tax rate is especially high considering some of Puerto Rico's island neighbors, such as Bermuda, the Cayman Islands and the Bahamas, have no income tax.

Lowering income taxes would shrink the penalties incurred by private businesses and the workers who are most

capable of rebuilding the territory. Lower taxes would also encourage new businesses to open and help to grow the overall economy.

Disasters, whether natural or man-made, don't suspend the basic laws of economics. The quickest path to recovery is one that limits the government's role, but also forces the state to reverse policies that were holding the economy down. Wiping out Puerto Rico's debt would harm creditors, but even worse, enable the slow-growth status quo to continue. If Mr. Trump really wants to see the economy turn around in Puerto Rico, he would do best to exercise some tough love.

Mr. Tamny is director of the Center for Economic Freedom at FreedomWorks, editor of *RealClearMarkets* and author of "Popular Economics" (Regnery, 2015).

Forgiving Debt Would Hurt Puerto Rico

By John Tamny

Estimates vary about the cost and time required to rebuild Puerto Rico after Hurricane Maria. And the territory's excessive debt burden will only make the recovery more complicated.

Before the hurricane, Puerto Rico's finances were in a sorry state. The government was already uncertain of how the territory would pay back excessive debt, and it was expected that Puerto Rico's creditors were going to suffer some kind of "haircut." Now it's looking even worse.

President Trump suggested during his visit last week that erasing the Puerto Rican government's debt would free up scarce dollars to pay for the island's reconstruction. But this isn't the answer. Wiping out Puerto Rico's debt would do a disservice to the territory's creditors, many of whom are

Americans. More important, it would hurt the Puerto Rican people by delaying the real, long-term recovery the territory needs.

Wiping out creditors would simply enable more dysfunction.

Increased government spending during times of economic hardship slows growth even more by expanding the government's role in the allocation of goods, services and people. By erasing Puerto Rico's debt, Mr. Trump would be handing the territory's political class more money to spend inefficiently. Because Puerto Rico's debt troubles were the direct result of policies that hurt growth, forgiving its debt would only free Puerto Rico's politicians from

OPINION

REVIEW & OUTLOOK

Tax Reform and Deficits

While you are reading about Donald Trump's Twitter eruptions, real news keeps happening. To wit, results for the government's complete fiscal year 2017, which ended on Sept. 30, prove again that the federal budget will never be balanced without faster economic growth.

In news that few noted, the Congressional Budget Office reported on Friday that the budget deficit for fiscal 2017 grew for the second straight year—to \$668 billion, an increase of \$82 billion in 2016. That equals 3.5% of the national economy, up from 3.2% the year before, and it confirms that the deficit progress in the early years after Republicans took Congress in 2010 has been stanching.

But here's the bigger story: Spending rose only 3% overall for the year, according to the CBO gnomes. Federal outlays climbed by some \$130 billion to \$3.982 trillion. Three percent is probably more than most of our readers received in raises, but by federal standards it's penurious. Some of the big outlays were, as ever, for the three giant entitlements—3% for Social Security, 4% for Medicare, and 2% for Medicaid as the pace of new enrollments slowed under the Affordable Care Act.

The biggest single spending increase was 45% for education thanks to an upward revision of \$39 billion in the "estimated net subsidy costs of loans and loan guarantees issued in prior years." In plainer English, the Obama Administration low-balled the costs of nationalizing student loans. Tens of thousands of borrowers are defaulting on their student debt, and the taxpayer tab is coming due.

But the main reason for the rising 2017 deficit was a mere 1% increase of \$47 billion in federal revenues. Individual income taxes climbed

As fiscal 2017 shows, deficits will explode without faster growth.

a meager \$39 billion, or 2.5%, while corporate taxes fell \$3 billion, or 1%. This reflects the slow-growing U.S. economy, especially in the first half of fiscal 2017.

A typical economic expansion throws off 3% or more in additional revenue each year as wages and profits rise, and in the go-go 1980s and 1990s increases of 5% or more were common. It's no coincidence that the federal budget deficit closed rapidly as a share of GDP during those expansions, even going into surplus in the 1990s, in contrast to the current expansion.

All of which ought to inform the debate over tax reform. We are now hearing from the same Democratic economists who blessed the blowout spending of the early Obama years that tax reform is a mortal threat to the federal deficit. But the real threat is a continuation of the slow economic growth that their economic policies produced. They blame slow growth on "secular stagnation," as if some unchangeable force of nature is responsible.

CBO estimates that under current policies the U.S. economy will grow by an average of only 1.9% a year. That's after not reaching even the 3% historical norm in a single year since 2005. If that's as good as the economy can do, revenues will continue to trickle in and deficits will climb as far as the eye can see.

President Trump and the Republicans are proposing a tax reform with a goal of lifting growth to 3% or more a year. That's hardly a far-fetched goal, and if growth reaches 3% for even a few years the Treasury will get a windfall of new revenue far exceeding current estimates. Entitlement reform will still be important to controlling deficits, but without faster growth there is zero chance.

An Outrageous Prosecution

Recep Tayyip Erdogan is right when he complains that Turkey is threatened by terrorists who kill innocent citizens and want to bring down his government. But when Turkish authorities tar innocent journalists for abetting terrorism, they confirm to the world that Turkey's President has turned his country into an authoritarian state.

On Tuesday a Turkish court falsely convicted Wall Street Journal reporter Ayla Albayrak of propagandizing on behalf of an outlawed Kurdish terror group. The evidence for Ms. Albayrak's "crime": An Aug. 19, 2015, Wall Street Journal news story about the bitter fighting in a remote, Kurdish-majority, Turkish city called Silopi that borders Syria and Iraq. Turkish forces fought there with the outlawed PKK, or Kurdistan Workers' Party.

Ms. Albayrak quoted some members of the Patriotic Revolutionary Youth Group, which Turkish authorities say is affiliated with the PKK. But she also quoted government officials, local residents and the mayor—and explicitly identified the PKK as designated by both Ankara and Washington as a terrorist outfit. Nowhere in her balanced dispatch did she praise either the PKK or the youth group, and everything she did to report this story as fairly and objectively as possible was within the bounds of good journalism and Turkish law.

The indictment noted that some Turkish-language websites lifted parts of her story and an accompanying video for their own purposes. But they used selective quotes, and none are affiliated with the Journal and none were authorized by either the Journal or Ms. Albayrak.

Turkey convicts a Journal reporter of promoting terrorism.

There is no evidence Mr. Erdogan initiated these charges against our reporter. Yet they are surely a consequence of the repressive atmosphere he has created in Turkey, especially after a failed military coup in 2016. The Turkish president has taken advantage of the state of emergency to solidify his hold on power by cracking down on

anyone his government doesn't like.

This repression is now extending to the foreign media, and even beyond Turkey's borders. In February Deniz Yücel, a reporter for Germany's Die Welt, was arrested in Istanbul and remains detained without charges. Amnesty International notes Turkey now has more journalists in jail than any other country.

Ms. Albayrak, a dual Turkish and Finnish national, is now in New York. But that doesn't mean the conviction isn't damaging. The Erdogan government has already abused Interpol, the international police network, by issuing "red notices" to have journalists and critics arrested in other countries until they can be extradited. In this way a system meant to target criminals is turned on good journalists like Ms. Albayrak and makes it dangerous for them to travel and do their jobs.

When any local Turkish official can create an international incident by freelancing a political prosecution, it underscores Turkey's descent under Mr. Erdogan and creates unnecessary rifts with other countries. Ms. Albayrak plans to appeal, which gives Ankara a path out of this injustice. But it requires a Turkish judiciary willing to assert itself by standing up for the rule of law and tossing this shameful and dishonest prosecution.

Alien Torts Unlimited

Can foreign citizens sue foreign corporations for injuries that occur on foreign soil in U.S. courts? Remarkably, that's the question before the Supreme Court, which on Wednesday will consider whether to vastly expand the jurisdiction of U.S. courts and corporate liability.

In *Jesner v. Arab Bank*, 6,000 foreign plaintiffs sued the Jordanian Arab Bank for injuries perpetrated by Hamas and other terrorist groups in Israel. They charge that Arab Bank cleared automatic electronic wire transfers via the U.S.-based CHIPS system for foreign terrorists who were later placed on Treasury's list of terrorist organizations.

Plaintiffs are invoking the 1789 Alien Tort Statute, which was intended to punish piracy and injuries to ambassadors and rarely invoked for nearly two centuries. But in 1980 the Supreme Court blundered in holding that U.S. courts could review cases involving foreigners for violations of international norms such as torture and war crimes. The ruling prompted a wave of lawsuits that have strained diplomacy and burdened the courts.

In 2004 the Supreme Court partially redressed its error by limiting Alien Tort jurisdiction to violations of international norms that are "specific, universal, and obligatory." Under its landmark *Sosa* decision, the High Court advised judges to take "great caution in adapting the law of nations to private rights" and "look for legislative guidance before exercising innovative authority over substantive law."

Yet plaintiff lawyers, human-rights groups and environmentalists have continued to test

the law's limits. Since U.S. courts are more generous than those abroad, these groups have mostly been hitting up deep-pocketed corporations for abuses perpetrated by foreign officials or governments.

In *Kiobel* (2013), Nigerian plaintiffs sued Royal Dutch Shell under the Alien Tort Statute for abetting the Nigerian government in aggressively shutting down protests against an oil development. The Supreme Court declined to rule on whether corporations could be held liable under the law but decided that the claims were impermissibly extraterritorial because "all the relevant conduct took place outside the United States."

Jesner ought to be rejected on the same grounds, though a Second Circuit of Appeals panel instead dismissed the case by reaffirming its *Kiobel* precedent that "no corporation has ever been subject to any form of liability (whether civil, criminal, or otherwise) under the customary international law of human rights." The judges also asked the Supreme Court to address corporate liability.

Environmental groups are supporting the plaintiffs, as are Senators Sheldon Whitehouse and Lindsey Graham, a pair of tort bar allies who claim the Alien Tort Statute is key to stopping the flow of money to terrorists.

But if *Jesner* claims are allowed, any bank anywhere could be sued under the Alien Tort Statute. Enforcing sanctions is the job of Treasury and other national regulatory regimes, not U.S. courts. Accepting the plaintiffs' claims in *Jesner* would vitiate limits that the Supreme Court has imposed on the law.

Another attempt to pack U.S. courts with foreign liability claims.

OPINION

LETTERS TO THE EDITOR

Tax Incentives Often Don't Work in Long Run

I am delighted to see San Jose Mayor Sam Liccardo's "Why I'm Not Bidding for Amazon's HQ" (op-ed, Oct. 5). As an economist studying labor and economic development, I find it discouraging that mayors and civic boosters so often disregard the evidence and join the rush to throw subsidies at companies looking to locate a facility. Mr. Liccardo breaks away from the herd and points out what economists who study this know: The factors that really make a difference in a decision like Amazon's are the skill base of the workforce and the ecosystem of existing businesses. I would add that all too often jobs and investments don't materialize at the scale initially promised by a business, and many a business has relocated (and reaped a new batch of subsidies) before the locality could realize the benefits it foresaw.

PROF. CHRIS TILLY
UCLA
Los Angeles

Tax incentives to attract specific businesses are financial losers and

unfair. I'm amazed granting a specific corporation what amounts to a different tax rate is even legal. How would you feel if your neighbors were given an arbitrary reduction in taxes because they were thinking of moving out of state? States and cities need to attract business by creating an overall environment that is enticing, rather than cleaning up just a corner of the pig sty. Connecticut is Exhibit A of how pointless these deals are when the overall environment is decaying because of a state political structure that is rotten. Makes me want to move to San Jose.

KIRK SCHLUP
Woodbury, Conn.

I'm enough of a realist to see that offering tax breaks in the short term may prove beneficial over time. Football teams are essentially seasonal businesses. They may come and go, but it appears Amazon is planning for the long term. I say good luck to whoever attracts Amazon's new digs.

JOHN TRICKETT
Charleston, Ark.

Price Gouging in Disasters Isn't Admirable

"Price Gouging' After a Disaster Is Good for the Public" (op-ed, Oct. 4) Donald Boudreaux incredibly argues: "Price hikes let [disaster-affected] consumers know that fuel is scarcer than it was. Price hikes prompt consumers to use fuel more judiciously, buying less gasoline than they would at a lower price. They take fewer unnecessary trips, diminishing pressure on supplies."

People aren't tanking up in disaster areas so that they can travel over the river and through the woods to grandmother's house. They are doing it to make trips to get needed supplies, to help family members and friends often in desperate need of relief and, in some cases like Hurricane Harvey, to fuel their boats to make rescues. Normal supply and demand principles don't apply in these circumstances. This is essentially an oligopoly: limited suppliers in a limited geographic area. Gouging is nothing short of unconscionable oligopolistic behavior.

GORDON DOWNING
Wynnewood, Pa.

People on the streets in Las Vegas offered food and water to first responders and help to the wounded out

The Moral Hazard Involved In the FSOC's TBTF Policy

Your editorial "Trump's Too-Big-To-Fail Punt" (Sept. 27) spotlights the flawed process for designating certain banks and other institutions as systematically important.

That process will be forever flawed so long as it ignores the marketplace perceptions that certain elite firms are "too big to fail." For it is the judgment of counterparties that government support stands behind selected players that renders them TBTF in the first instance. This perception gives the TBTFs their funding advantage and other benefits.

Surely this marketplace reality is as measurable as any of the other six factors that the Financial Stability Oversight Council considers. In fact, counterparty perception is even more measurable than the other factors because it is based on quantifiable results. Legislation is pending in this Congress (H.R. 493) that would accomplish this. No need to punt as Presidents Trump and Obama have done on this issue. A fresh approach will move the ball down the field.

PROF. CORNELIUS HURLEY
Boston University

What Does Patient Choice Really Mean for Most of Us?

Regarding Michael Enders's letter of Oct. 5 ("Single-Payer Health Care Is Control Without Choice"): Individual control is an illusion for all but the top 10% who might be able to afford to buy a private policy or pay their bills outright. The control rests with your employer who makes the decisions regarding the coverage options available to you. The employee, outside a union environment, has absolutely no say.

National health care would at least be under the control of our elected representatives. Ask any senior if he or she would trade Medicare for the open market. A national system needn't preclude one's ability to purchase additional coverage.

People suffer physically and financially due to our system. I've seen it.

MICHAEL E. PALUMBO, D.O., FACEP
Winslow, Maine

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

Pepper ... And Salt

THE WALL STREET JOURNAL



OPINION

Tax Reform Will Give Workers a Raise

By Lawrence B. Lindsey

The tax-reform package now working its way through Congress is well-designed and far-reaching. It aims to address the reasons that the current economic recovery has been the most anemic on record. If it becomes law, we can expect economic growth to accelerate to roughly 3.2% for the next three to five years, then settle in at a sustainable pace of around 2.5%. This is well above current official expectations for long-term growth of about 1.9%.

Expect 3.2% growth, mostly taking the form of higher real wages. It happened in the 1960s.

Both history and economics suggest that most of this additional growth will accrue to workers in higher real wages. From 1965 through 2010, the economy grew at an average annual rate of 3.1%. It attained that pace by combining 1.5% employment growth with 3.2% growth in the capital stock and a 1.1% annual rise in total factor productivity. By contrast, the 2.1% average annual growth rate observed from 2011-16 combined the same rapid employment growth with a feeble 1.7% expansion of the capital stock and total factor productivity of just 0.5%. Real wages stagnated.

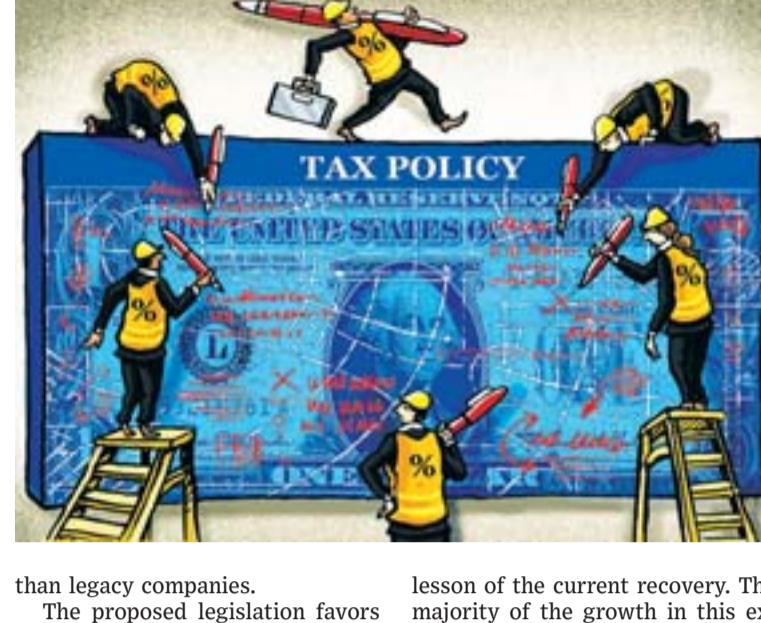
Any growth-oriented policy must therefore address the problem that, in the current recovery, capital-formation growth was nearly cut in half and productivity growth by

more than half. The bill now under consideration does exactly that by focusing on incentives to increase investment in fixed capital. It also promotes entrepreneurship and small-business formation—the ultimate driver of productivity growth. In the current expansion, the pace of new business creation relative to business closure paled dramatically in comparison to the historical average.

The tax package promotes business investment by establishing expensing—immediate write-off—of spending on new equipment. That would bring taxation in line with actual business cash flow. Under current law, businesses must spend money now and receive deductions over time. That particularly hurts new and small businesses, which generally have the most pressing cash-flow needs.

Expensing sharply reduces the after-tax cost of buying new equipment. Business investment spending is the most sensitive part of the economy to these types of tax changes. The provisions in the bill will likely lead to a 7% to 10% increase in business fixed investment, enough to boost annual economic growth by at least one percentage point.

The package also promotes entrepreneurship, the key to productivity growth. Productivity growth does not descend magically upon workers once they get up to speed in their jobs; it occurs when individuals take on new jobs better suited to their skill sets. The signal for this is that the new job pays more—if it didn't, the worker probably wouldn't take it. New jobs open up in the economy when businesses are formed that create fresh market niches and exploit existing ones more efficiently



CHAD CROWE

than legacy companies.

The proposed legislation favors these businesses, as well as smaller businesses in general, by making expensing permanent for them and allowing an interest deduction up to a capped amount. It also provides a 25% rate on pass-through income from businesses that are not merely providers of personal services. Corporate profits would be taxed at 20%, but recall that shareholders are typically taxed at 15% on dividends. If corporations pass on their after-tax profits to shareholders, the combined rate would be 32%, higher than the 25% pass-through rate. The actual calculation is more complicated, but the new 25% rate provides at least rough justice for pass-throughs.

Some have argued that the economy cannot grow faster than its current rate because the labor market is at what most economists consider "full employment." That misses the

lesson of the current recovery. The majority of the growth in this expansion has come from adding more workers—essentially bringing the unemployed back into the workforce. That does nothing to enhance productivity. For the economy to grow at a more rapid rate, we need other sources of growth—namely productivity and capital formation.

If productivity and capital formation merely return to their normal historical levels, GDP growth would rise to 2.6% even with no further reductions in the unemployment rate and a slow-growing labor force, expanding at a rate of just 0.7% annually. But the entrepreneurship and capital-formation provisions in the tax bill are more generous than the historical norm. One should therefore expect that these factors will grow more quickly than in the past—especially in the near term, as there would be a "catch-up" period to bring the capital stock more in

line with what it should be under the new rules. That is why we can expect growth in the next three to five years to exceed 3%.

There actually is a historical analogue to the legislation currently under consideration. In 1964 Congress enacted a tax cut that similarly encouraged capital formation and entrepreneurship. It cut the top personal rate by 21 points. It cut the corporate rate and introduced accelerated depreciation. The result was a boom that went on for the rest of the decade.

When a supply-side tax bill like this is passed at a time of full employment, labor's share of the economic pie expands rapidly. That happened after the passage of the 1964 bill, and it will happen again if the current tax reform becomes law. Over the next five years, we should see labor's share of the economy rise by four points, from the current 59% to 63%—a growing slice of a growing pie. It would not be surprising to see real wage increases of 4% to 5%. By contrast, in the current expansion, real wage growth has been flat, if not negative.

A rise in real wages would dramatically improve America's society as well as its economy. It would lead to the first sustained decline in income inequality in more than 40 years. The American economy will finally start working in the interest of the great middle class and not simply those at the top. This is an important piece of legislation to pass. The country must not miss this opportunity.

Mr. Lindsey, a former Federal Reserve governor and assistant to President George W. Bush for economic policy, is president and CEO of the Lindsey Group.

Lessons From the Sorry History of Steel Protectionism

By Bill Lane

So far the Trump administration's process for evaluating how to help the U.S. steel industry has been remarkably responsible. On the campaign trail, Donald Trump promised a smorgasbord of protectionist measures. This year, in part because of the administration's deregulatory efforts, the economy has grown faster, jobs have been created quicker, and the stock market has reached record highs. Yes, ending America's participation in the Trans-Pacific Partnership was a lost opportunity, but until recently the renegotiation of the North American Free Trade Agreement has been handled constructively. Aside from new tariffs on Canadian lumber, the protectionist extravaganza many expected—including me—hasn't materialized.

Commerce Secretary Wilbur Ross and U.S. Trade Representative Robert Lighthizer deserve credit particularly for how they've handled steel. They clearly don't want to wreck the economy by starting a trade war, but at the same time they recognize Mr. Trump still wants big tariffs on steel imports. It isn't the first balancing act performed on an I-beam during the past 50 years, as the steel industry has insisted its unique circumstances demand "special" protections far beyond what other industries are allowed.

During the late 1960s and early '70s, steel imports from the European Economic Community (now the European Union) and Japan were restricted via voluntary restraint agreements—a nice way of saying import quotas. To persuade other countries to not retaliate, the U.S. in effect exempted them from its trade laws and rewarded them with a guaranteed share of a restricted American steel market. That was a way to share the premium generated from the protectionism. Everyone won except taxpayers, consumers, and—especially—America's steel-using manufacturers.

This approach gave way in the late 1970s to a notion called trigger price mechanisms. The idea was

that if importers didn't charge enough for steel, trade cases would be expedited. At least with the trigger the remedy was antidumping, so that countervailing duties went to the U.S. Treasury, not foreign producers

But the trigger didn't provide enough protection, so quotas were revisited, this time on a grandiose scale. In 1984 the U.S. imposed binding steel quotas—still called "voluntary"—on 19 countries and the EEC. Canada was the only major steel-producing country with the political clout to resist. The measure was supposed to last five years. From the steel industry's point of view, it worked. There were shortages, which increased prices. The steel industry became more profitable—more so, in fact, than many of its customers. Some of the windfall was used to improve the quality and efficiency of domestic mills, but much of it was diverted to foreign steelmakers to keep them complicit.

By the late 1980s, high steel prices and quota-induced shortages were undermining factory efficiency

as just-in-time processes gave way to just-in-case workarounds. Unconcerned, the steel industry demanded five more years of even tighter quotas.

That launched a political fight sometimes called the Steel Wars. A robust coalition of American steel users—led by Caterpillar, where I worked—was formed to push for an end to the quotas. Big companies

Even the Trump team seems to recognize that tariffs or quotas would start a global trade war.

provided much of the political access, but what carried the day was the hundreds of small metal-bending concerns represented by the Precision Metalforming Association. Congress quickly learned that 30 times as many people worked in factories using steel than in mills making it—and they were mad. Most of them seemed to be located

in the same congressional districts as steelworkers.

After a feisty policy debate, President George H.W. Bush and Congress agreed it was time for a new steel policy. The quotas were relaxed, then phased out completely in 1992. Steel producers started to rely on the same trade rules everyone else did. In 1998 the industry asked the Clinton administration for comprehensive import relief via the World Trade Organization's safeguard provision. It was a strong case, but Bill Clinton said no. Four years later, when the steel industry had a weaker case, George W. Bush imposed 30% tariffs. Steel users again pushed back. Eventually the Bush steel tariffs were challenged in the WTO and rejected. So they were ended early.

Given this history, will the Trump administration impose new steel import restrictions? Today, steel prices in the U.S. are at a three-year high, and there is growing demand in China. The Commerce Department and trade representative are looking at options, including aggressive enforcement of existing trade laws and

new quota-like remedies. Fortunately everyone seems to realize that a misstep, such as a flagrant imposition of tariffs or quotas, would certainly trigger foreign retaliation against American farmers, ranchers and manufacturers.

The strong economy may provide political space for another option. Instead of pitting American steel producers against their American customers, Mr. Trump could focus on improving competitiveness for all. The administration could provide lower taxes, possibly including tax credits, to help modernize steel mills and factories alike. Safety and training programs could be enhanced to help all workers. And a robust infrastructure program would both increase steel demand and improve efficiency for all. What are the chances this will happen? Slim, but better than I imagined six months ago.

Mr. Lane is a retired director of global governmental affairs at Caterpillar Inc. He was also a leader of the Coalition of American Steel Using Manufacturers.

How Obama Nudged Arab Leaders Toward Israel

By Haisam Hassanein
And Wesam Hassanein

Israeli-Arab relations have been warming of late. Last month Bahrain's King Hamad bin Isa Al Khalifa reportedly urged fellow Arabs to end their boycott and normalize relations with Israel. In August, the Egyptian government released a letter from Saudi Crown Prince Mohammed bin Salman affirming Riyadh's commitment to the existing arrangements between Egypt and Israel relating to the Straits of Tiran—the first public Saudi acknowledgment of Israel's maritime rights in the straits.

Several Arab officials have reportedly met in private with Prime Minister Benjamin Netanyahu and his defense officials. Israel reportedly enjoys close security and intelligence cooperation with Egypt, Jordan and

several Gulf monarchies. Last month at the United Nations, Egyptian President Abdel Fattah el-Sisi and Saudi Foreign Minister Adel Al-Jubeir adopted a soft tone toward the Israeli-Palestinian conflict and did not criticize Israel. Mr. Sisi departed from his written speech and called on the Palestinian people to accept Israel and live in peace alongside its citizens.

For the Arab change of heart, credit the Obama administration—specifically, its rift with Mr. Netanyahu.

From the perspective of Arab leaders, that administration supported the wave of political Islamism that engulfed the region in the Arab Spring's aftermath. It also threatened their regimes in unprecedented ways by abandoning Egypt's President Hosni Mubarak and slowing military exports to Saudi Arabia and Bahrain under the pretext of democratization. Worse, the administration signed a nuclear deal with Iran that reintegrated the ayatollahs' regime

into the international community while unleashing a wave of destabilization throughout the region.

Mr. Netanyahu's views aligned perfectly with those of Arab leaders on all these issues. All rejected the administration's belief that Iran deserves a share of the Gulf's spoils and that Arabs must accommodate

He aligned their interests with Netanyahu's through his clumsy handling of Iran and the Arab Spring.

Tehran. Arab leaders admired Mr. Netanyahu's staunch public criticism of Mr. Obama during the nuclear deal negotiations. The editor in chief of the Saudi-backed website Al-Arabiya published an article in March 2015 with the title "President Obama, Listen to Netanyahu."

on Iran." Arab leaders share Mr. Netanyahu's view that Mr. Obama's policies, which prioritized democratic reforms over the stability of their regimes, left social, political and security vacuums, which radical Islamists soon filled.

Arab leaders realized they could learn something from Mr. Netanyahu's ability to withstand Mr. Obama's pressure. He allied with the U.S. Congress to repulse Mr. Obama's efforts to interject himself into internal Israeli politics. Arab leaders decided to ally with Israel in the hope of successfully navigating the American political system. This summer leaked emails from Yousef Al Otaiba, the United Arab Emirates' ambassador to Washington, revealed a concerted effort to reach out to American Jewish figures in Washington to help his government establish contacts with Israel. Mr. Sisi has frequently met with American Jewish organizations in Cairo, Washington and New York where he assured them of his commitment to peace with Israel.

Arab leaders have realized the urgency of engaging Israel directly instead of relying on the U.S. as a mediator. Their sense of urgency stems from a deep feeling of betrayal by Mr. Obama. Even with President Trump in office, the dangers of Iran and terrorism to the Arab states continue, so that the Arab states see better relations with Israel as necessary for long-term stability. The Arab openness to Israel is irreversible. It is hard to put the genie back into the bottle.

Haisam Hassanein is a fellow at the Washington Institute for Near East Policy. Wesam Hassanein is a master's candidate at American University's School of International Service.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp

Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancey, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

Robert Thomson
Chief Executive Officer, News Corp

William Lewis
Chief Executive Officer and Publisher

DOW JONES MANAGEMENT:

Mark Musgrave, Chief People Officer;

Edward Roussel, Innovation & Communications;

Anna Sedgley, Chief Operating Officer & CFO;

Katie Vannbeck-Smith, President

OPERATING EXECUTIVES:

Ramin Beheshti, Product & Technology;

Jason P. Conti, General Counsel;

Frank Filippo, Print Products & Services;

Steve Grycuk, Customer Service;

Kristin Heitmann, Transformation;

Nancy McNeill, Advertising & Corporate Sales;

Jonathan Wright, International

DJ Media Group;

Almar Latour, Publisher;

Kenneth Breen, Commercial

Professional Information Business;

Christopher Lloyd, Head;

Ingrid Verschuren, Deputy Head

DOW JONES
News Corp

Notable & Quotable: Harvard

Harvard psychologist Steven Pinker at an Oct. 3 faculty meeting:

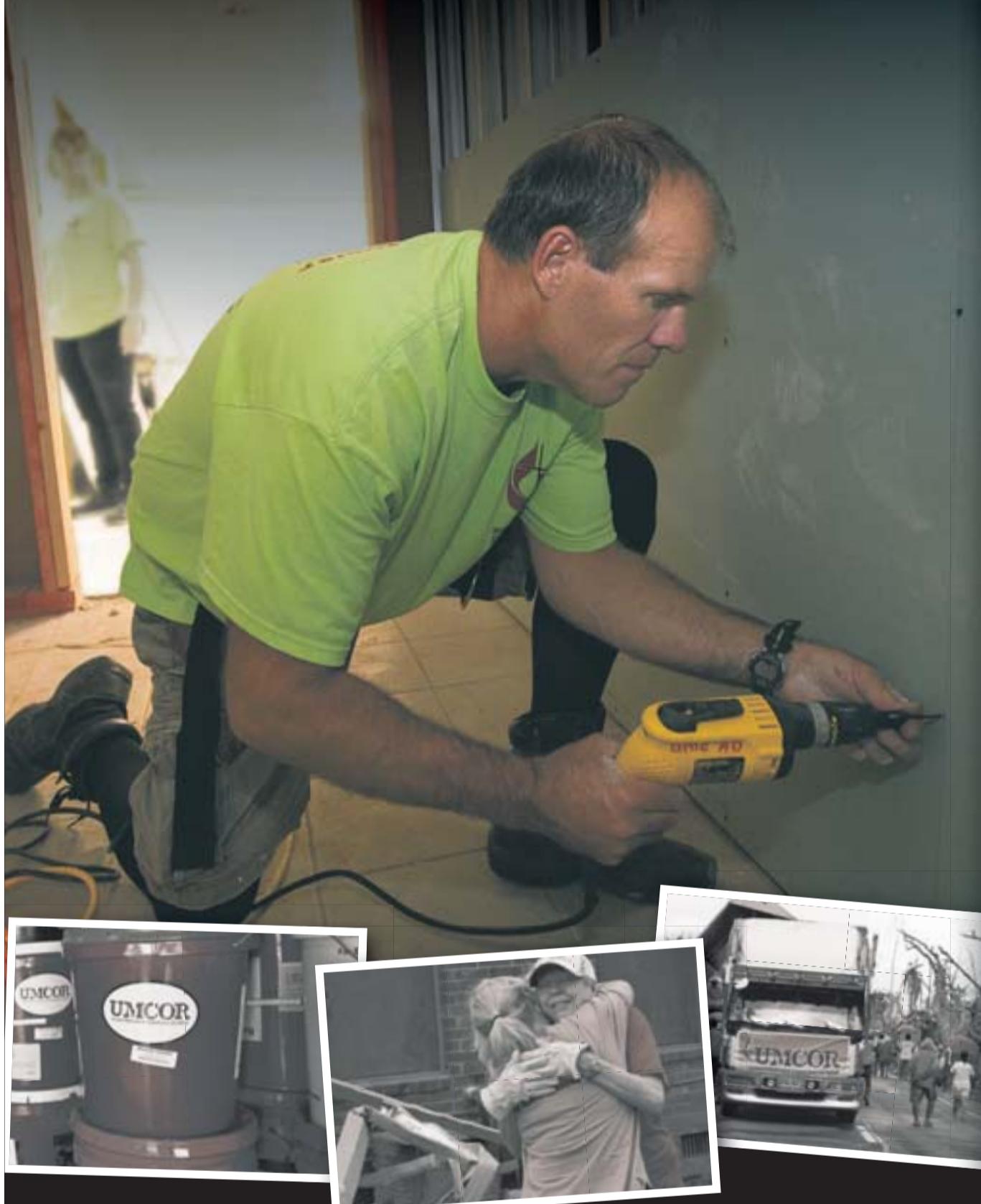
The policy of banning students from private organizations is widely seen outside Harvard as exemplifying some of the worst tendencies of elite universities. It can only contribute to the impression that universities are not dispassionate forums for clarifying values or analyzing problems but institutions determined to impose their ideology on a diverse population by brute force. . . .

Let me be concrete. Those of us who engage in argument with intelligent people on the opposite end

of the political spectrum often encounter the objection that the near-consensus among academic scientists (on climate change, for example) cannot be trusted. Everybody knows, they say, that university research is distorted by the political agenda of elites trying to exert control over individual choices. "No, no," we insist; "Universities aren't like that; we open-mindedly identify problems and try to come up with solutions." A policy that is widely seen by the outside world as repressive virtue-signaling makes our job that much harder.

Haisam Hassanein is a fellow at the Washington Institute for Near East Policy. Wesam Hassanein is a master's candidate at American University's School of International Service.

100% OF WHAT YOU GIVE GOES TO HELPING US STAY UNTIL RECOVERY IS COMPLETE.



WHEN DISASTER STRIKES, UMCOR IS THE LAST TO LEAVE.

For 75 years, UMCOR has served as the hands and feet for the United Methodist heart and soul—one of the many ways we put beliefs into action to make real change in the world.

When disasters overwhelm a community's ability to recover on its own, The United Methodist Committee on Relief (UMCOR) partners with local United Methodist churches, as well as local volunteer and government organizations, to facilitate complete restoration.

But we also believe that spiritual, emotional, and psychological support is as important as physical reconstruction. So while our volunteers' hands work hard to restore structures, they also reach out with love, and clasp together in prayer.



FOR AS LONG AS IT TAKES

UMCOR operates in a three-stage process: an **emergency stage**; a **relief stage** to help homeowners assess damage and stabilize their homes if possible, while also caring for their emotional and spiritual needs; and the **long-term recovery stage**—which can last for years. Long after the initial response efforts, UMCOR continues to work toward complete recovery. For example, over 10 years later, we're still working to help those impacted by Hurricane Katrina.



100% OF YOUR DOLLARS GO TO RELIEF

United Methodist churches across the country participate in UMCOR Sunday, a special giving day on which all offerings are designated toward UMCOR administrative costs. That means 100% of your donations go to relief efforts.

You can make a difference today—every dollar offers hope.

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

* * * * *

THE WALL STREET JOURNAL.

Wednesday, October 11, 2017 | B1

S&P 2550.64 ▲ 0.23%

S&P FIN ▲ 0.41%

S&PIT ▲ 0.04%

DJ TRANS ▲ 0.64%

WSJ \$IDX ▼ 0.38%

LIBOR 3M 1.357

NIKKEI (Midday) 20870.24 ▲ 0.22%

See more at WSJMarkets.com

Honeywell Plans Pair of Spinoffs

Conglomerate model has served investors well, but new CEO cites 'long term' value

By THOMAS GRYTA
AND CARA LOMBARDO

Honeywell International Inc. plans to spin off its home and transportation businesses into two new companies by the end of 2018, a step that gained approval from activist investor Third Point.

The plan is the first effort to streamline the conglomerate under Chief Executive Darius Adamczyk, who took the reins in late March. He launched a monthslong portfolio review of all aspects of the company, including whether it should remain whole. The effort received an extra push in late April when Third Point asked Honeywell to spin off its aerospace unit, an idea it ultimately rejected.

The Morris Plains, N.J., company said Tuesday that the new home business, which

will include residential thermostats and security and fire-protection product distribution, represents annual revenue of \$4.5 billion.

The transportation business—a portion of the company's aerospace unit that primarily serves the auto industry—would focus on turbocharger technologies and generate annual revenue of \$3 billion.

Honeywell booked \$39 billion in revenue last year.

In a call with analysts Tuesday, Mr. Adamczyk said

Honeywell "will focus on fewer markets and verticals," shifting away from consumer and distribution segments. "My goal was to scrutinize and assess each business unit to derive a portfolio best capable of maximizing shareholder value over the long term," he said.

Third Point said it was pleased with Honeywell's review and the tighter focus. "We are supportive of CEO Darius Adamczyk's leadership and confident that his commitment to continuous portfo-

lio optimization will further improve shareholder value," the activist investor said.

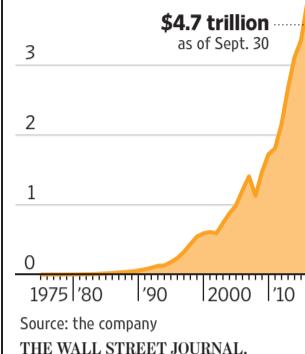
Honeywell had a string of successes under previous CEO Dave Cote, who turned the company around and boosted its market value fivefold during his 14-year tenure. His expansion of the company through acquisitions produced a conglomerate that makes everything from jet engines to thermostats to rubber boots. Mr. Cote remains Honeywell's chairman through April.

Please see CEO page B2

Flows King

Vanguard Group's assets under management, B16

\$4 trillion



Source: the company

THE WALL STREET JOURNAL.

Wal-Mart Openings Are Fewest In 25 Years

By SARAH NASSAUER
AND AUSTEN HUFFORD

Wal-Mart Stores Inc. plans to open fewer U.S. stores than it has in at least 25 years and deepen its cost-cutting efforts, attempting to free up cash for e-commerce and store improvements in an increasingly competitive retail environment.

The strategy is central to Wal-Mart's plan to fend off **Amazon.com** Inc. and a sign that executives believe the profitable business based on cavernous stores that Wal-Mart built rapidly for decades won't grow through expansion.

At an investor meeting on Tuesday at the retailer's Bentonville, Ark., headquarters, executives said they would open only about two dozen U.S. stores in the 2019 fiscal year. Instead, Wal-Mart will remodel existing buildings and spend on its e-commerce infrastructure and services like home grocery delivery.

Though Wal-Mart's "supercenters" have long been the

Please see RETAIL page B2

◆ Brick-and-mortar retailers fear a harsh holiday..... B18

One of the newly created companies would be a portion of Honeywell's aerospace unit, but the conglomerate plans to retain the bulk of that business.

Pfizer Tightens Focus on Prescription Drugs

By JONATHAN D. ROCKOFF

the \$233 billion global consumer-health market.

Pfizer said it would look at a "full or partial separation" of the business and make a decision on how to proceed next year.

"Although there is a strong connection between Consumer Healthcare and elements of our core biopharmaceutical businesses, it is also distinct enough from our core business that there is potential for its value to be more fully realized

outside the company," Chief Executive Ian Read said in a statement.

Proceeds from a sale, which analysts said could top \$10 billion, would give Pfizer more firepower to deal for prescription-drug companies. Last year, it bought cancer-drug developer Medivation for \$14 billion.

Pfizer's consumer-health business, which sells well-known brands like Advil pain medicine, Centrum vitamins

and ChapStick lip balm, generated about \$3.4 billion in revenue last year.

The cash flow and steadily growing sales bolstered earnings in the past few years when Pfizer was coping with generic competition for some of its top-selling products like the cholesterol drug Lipitor and pain medicine Lyrica.

The company's performance has picked up in recent quarters, as Pfizer has worked its way through the

bulk of its big patent expiries and sales have risen for new drugs like Ibrance breast-cancer pills and the blood-thinner Eliquis.

Shares in Pfizer, which are up 11% so far this year, were flat Tuesday, trading at \$36.11.

Pfizer has retreated from the consumer-health market before. In 2006, Johnson & Johnson, the No. 2 company in that market, bought Pfizer's legacy consumer-health business.

Please see PFIZER page B2

More Women Accuse Weinstein

BY ERICH SCHWARTZEL

More allegations of sexual assault and misconduct against disgraced Hollywood producer Harvey Weinstein surfaced, including some involving rape.

Mr. Weinstein was accused of rape by three women and sexual harassment by 10 others in an article published by the New Yorker magazine on Tuesday morning. Soon after the article appeared online, the New York Times reported that several more actresses—including Gwyneth Paltrow and Angelina Jolie—said the mogul had propositioned or harassed them at early points in their careers.

A spokeswoman for Mr. Weinstein didn't respond to a request for comment for this article. In a statement to the

Please see STUDIO page B2

AMAZON WORKS WHOLE FOODS INTO THE MIX

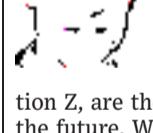
BOSS TALK, B9

STUDIO HOPES A FRANCHISE IS BORN

MEDIA, B7

HEARD ON THE STREET | By Stephen Wilmot

Liquor Companies Need to Sober Up



Move over millennials: Today's smartphone-obsessed teens, Generation Z, are the consumers of the future. Worryingly for liquor producers, they are shaping up to be an antisocial lot.

The U.S. has been a highly attractive market for most liquor companies. Overall alcohol consumption in the country rose 15% over the decade through 2015, even as it shrank in Germany, France and the U.K. Population growth was the primary driver, but generational effects also helped as American millennials, who are now in their 20s and 30s, binged on cocktails and craft beer in particular.

The world's largest liquor companies, London-listed Diageo and Paris-listed Pernod Ricard, put the U.S. front and center of their

strategies. Not only does the market have a more reliable record of growth than in Europe or emerging markets, it is also disproportionately lucrative. The U.S. accounts for less than a third of Diageo's sales but almost half its operating profit.

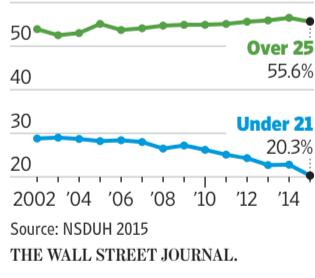
But what if this turns out to have been a demographic blip? Millennials, whom demographers define as being born between 1980 and 1995, constitute more than 65 million Americans, according to U.S. Census Bureau data. The Generation Z cohort, born from 1995 to 2010, numbers 62.5 million.

U.S. growth in unit liquor sales will slow to just 0.2% over the coming decades, from 1.5% historically, as the smaller Generation Z replaces millennials as the primary consumers of alcohol, say analysts at brokerage Bernstein.

Jean Twenge, a professor of psychology at San Diego

Drinking Problem

Percentage of age group to drink alcohol within the past month



Source: NSDUH 2015

THE WALL STREET JOURNAL.

State University who wrote a controversial 2006 book on millennials called "Generation Me," published an analysis of the latest generation in August. "iGen: Why Today's Super-Connected Kids Are Growing Up Less Rebellious, More Tolerant, Less Happy—and Completely Unprepared for Adulthood" describes how Americans born after 1995 are more likely to stay at home messaging

friends on smartphones than they are to hang out in person. She argues they are growing up more slowly than their predecessors.

A benign consequence of this generational shift is that U.S. teenagers on average drink less than they did a decade ago. Increased pot smoking is one reason. This trend isn't completely new. Health-conscious millennials had already started to imbibe fewer but better-quality drinks.

But the decline in underage drinking since the advent of smartphones is more significant. It could signal a shift in consumer tastes that companies will need to anticipate and adapt to.

Even as the U.S. packaged-food industry has entered a period of decline, liquor producers have continued to take the strength of the U.S. market for granted. They may need to plan for a more sober future.

CONCUR

Get a clearer view of your employee spend.

Concur automatically combines credit card charges, travel, expense, ERP and invoice data to provide a single, actionable view of spending. With data this precise, the big picture has never looked clearer.

Expense. Travel. Invoice.

CONCUR

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

| A - B |
|---------------------------------------|
| Ahold Delhaize.....B6 |
| Airbnb.....B4 |
| Airbus.....A12 |
| All-Stars Investment.....B4 |
| Amazon.com.....B1,B3,B4,B6,B9,B17,B18 |
| American Airlines Group.....B17 |
| American Electric Power.....B3 |
| Appear Here.....B8 |
| Apple.....A4,B3 |
| BB&T.....B2 |
| Bell Pottinger.....A12 |
| Best Buy.....B18 |

| C |
|-------------------------------|
| Capital One Financial.....B18 |
| CBRE Group.....B8 |
| C-II Capital Partners.....B8 |
| Citigroup.....B2,B18 |
| Comcast.....B3,B7 |
| Costco Wholesale.....B17 |
| Cowen.....B17 |
| Craig Realty Group.....B8 |
| Crip.com International.....B4 |
| CubeSmart.....B8 |

| D - E |
|-----------------------------|
| DBL Partners.....B4 |
| Deerfield Management.....B3 |
| Dell Technologies.....B4 |
| Deutsche Post.....B18 |
| Dewey & LeBoeuf.....B3 |

| F - G |
|---------------------------------------|
| Facebook.....B9 |
| Fifth Wall Ventures Management.....B8 |
| Foundry Group.....B4 |
| General Electric.....B4 |
| Goldman Sachs Group.....B16 |

| H - I |
|-----------------------------------|
| Hewlett Packard Enterprise.....B4 |
| Hines.....B8 |
| Honeywell International.....A1,B1 |
| Hormel Foods.....B17 |
| IKEA Systems.....B3 |

| J - K |
|---------------------------|
| JPMorgan Chase.....B2,B18 |
| KKR.....B8 |
| Kohl's.....B18 |
| KPMG.....A1 |
| Kroger.....B6 |

| L - M |
|---|
| Life Storage.....B8 |
| LNR Partners.....B8 |
| Lotus Capital Partners.....B8 |
| Macerich.....B8 |
| Mack Real Estate Credit Strategies.....B8 |

| N |
|--------------------|
| Netflix.....B7,B18 |
| News Corp.....B3 |
| Nordstrom.....B18 |
| NRG Energy.....B3 |
| Nvidia.....B18 |

| U - W |
|-------------------------------------|
| United Continental Holdings.....B17 |
| U.S. Bancorp.....B2 |
| Vanguard Group.....B16 |
| Verizon Communications.....B2 |
| Wal-Mart Stores.....B1,B6,B17,B18 |

| T |
|------------------------------|
| Target.....B18 |
| The Royalty Exchange.....B16 |
| Third Point.....B1 |
| Thrive Capital.....B4 |
| Time.....B7 |

| H - I |
|--------------------------------|
| Heppenstall, Mark.....B17 |
| Huerta, Michael.....B4 |
| III, F. William McNabb.....B16 |
| Katzeke, Susan Roth.....B2 |
| Klaesius, Vince.....B7 |

| M - N |
|--------------------------|
| McMillon, Doug.....B2 |
| Miller, Trip.....B18 |
| Moorhead, Patrick.....B4 |
| Moskowitz, Gregg.....B17 |
| Nowak, Brian.....B17 |

| O - R |
|--------------------------|
| O'Hurley, John.....B16 |
| Peltz, Nelson.....B18 |
| Rouhana, William.....B16 |

| S |
|-------------------------|
| Salem, Matt.....B8 |
| Sandberg, Sheryl.....B9 |
| Schneider, Lori.....B8 |
| Siemens, Rob.....B8 |
| Smith, Matt.....B16 |

| T |
|------------------------|
| Townswick, Don.....B17 |
| Twenge, Jean.....B1 |

| W |
|-----------------------------|
| Wallace, Brendan.....B8 |
| Wecker, Jeff.....B16 |
| Weinstein, Harvey.....B1,B9 |
| Weiss, Keith.....B17 |
| Wiesel, Elisha.....B16 |

| S |
|-------------------------|
| Salem, Matt.....B8 |
| Sandberg, Sheryl.....B9 |
| Schneider, Lori.....B8 |
| Siemens, Rob.....B8 |
| Smith, Matt.....B16 |

| E - F |
|-----------------------------|
| Dell, Michael S.....B4 |
| Digenan, Thomas.....B18 |
| Elankumaran, Pradeep.....B6 |

| CEO |
|-------------------------|
| Adamczyk, Darius.....B1 |
| Barton, Dominic.....B9 |
| Bezos, Jeff.....B9 |
| Biggs, Brett.....B2 |
| Boer, Dick.....B6 |

| Darius Adamczyk says Honeywell will focus on fewer markets and verticals. |
|---|
|---|

| In retaining the aerospace business, the company highlighted the attraction of the sector in general and the fact that it benefits from other Honeywell operations. It also brings a "significant proportion of U.S.-based cash flows" for Honeywell, which has much of its cash overseas. |
|--|
|--|

| Nicholas Heymann, an analyst with William Blair & Co., said the remaining portfolio is "relatively high-growth businesses." Deutsche Bank analyst John Inch said the moves put Honeywell on "an upward growth trajectory from a smaller revenue base" and leave it with billions in capital. |
|--|
|--|

| David Benoit contributed to this article |
|--|
|--|

| All Consuming |
|---------------|
|---------------|

| |
|---|
| Leading shares of the \$233 billion consumer-health market globally |
|---|

| GloboSmithKline |
|-----------------|
|-----------------|

3.8%

| Johnson & Johnson |
|-------------------|
|-------------------|

BUSINESS NEWS

Research Institute Joins With Deerfield

BY JONATHAN D. ROCKOFF

Health-care investment firm **Deerfield Management Co.** has agreed to give \$50 million to the Broad Institute of MIT and Harvard for biology research, in an unusual partnership between academia and Wall Street to promote drug discovery.

Under the agreement, Deerfield will fund some of Broad's research projects and in return get an option to build pharmaceutical companies around the programs that show the most promise, according to Deerfield and Broad officials.

Early-stage research can be hit or miss. But the collaboration, which was announced Tuesday, affords Deerfield the opportunity to tap into the big returns that can come to early investors in promising drug startups, while modeling a new way for universities to fund and capitalize on their research.

\$50M

Research funding extended by Deerfield Management

Broad President Eric Lander said the partnership would support research that could produce treatments for diseases or tackle drugmaking challenges such as blocking interactions between proteins. Efforts already covered by a collaboration with a drug company would be excluded, he said.

The institute, launched in 2004, brings together doctors and scientists from the Massachusetts of Technology, Harvard University and its affiliated hospitals to conduct biomedical research.

Deerfield aims to fund five to 10 projects that could produce new drugs, and invest more in any new companies that arise from the work, according to James Flynn, the firm's managing partner.

The pact targets a gap in the drug-discovery process at a time when genome sequencing, gene editing and other new advances are spawning an explosion of insights into the molecular roots of disease.

Not as many drugs have emerged from the findings as expected, as researchers still have trouble identifying compounds to study further, according to industry and academic officials. Drug companies and venture-capital firms are reluctant to take a risk with fledgling programs and traditionally have jumped in once a compound is shown to have promise as a drug, according to the officials.

This gap "calls for academia to push further than" it has in developing biological insights into potential drugs, Dr. Lander said in an interview.

Deerfield, which has about \$8 billion in assets under management, invests in publicly traded companies, closely held startups and seed companies.

Dow Jones Publishes Errant Headlines in Systems Snafu

BY LUKAS I. ALPERT

A systems error during a technology test Tuesday inadvertently published scores of erroneous test headlines and articles on Dow Jones Newswires.

Nearly 2,000 dummy headlines and articles that had been created during training exercises for reporters and editors learning how to use Dow Jones's news-production system were accidentally published between 9:34 a.m. and 9:36 a.m. Eastern time, the company said.

Dow Jones, a unit of **News Corp.**, said the units "were never intended for publication" and regrets that they were published. The company said the problem was caused by an internal technology glitch and that its systems hadn't been infiltrated by

Power Firms Hold Their Ground

Big companies stick to climate strategies despite EPA move to ease emission limits

BY TIMOTHY PUZO

WASHINGTON—Some of the biggest U.S. power companies said they are pushing ahead with investments in renewable and gas-fired electricity and are including climate change as a part of their corporate strategy, regardless of the Trump administration's plans to roll back Obama-era environmental rules.

President Donald Trump has pledged to boost the energy industry by cutting regulation, and on Tuesday his administration took one of its biggest steps yet toward that goal. The head of the Environmental Protection Agency signed a proposal to repeal the first federal limits on carbon emissions at power plants, which would vacate the Obama administration's cornerstone plan to slow global warming.

Some sizable power companies, such as **American Electric Power Co.**, **NRG Energy Inc.** and **Southern Co.**, said Tuesday the move will have only a marginal effect on their planning. Cheap fuel, improving technology and consumer demand are creating a market for cleaner energy that is largely unaffected by what is happening in Washington.

But the move has symbolic and long-term implications. The Obama-era rules drew fire from Republicans and their allies in business who saw them as a prime example of government overreach.

The Trump administration argues that the Obama rules weren't allowed under the Clean Air Act—an issue that will likely be argued in court



Power-plant emissions are a significant source of greenhouse gases, and the Obama administration targeted them in 2015.

for years. Environmentalists see the rules as crucial to accelerating a shift from carbon-based fuels to renewable-power sources.

Power-plant emissions are one of the largest sources of greenhouse gases, and President Barack Obama's administration targeted them with limits outlined by the EPA's Clean Power Plan in 2015. The limits were the chief way for the country to comply with the Paris accords, a pact among international governments to slow global warming. Mr. Trump has now signaled his intent to reverse the U.S. position on both.

But a generational shift in the energy industry was happening long before that tug of war in federal government.

Power plants cut their carbon dioxide by 25% between 2005 and 2016, a trend that is likely to continue, according to the Edison Electric Institute, an industry group.

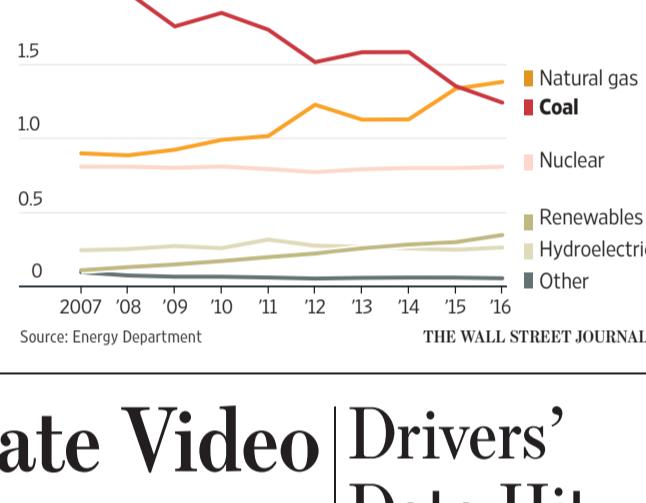
Cheap natural gas from the shale-drilling boom and more-efficient power plants have run coal-burning rivals out of business. Advancements in wind and solar power, with help from subsidies, have cut emissions, too. And confronted with the risks of climate change and how governments might deal with it, power companies now expect the cost of carbon emissions to rise and plan on ways to reduce them.

"This will not change our planning process," a spokesman at Southern Co. said of the EPA's move on Tuesday.

Power Shift

The Trump administration is set to repeal limits on carbon emissions at power plants, saying they harm businesses, particularly the coal industry.

U.S. electricity generation by source



Source: Energy Department

Drivers' Data Hit In Equifax Hacking

BY ANNAMARIA ANDRIOTIS AND EMILY GLAZER

Driver's license data for around 10.9 million Americans were compromised during the breach of **Equifax Inc.**'s systems, according to people familiar with the matter.

The license information was accessed by hackers who also took vital personal information, including Social Security numbers, of potentially 145.5 million Americans. Not all those people would have had license information in Equifax's system.

Separately, Equifax said Tuesday that a file containing 15.2 million U.K. consumer records was attacked during the company's hack.

Equifax announced the breach, which also affected consumers in Canada, on Sept. 7. At that time, the company said that "in some instances" U.S. driver's license numbers were accessed but didn't publicly say how many.

In recent weeks, Equifax has told customers, mainly financial institutions, that the driver's license information for 10.9 million consumers was accessed, the people said.

Equifax didn't immediately respond to a request for comment.

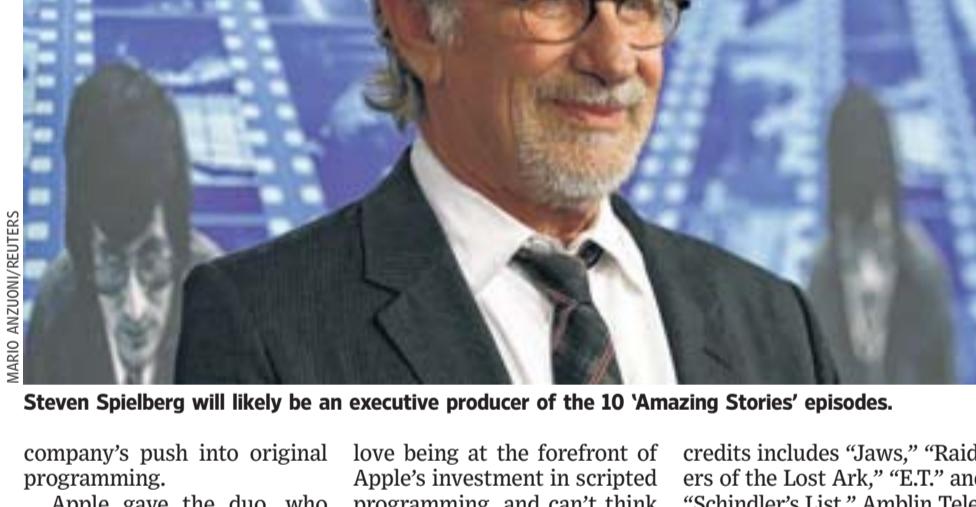
The disclosure of driver's license information could give hackers even more information to use to try committing fraud. Although information varies by state, licenses typically include a person's name, date of birth, home address and personal details such as height and eye color.

People who had given driver's license information to Equifax were in many cases doing so as a way of verifying their identity with the company. This in some cases happened when consumers were using a webpage meant to resolve disputes about credit-report information.

The dispute-resolution page appears to have been at least one avenue hackers used to access the company's systems. This was done by hackers exploiting a security vulnerability in software that ran on the dispute portal's web application.

Apple Taps Spielberg to Create Video

BY JOE FLINT AND TRIPP MICKLE



Steven Spielberg will likely be an executive producer of the 10 'Amazing Stories' episodes.

company's push into original programming.

Apple gave the duo, who helped produce "Breaking Bad," a budget of roughly \$1 billion to develop original programming over the next year. They have also been tasked with building out a video strategy that is expected to include a streaming service that rivals Netflix Inc., Amazon.com Inc. and others.

NBC Entertainment President Jennifer Salke said, "We

love being at the forefront of Apple's investment in scripted programming, and can't think of a better property than Spielberg's beloved 'Amazing Stories' franchise." Also involved in the show as the day-to-day show runner is Bryan Fuller, whose credits include NBC's "Hannibal."

Apple declined to comment.

In tapping Mr. Spielberg, Apple landed an internationally renowned director with broad appeal whose lengthy list of

credits includes "Jaws," "Raiders of the Lost Ark," "E.T." and "Schindler's List." Amblin Television is headed by Justin Falvey and Darryl Frank, two well-regarded executives whose credits include such critically acclaimed shows as "The Americans" for FX. Apple is betting that carving out a space in the crowded original content field can help drive subscriptions across more than one billion iPhones, iPads, Apple TVs and other devices world-wide.

BUSINESS WATCH

DEWEY & LEBOEUF

Ex-Executive Avoids Prison Sentence

A former executive at defunct law firm **Dewey & LeBoeuf LLP** won't be doing prison time for a fraud conviction stemming from the firm's 2012 collapse.

New York Judge Robert Stoltz on Tuesday sentenced Joel Sanders, the firm's onetime chief financial officer, to complete 750 hours of community service and pay a \$1 million fine over the next three years. Prosecutors had asked for the maximum sentence of between one-and-a-third and four years behind bars.

Mr. Sanders's lawyer had no comment Tuesday. Manhattan District Attorney Cyrus Vance Jr. said the case "demonstrates the office's commitment to prosecuting those who sacrifice professional integrity for financial gain."

—Sara Randazzo



OLIVER BUNIC/BLOOMBERG NEWS
IKEA's furniture could be sold through other online platforms.

INTER IKEA SYSTEMS

Company Explores Third-Party Websites

IKEA's flat-packed furniture could soon be sold on third-party websites.

Inter IKEA Systems BV, the company that owns the brand

and the franchisees through which IKEA products are sold, said it plans to explore "making IKEA products accessible through other online platforms than our own."

The pilot will start next year. The company said it hasn't yet decided which online sellers it will sell through or in which markets.

—Saabira Chaudhuri

TECHNOLOGY

WSJ.com/Tech

Drone-Rules Debate Splits FAA Panel

Lack of consensus could slow expansion of the commercial use of unmanned aircraft

BY ANDY PASZTOR

In a potentially serious setback for expanded commercial-drone operations, a federal advisory panel has failed to agree on proposals to identify and track unmanned aircraft nationwide.

The committee, which presented its recommendations to aviation regulators this month, couldn't reach consensus on basic questions regarding categories of drones that should require such remote monitoring, according to officials.

As a result, officials familiar with the details said, it is likely to be more difficult for the Federal Aviation Administration to implement rules acceptable to law-enforcement agencies, hobbyists who fly model airplanes and drone proponents eager to open up U.S. airspace for more uses.

A majority of the committee did conclude that technology currently exists—or can be devised relatively quickly—to deal with one of the most vexing problems impeding acceptance of small drones weighing several or dozens of pounds: detecting and tracing low-altitude flights that typically occur outside normal ground-radar coverage.

For significantly larger drones weighing hundreds or thousands of pounds and flying at higher altitudes, it is expected to take at least two or three more years to develop



ANDY CRIPPE/THE CORVALLIS GAZETTE-TIMES/ASSOCIATED PRESS

A majority of the committee concluded that technology exists to trace low-altitude flights outside normal ground-radar coverage.

technical standards for communication links and collision-avoidance technology.

The nonbinding report emphasizes smaller drones, drafted by members of a panel comprised of over 70 industry, labor and law-enforcement experts, hasn't been made public. But industry officials say FAA leaders have told panel members the agency might reconvene the group in a bid to achieve more-unified results.

In a written statement Monday, the FAA said it "will

review the advisory committee's report and its findings carefully." A spokesman declined to elaborate.

The split recommendations, however, represent a setback for the agency because chief Michael Huerta recently described the panel as an important building block to end the regulatory logjam confronting the agency and industry champions. Calling the recommendations "absolutely critical" to reaching consensus on significant regulatory matters, Mr.

Huerta told a drone conference last month: "I can't stress how important this work is."

Senior law-enforcement and national-security officials, including leaders of the Federal Bureau of Investigation, have blocked moves to roll out new commercial-drone applications, including flying beyond sight of operators, until acceptable tracking safeguards are in place. The concerns focus on how to pinpoint and electronically follow flights, especially at night or over

populated areas, that might pose threats to public safety.

U.S. military and antiterrorism officials have stepped up public warnings about dangers of drones being used as weapons against Americans. "There are bad actors out there who want to use them for nefarious purposes," Mr. Huerta said.

One faction of the panel wants to see practically all drones subject to tracking requirements. Another segment wants to exclude most model airplanes operated by hobby-

ists, a category comprising about 200,000 vehicles Congress previously fenced off from new FAA action. Still other participants favor targeting remote identification requirements primarily on larger, more capable models optimized for longer flights, autonomous operations or advanced imaging. Roughly 800,000 drones are registered with the FAA.

The final report was endorsed by about half of the full group, with the rest either dissenting or spelling out disagreements with various findings. Typically, the FAA depends on such advisory groups to sort out disputes before submitting recommendations.

According to people familiar with the report, panelists concluded that trajectories of drones could be monitored from takeoff to touchdown, either by piggybacking on radio signals that control drone maneuvers or using a system relying on cellphone signals. Certain drones would require the redundancy of both types of tracking, said an industry official.

For simpler drones, the solution largely calls for software modifications. Relying on cellular signals would be more expensive, complicated and require installation or retrofit of some type of modem to tap into existing networks. Under such circumstances, drone operators would face the expense of paying for connectivity.

Location, speed, heading and altitude—accompanied by information identifying the operator—could be transmitted to displays available to local police or federal enforcers.

Dell Bets \$1 Billion on Internet of Things Efforts

BY RACHAEL KING

Dell Technologies Inc. is joining the crowded field of companies wagering big money on the so-called Internet of Things, as the computing giant looks for new avenues of growth amid a shift in corporate spending to the cloud.

The Round Rock, Texas, company said Tuesday it would commit \$1 billion over three years in research and development to create hardware and software that helps manage billions of everyday devices connected to the web.

Once the largest personal-computer maker, Dell is now known as much for its corporate products like storage, servers and security software following last year's deal to buy EMC Corp.

Dell is looking for areas where it might grow as customers increasingly buy computing and storage over the web from the likes of Amazon.com Inc.'s Amazon Web Services and Microsoft Corp.

while spending less on their own data-center hardware.

Corporate spending on data-center hardware and software

from Dell, Hewlett Packard Enterprise Co. and others is forecast to grow less than 3% to \$178 billion in 2020 from this year, according to research firm Gartner Inc. In contrast, companies are projected to increase spending on cloud infrastructure services by about double to \$70 billion by 2020.

As the cost of sensors in everything from thermostats to connected cars continues to plummet, Dell is betting there will be an associated boom in computing hardware and software that sits close to these devices, known as edge com-

puting.

"We think edge computing could be 100 times bigger than the internet as we know it today," Chief Executive Michael Dell said in an interview. "That may sound crazy right now but give it a few years and I think that will be more understood."

It is cheaper and more efficient to process information coming from sensors closer to where it originates rather than sending that data back to the cloud, said Patrick Moorhead, president of Moor Insights & Strategy. An autonomous car or a robot surgeon needs to pro-

cess information in real-time and they wouldn't tolerate delays that occur when processing information in a remote cloud.

Part of Mr. Dell's bet is that corporations will want to keep control of valuable data. An auto maker, for example, will want all that data from autonomous vehicles to be stored on its own equipment and not on someone else's server. That data serves as a company's crown jewels and needs to be secured, protected and managed, Mr. Dell said.

As mobile carriers begin to implement fifth-generation wireless networks, it becomes easier for edge-computing devices to communicate with one each other, Mr. Dell said. For that piece, Dell is counting on subsidiary VMware's network virtualization and security software called NSX.

Dell will also rely on another subsidiary, Pivotal, as it targets corporate customers working in the Internet of Things. General Electric Co., for example, came to Pivotal to use its software to create its Predix platform that collects and analyzes data from industrial machines.

SoftBank Invests More In Self-Driving Future

BY TIM HIGGINS

As auto makers and tech giants rush to develop autonomous vehicles, SoftBank Group Corp. is placing a sizable bet on a startup that aims to help such cars find their way.

The Japanese investor, which has stakes in ride-hailing services, is leading a \$164-million investment in Mapbox Inc., a startup that provides mapping and location-search technology to a variety of companies including messaging-app developer Snap Inc. and General Electric Co.

The money comes from SoftBank's nearly \$100 billion tech-focused Vision Fund as well as several venture-capital firms including Foundry Group, DFJ Growth, DBL Partners and Thrive Capital.

Mapbox said on Tuesday it would expand its efforts into autonomous cars and augmented and virtual reality and will accelerate international

expansion, including in China. Mapbox says it provides mapping technology to more than 900,000 developers, whose apps in turn provide the aggregate data that power the company's maps in real-time. The company collects data on more than 200 million miles of roads and terrain each day, while keeping app users anonymous.

"Every time people touch us and use us, the map gets smarter," Mapbox Chief Executive Eric Gundersen said. "We have more connected sensors on the road today, using Mapbox, than the entire auto industry will have by the end of 2020."

Mapbox is pitching itself as an alternative to Alphabet Inc.'s Google, whose mapping data powers a number of companies' apps. Alphabet's self-driving car unit, Waymo, emerged out of Google's efforts to create detailed maps of the world.



QILAI SHEN/BLOOMBERG NEWS

China's Tujia Girds to Battle Airbnb

BY LIZA LIN

SHANGHAI—Tujia.com, China's largest domestic rival to online home-rental platform Airbnb, raised \$300 million in financing, as it bulks up for battle with its U.S. competitor and works to tap big-spending Chinese tourists overseas.

The new funding round,

which values Tujia at \$1.5 billion, was led by China's largest travel portal, Ctrip.com International Ltd., and investment firm All-Stars Investment Ltd. The home-sharing site plans to use the money to boost demand for its high-end properties at home and expand its listings in popular Chinese destinations such as Japan, Taiwan and Thailand, said Jennifer Lee, its chief business officer.

The new funding comes as Airbnb is pushing to build its presence in China this year. In March, the company picked a new Chinese name, promised to double its investment in the market and triple its local workforce in 2017.

Despite its strong global presence, Airbnb lags behind Tujia in China, where the latter works with both homeowners and property-management companies.

Founded in 2011, Tujia has its sights on rising Chinese travel demand as incomes in the nation grow. China was the world's biggest outbound travel market last year with 135 million Chinese tourists spending \$261 billion abroad, according to figures from the United Nations' World Tourism Organization.

Just like Airbnb, Tujia connects property owners with travelers looking for alternatives to hotels. Its website and mobile app feature 650,000 properties in 345 Chinese cities and more than 1,000 overseas destinations, including Paris, Seoul, and Phuket Island in Thailand.

Tujia earns revenue by collecting commissions from homeowners at an average of about 10% of accommodation rates and offers travel packages to its customers online, Ms. Lee said. The average

nightly room rate booked by Tujia's customers in the third quarter of this year was about 450 yuan (\$68), similar to the cost of a four-star hotel room in China, although its most expensive booking recently was 15,000 yuan a night, she said.

Tujia was a winner during the consolidation of China's online travel startups last year, snapping up a smaller rival in June 2016. It also tied up with larger online travel agencies such as Ctrip and Qunar to offer homestays.

Ctrip Executive Chairman James Liang said in a statement Tuesday that the company made its investment in Tujia as Chinese consumers are warming to alternative short-term accommodations.

Other investors in Tujia's fundraising include investment firms China Renaissance and Connecticut-based Glade Brook Capital.

WSJwine

THE WALL STREET JOURNAL

SAVE \$165 on 15 World-Class Wines



Discover more at
wsjwine.com/now

2WSJW1735

KFW

USD 2,000,000,000

Floating Rate Global Notes

due 2017

- WKN A169LD -

ISIN US500769GW89 - CUSIP 500769GW8

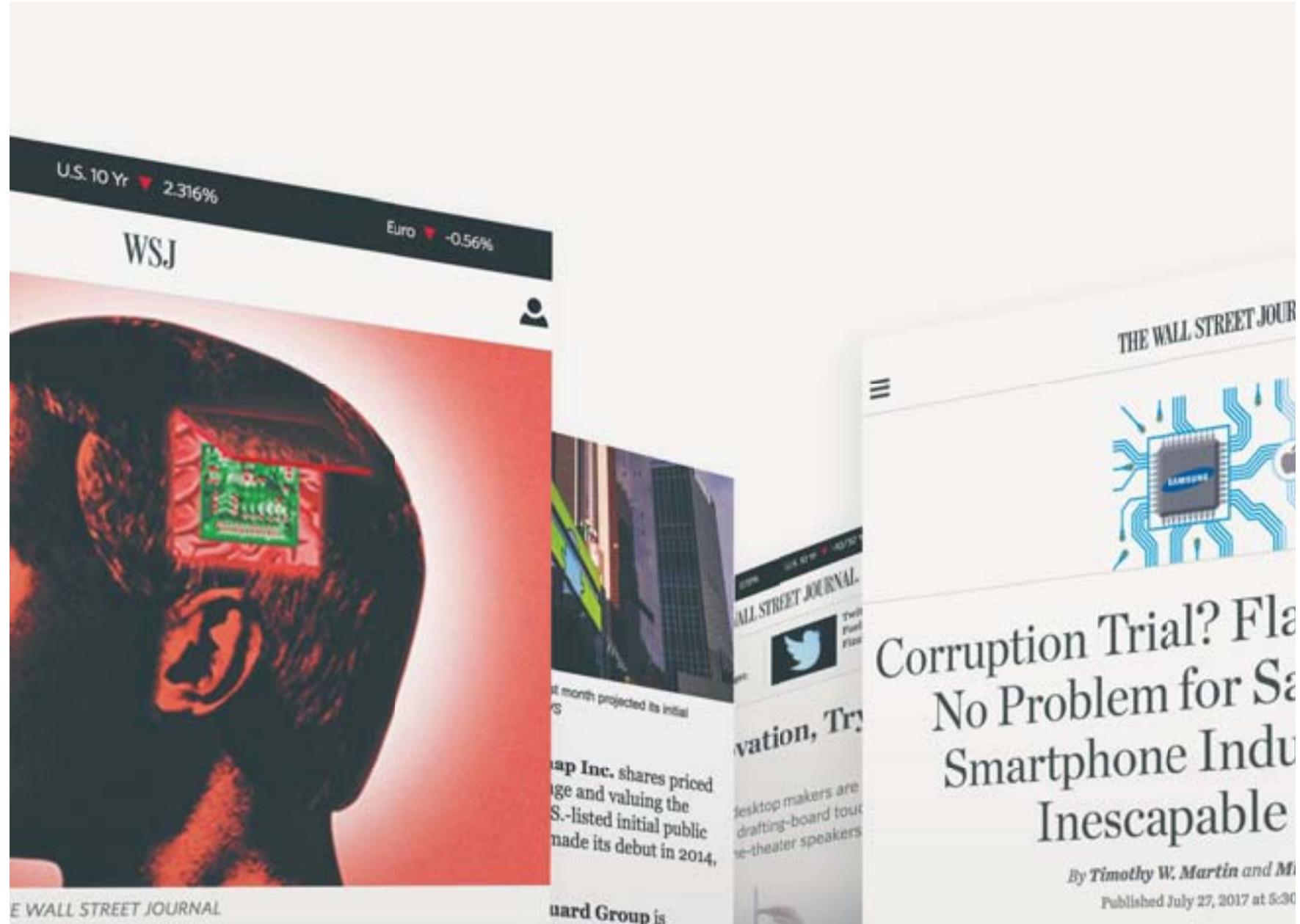
We would like to announce that the interest rate for the period of September 29, 2017 to December 29, 2017 has been fixed by the Calculation Agent at 1.49278 per cent. p.a.

The total interest amount will be USD 7,546,832.22. The interest payment date will be December 29, 2017.

FRANKFURT AM MAIN,

SEPTEMBER 2017

KFW



Corruption Trial? Flawed No Problem for Samsung Smartphone Industry Inescapable

By Timothy W. Martin and Michael S. Giltz

Published July 27, 2017 at 5:30 AM

It has been a year of bad news for Samsung. Its Note 7 smartphones began bursting into flames last October. Its CEO was imprisoned in February and remains on trial for corruption. The company's chairman was accused of bribing a South Korean court to overturn a conviction on charges of embezzlement. But here's the twist: Samsung reported its best quarterly profits ever, beating analysts' expectations.

Quarterly operating profit

Apple Samsung

\$25 billion

20

15

10

5

0

2013

'14

'15

'16

'17

Note: Latest Apple figure is an estimate as of July 25; Samsung figure is preliminary. Source: S&P Global Market Intelligence; Samsung (2Q 2017)

E WALL STREET JOURNAL

Update for the Human

ips to the U.S. Department of Defense, researchers are hard at work on a brain-computer interface that could lead us into programmable, debuggable

guard Group is down when the index fell, but it's still up. That left many clients worried. In the trading session, the Nasdaq and the S&P 500 have said they're in technology.

ain is planning to roll out new software in some of its restaurants in the second half of the year, the company said. It's testing curbside pickup in the population in its app's and that more than 10 minutes of a

ory business. It's looking for Toshiba Corp.'s chip unit to be a good match, the company said. Toshiba's computer-chip unit

company Lyft Inc. says it hopes will net at least \$6 billion and \$7 billion. The San Francisco company runs a delivery service. It's sexual harassment and over-stolen trade secrets. Executive Travis Kalanick was arrested in April.

computer inside her skull, but you wouldn't notice it. A small bump behind her left ear, the only implant, is partially covered by a tuft of hair. She had the batteries changed. The last time she had the batteries changed, she had a brain implant, she was having as many as 10 seizures a day, along with multiple seizures. Abnormal neural activity turned her teenage

Insight Unbound

Experience the depth and breadth of tech coverage on WSJ digital

In a fast-changing world, the Journal's digital platforms keep you moving. From unrivaled sector coverage to the latest in personal devices—the tech insight you need is always on with WSJ digital.

READ NOW AT WSJ.COM/TECH



THE WALL STREET JOURNAL.
Read ambitiously

BUSINESS NEWS



Agriculture Secretary Sonny Perdue, left, criticized the distribution of food stamps to Americans who are able to work.

Food-Stamp Rules Reviewed

BY HEATHER HADDON
AND JACOB BUNGE

Agriculture Secretary Sonny Perdue criticized the distribution of food stamps to Americans who are able to work, a stance that could concern food retailers who make billions of dollars in sales to the federal program's beneficiaries.

Speaking at the WSJ Global Food Forum on Tuesday in New York, Mr. Perdue said that relying on food stamps has become a "lifestyle" for some able-bodied adults.

"We want the people who need the help to get it," said Mr. Perdue, adding that the benefit shouldn't be "the

whole enchilada" of a family's food security.

He suggested that enrollment in the program would fall if individuals who are able to work are restricted from using it.

Anti-poverty groups raised concerns before Mr. Perdue's confirmation in April that he could restrict food-stamp access. They pointed to his tenure as Georgia's governor, when his administration tightened access to some poverty-reduction programs and monitored recipients for compliance. Critics said such actions made it harder for needy families to receive help, though others said those moves helped get recipients

back to work. Congress has held hearings in the past year, debating if able-bodied adults can receive the benefit.

Those discussions will continue as Congress prepares to decide how to fund the food-stamp program under the reauthorization of the Farm Bill next year. The Trump administration has called for food stamp disbursements to be cut.

Food stamps, known officially as the Supplemental Nutrition Assistance Program, have become a crucial revenue stream for big food retailers.

Wal-Mart Stores Inc. and **Kroger Co.** are among the major companies that generate

substantial sales from SNAP recipients. Kroger executives have said roughly 40% of their most loyal customers have been on SNAP at some point in the past five years.

More than 42 million Americans receive SNAP benefits, down from nearly 48 million in 2013. The benefit paid out nearly \$48 billion in the past fiscal year, at an average of \$125 per recipient.

Turning to the latest round of talks this week on renegotiating the North American Free Trade Agreement, Mr. Perdue said he remained convinced the process would "increase the agricultural opportunities" for U.S. farmers and ranchers.

during the Obama administration seek to add information to food labels to help consumers make more informed decisions about calories, serving sizes and added sugars.

Other food companies have already introduced the new labels, seeking to meet a growing demand from consumers for more information about their food. The delay gives big food manufacturers until January 2020 to add the labels, an extension of nearly 18 months. Smaller food companies have until January 2021.

Roger Lowe, executive vice president of strategic communications for the Grocery Man-

FDA's chief plans to take a close look at food manufacturers' health claims.

ufacturers Association, said the trade group supported the delays, but wants the FDA to define the rules that will guide the new labels more clearly.

"We are happy with it. We are now awaiting guidance on the definitions," Mr. Lowe said on the sidelines of the conference.

For instance, he said food makers want to know what ingredients the government will count as added sugars and fibers.

Dr. Gottlieb said his agency is also looking at how to define "healthy" and "natural" more uniformly. The claims have been the subject of lawsuits. The FDA is also working to implement a new law governing food safety. The Food Safety and Modernization Act will heighten oversight of produce and imported foods, aiming to avert outbreaks of food-borne illnesses.

"I think I could best serve the administration by continuing to be at the FDA," he said.

Many food manufacturers have welcomed the Trump administration's efforts to delay new nutritional-information requirements. Labels devised

ADVERTISEMENT

Career Opportunities

To advertise: 800-366-3975 or WSJ.com/classifieds

CAREERS



PRESIDENT AUSTIN, TEXAS

Established in January 2017 through a generous \$100M funding gift, the Holdsworth Center supports the critical work of strengthening the leadership and leadership pipeline of the Texas Public School System. In its inaugural President, the Center seeks a passionate, tested, and strategic leader who will work tirelessly to cement the preeminence of the Holdsworth programs, and partner with trustees and staff to develop excellent and innovative programs that prove effective in filling the school leadership pipeline for years to come.

Charles Butt, Chairman and CEO of H-E-B and a longtime advocate for public education, founded the Center and named it for his mother, Mary Elizabeth Holdsworth, an educator, philanthropist, and lifelong leader for social justice. Building on her impressive legacy, the Center aspires to create systemic and sustainable improvement across Texas' 1,200+ public school districts by supporting and developing its superintendents, principals, and other campus leaders, who, in turn, will significantly and positively impact student achievement.

The Center's district partnerships will span five years and will include immersive experiences for leaders and their teams combined with embedded, in-district support to ensure the learning continues and multiplies between sessions and across the state. The inaugural cohort was launched in June and includes school districts in seven cities across Texas. Plans are underway to build an academic training and retreat center in Austin, which will enhance the immersive learning experience for all cohort participants.

The President will report to a distinguished 17-member board of trustees, and will work closely with the Center's 25 outstanding staff to ensure the Holdsworth experience is a transformative one. The President should be a strategic and creative leader, able both to imagine and design the best Center of its type but also to deliver on that design by converting the Center's aspirations into reality. She or he will inherit a strong leadership team, and will be expected to recruit, retain, and develop expert faculty and staff across all levels who will share the President's commitment to excellence and the Center's passion for improving public education in Texas. The President will serve as the chief spokesperson and ambassador for the Center, building key relationships with K-12 leaders and other public education allies across the state. Moreover, as the voice of this new and exciting organization dedicated to improving public education in our country, the President must be a thought leader for issues related to leadership development and teacher quality, and should have the personal gravitas and professional standing to lead national conversations about these critical issues.

The Holdsworth Center has retained Isaacson, Miller, a national executive search firm, to assist in the recruitment of its next President. Please direct all applications, nominations, and inquiries to them at www.imsearch.com/6361.

The Holdsworth Center does not discriminate on the basis of race, color, national and ethnic origin in the administration of its educational policies, admission policies, scholarships and other school administered programs.

M ISAACSON, MILLER

A BUSINESS PLAN FOR YOUR CAREER.

BlueSteps helps busy executives manage their careers, track their goals and stay visible to the right recruiters. Get started at bluesteps.com. Enter code execWS15 for an exclusive perk.

BlueSteps

CAREERS

Assistant Vice President

Deutsche Bank seeks an Assistant Vice President, Global Markets Technology in New York, NY to analyze user requirements, procedures, and problems to improve existing systems by testing applications, creating test scenarios and test cases, and maintaining and monitoring systems including coordinating installation of systems. Requires a Bachelor's degree in Computer Science, Computer Engineering, Information Technology, or a related field or equivalent and five (5) years of progressively responsible experience applying object and detail-oriented approach methodology for quality analysis. Must include at least five (5) years of progressively responsible experience providing complex test scenarios and approaches for functional application testing, applying requirements of equities-specific regulations including SCI, NMS, and FINRA rules including OATS and NBBO; performing testing of active trading platforms including Matching Engine, Smart Order Router, Reference Data Service, Market Data, FIX gateways and Execution Gateways of trading systems; performing API testing using FIX protocol tool; performing UNIX/Linux file processing; developing scripts using Python; ensuring comprehensive test coverage using HP ALM and JIRA to develop and write test cases, test strategies, test plans and logging defects; validating data by using Oracle SQL Developer and writing SQL queries; utilizing Agile methodology, SharePoint and Python; performing equity and order management system analysis as well as testing including Regression, Sanity, Smoke, GUI, Data Driven, Batch, Integration, Back End, Black Box, End-to-End, Failover and automated testing. Apply to www.db.com/careers and search by professionals, keyword SR1736.

Assistant Vice President

DB USA Core Corporation seeks an Assistant Vice President, Infrastructure, in New York, NY to develop, create, and modify complex computer applications software and specialized utility programs to support systems in the high value payments domain. Requires a Bachelor's degree in Computer Information Systems, Computer Science, or a related field or equivalent and five (5) years of progressively responsible experience integrating and deploying applications in the quality assurance, performance, user acceptance testing, and production environments for a financial services institution. Must include at least five (5) years of progressively responsible experience performing analysis, design, code, and unit test case reviews; analyzing system performance bottlenecks utilizing OEM, AWR Reports and JConsole; providing L3 support for production issues; working with high value payment processing using SWIFT message formats and US and European Clearing systems; designing and implementing complex SQL queries for software development and production support; and utilizing MS Visio, Eclipse, SVN, SQL Navigator, Maestro scheduler, Core Java/J2EE, EJB, Spring Framework, JavaScript, JSP, XML, SQL PL/SQL, Oracle and MongoDB databases, IBM MQ, Oracle and MongoDB framework in Weblogic application server, and Solaris box; and employing V-Model, and Agile MDD methodologies. Apply to www.db.com/careers and search by professionals, keyword SR1736.

Vice President

Deutsche Bank Securities Inc. seeks a Vice President, M&A, in New York, NY to apply advanced financial, economic, quantitative and qualitative methods and principles to evaluate and execute acquisitions, financings and equity raising transactions. Requires a Bachelor's degree in Business Administration, Finance, Economics, or related field or equivalent and five (5) years of progressively responsible experience utilizing valuation techniques, including trading and transaction comparables, Discounted Cash Flow, Leveraged Buyout, and Dividend Discount Models. Must have at least five (5) years of progressively responsible experience executing detailed analysis of financial statements and preparation of detailed valuation and industry-specific (financial technology and capital goods) operational models, preparing transaction-related documentation including process and bid instruction letters, and negotiating documentation with counterparties; developing financial models, operational models, documents, and presentations; executing Mergers & Acquisitions projects and transactions; coordinating projects from mandate pitch through transaction completion, including coordination of external co-advisory firms, accountants, legal counsel and consultants; and working on domestic and cross-border Mergers & Acquisitions transactions including setting transaction scope of work for external advisers, reviewing and commenting on third party analyses, and recommending third parties to clients. Apply to www.db.com/careers and search by professionals, keyword SR1736.

CAREERS

Finance-Associate

(New York, NY): Perform trading tasks for a portfolio of credit default swap (CDS/CDX) positions, including monitoring the book, executing hedge trades, novations & position transfers & pricing healthy & distressed credits. Perform trading tasks for a portfolio of total return swap (TRS) positions, including monitoring the book, unwinding trades, executing trades that align with business mandates & existing facility guidelines, renegotiating existing positions & facilities, maintaining client relationships & pricing & monitoring credit risks in leveraged loans & bonds. Perform trading tasks for structured credit positions, including asset swaps, credit-linked asset swaps, extinguishers, structured repos, variable funding notes (VFN) & TRS facilities. Monitor the structured credit positions book, renegotiate existing positions & facilities, review special purpose vehicles (SPV) counterparties, analyze legal documents that govern structured trades & price & review credit risk. Perform trading tasks for mortgage credit positions, including asset back securities (ABS), collateralized default obligations (CDO), credit default swaps on asset back securities (ABS CDS), asset back index (ABX), collateralized mortgage back security (CMBS), TRS, repos & structured product cash bonds. Perform trading tasks for balance guaranteed swaps (BGS) positions, including interest rates, bases & foreign exchange risk that arise from mortgage SPV & monitor the BGS book. Req: Master's degr plus 2 yrs exp. Please forward your resume to Credit Suisse, P.O. Box F018CSNY, 220 W. 42nd St., 12th Fl., New York, NY 10036. No phone calls.

Software Engineering

New York, NY: Analyze complex data analytic workflow reqs. Req: Bachelor's in Comp. Engg., CS, IT, Engg., or rel. field + 5 yrs. exp. in job offered or as App. Dev., SW Dev./Eng., IT Cnsl., or rel. occ. Req: 5 yrs. exp. w/ full app. dev. life cycle incl. analy., arch., dsgn., devt., review, testing, & deployment; dsgn. & dev. app. using Java & J2EE platforms; Oracle & Sybase; working in fin'l svcs. dom., transiting bus. reqs. into bus. req. docs. & tech. sol.; creating app. dsgn. using UML; SQL; reprinting tools: Tableau & Business Objects; & JIRA for Agile-based devt. Req: 3 yrs. exp. w/ acting as prod. owner on Agile or Scrum team; web devt. leveraging JSON, XML, & Flex; Maven; Tortoise SVN, Jenkins, Eclipse, Crucible; Greenplum; TOAD; & supp. risk apps. in market risk, counterparty risk, cred. risk, or oper'l risk. To apply, visit <http://careers.jpmorganchase.com> & apply to job #17010037. EOE, AAE, M/F/D/V. JPMorgan Chase & Co. All rights reserved. www.jpmorganchase.com

THE WALL STREET JOURNAL

Find Your Future Chief

Advertise Your Career Opportunities Every Wednesday

To place your ad, contact us at:

(800) 366-3975

or

sales.careers@wsj.com

© 2017 Dow Jones & Company, Inc.
All Rights Reserved.



Grocery-delivery firm Peapod is adding meal kits to its service.

Amazon Worries Grocery Services

BY HEATHER HADDON

Grocery-delivery companies are worried **Amazon.com Inc.** will sacrifice profits to deprive them of sales.

"They are one of our first competitors who doesn't really care about making money," Thomas Parkinson, co-founder of Peapod, a pioneering grocery-delivery service owned by **Ahold Delhaize NV**, said Tuesday at the WSJ Global Food Forum in New York. "So that's a challenge for us."

Amazon upended book selling and other retail sectors by concentrating on market share over margins. Grocery executives expect the e-commerce giant's purchase this summer of Whole Foods to presage a similar rush into their business. Amazon sold \$1.6 million in Whole Foods store-branded beans, cereal and other products online in the month after taking over the chain.

Pradeep Elankumaran, co-founder and chief executive of Farmstead, a San Francisco-area delivery startup, said he aims to make his company profitable relatively soon. "We do have to make money," the former Lyft Inc. executive said in an interview on the sidelines of the conference.

Mr. Elankumaran said

Farmstead has several thousand active users and has received \$3 million in venture funding since its launch. He said the company is using predictive algorithms to sell a more limited selection of products than the tens of thousands sold at traditional grocery stores, reducing warehousing costs.

"No one has ever done a good job in grocery delivery," Mr. Elankumaran said. "It's so outdated."

Dick Boer, chief executive of the Ahold Delhaize chain that operates grocery stores across the U.S. and Europe and bought Peapod in 2001, said he believes high transport costs outside densely populated urban areas will cap delivery in the U.S. "Your country is so big," Mr. Boer said. "There will be a kind of a limit on how far you can go with online delivery models."

Mr. Parkinson, who took orders by fax when he founded Peapod in 1989, said that he is adding meal kits to his product offerings.

He said that Peapod is working with food makers to develop meal kits that are less costly and contain less packaging than those sold by competitors such as Blue Apron Holdings Inc.

MEDIA

'Trolls' Animates Dreams of a Franchise

BY ERICH SCHWARTZEL

LOS ANGELES—NBCUniversal's \$3.8 billion acquisition last year of DreamWorks Animation put characters like Shrek and Felix the Cat under the Universal Pictures roof. Now, the Comcast Corp.-owned studio's plan for those characters is taking shape.

The best case study yet is "Trolls," the November 2016 release whose box-office success led executives at Universal to develop the neon-haired dolls into a Netflix Inc. series, NBC holiday special, live-entertainment attraction and theatrical sequel. "Trolls" was the first DreamWorks title released following the acquisition, and it grossed \$350 million at the world-wide box office.

Now, Universal is hoping "Trolls" can become that all-important prize for a Hollywood studio today: a franchise minting money far beyond the theater. Box-office volatility has led studios to invest in departments that provide steadier revenue streams than ticket sales, whether through theme-park attractions, consumer products or digital entertainment. Studios' prioritization of franchises has also catapulted the value of characters like the Trolls, which can be dusted off and turned into sequel-spawning, toy-selling concepts if they prove a hit with audiences.



© 20TH CENTURY FOX FILM/EVERETT COLLECTION

Universal's \$3.8 billion acquisition of DreamWorks began paying off with the box-office success of 'Trolls,' spawning plans for a sequel.

The franchise playbook has been perfected by Walt Disney Co., which plugs characters into an assembly line that keeps them in the public consciousness between movie installments that can seem secondary to the toys and theme-park tickets they sell.

Universal, with its Universal Studios theme parks and corporate cousins like NBC, is in a better position than nearly any other major studio to create its own version of the Disney playbook, analysts say.

The studio has nonetheless had to play catch-up, spending billions on the DreamWorks

acquisition and expanding its brand-development division 10-fold in the past two years to more than 400 employees across 14 offices. The division oversees consumer products, digital products and live entertainment tied to Universal properties, whether in a "Fast & Furious" live show or "Jurassic World" videogame.

The efforts are overseen by president of brand develop-

ment Vince Klaseus, a Disney veteran hired by Universal in 2014.

Mr. Klaseus was part of the due diligence team that evaluated the DreamWorks deal, and he said the "Trolls" production stuck out as a franchise opportunity.

"Trolls'" box-office total, including about \$154 million in the U.S. and Canada, didn't break records but it did exceed

expectations.

Now efforts are under way to keep "Trolls" in the marketplace ahead of a sequel in February 2020.

A "Trolls"-themed holiday special will air on Comcast's NBC network in late November, followed by a 52-episode Netflix show premiering in the first quarter of 2018. A live attraction "Trollseum" follows later next year and new "Trolls" digital shorts are being produced by DreamWorks employees and uploaded to YouTube once a week.

In many ways, Universal's plan for "Trolls" resembles what former DreamWorks Chief Executive Jeffrey Katzenberg spent several years trying to build, with his own television, digital and consumer-products arms. But DreamWorks could never escape investor impatience with its rocky box-office returns, and the studio was too small for its nontheatrical department to pick up the slack.

As studios grow more focused on the franchise model, only major players will be able to manage it successfully, said Craig Moffett, a media analyst at MoffettNathanson. "It takes real scale," he said.

Time Inc. Cuts Circulation, Frequency of Magazines

BY JEFFREY A. TRACHTENBERG

When it comes to the beleaguered print magazine business, Time Inc. is betting that less is more.

The publisher is cutting back on the circulation and frequency of some of its biggest titles, part of a far-reaching cost-reduction and restructuring program meant to ensure the profitability of its core brands.

The company gradually will reduce the weekly circulation of its flagship Time magazine by one-third to 2 million copies. That move is partly a recognition that it isn't worth it to keep printing as many pro-

motional copies. It also is aimed at focusing on a core audience considered more valuable to advertisers.

Time Inc. also is reducing the print frequency of seven titles, including Sports Illustrated, Entertainment Weekly and Fortune. The move is based, in part, on its research showing that consumers have less time for leaning back with magazines.

The circulation of People en Español also will be reduced.

"From an advertising perspective, clearly there are some headwinds in print," said Brad Elders, Time Inc.'s chief revenue officer. "What we're trying to do is reimagine the way we

produce these products in a long-term, sustainable way."

The print cutbacks could be a drag on the company's revenue. For example, Mr. Elders said that Time would have to reduce its ad rates to reflect the lower circulation it is guaranteeing.

But Mr. Elders believes the total cost savings from the entire print restructuring will more than offset the potential declines in advertising and newsstand revenue.

Time Inc. believes that a better print product will enable it to increase spending from current advertisers and attract new marketers, potentially offsetting lower ad rates.

The changes will be effective Jan. 1.

It will focus on a core audience considered more valuable to advertisers.

The continuing challenge for Time Inc. Chief Executive Rich Battista—like his peers throughout publishing—is how to manage a print business that is in steady decline. He is hop-

ing to inject new growth into the company with initiatives in digital video and branded content, but figuring out the most economical way to run the print business in coming years is also a high priority. He continues to believe in its future as a storytelling and advertising platform.

Advertising revenue fell 12% to \$374 million for the most recent quarter ended June 30, mostly because of a falloff in print. The print cutbacks are part of the \$400 million cost-cutting strategy that Time Inc. disclosed last August.

"Earlier this year we decided to step back and take a big pic-

ture view of the print landscape," Mr. Battista said. "If you were starting a print business today, how would you organize it?"

Mr. Battista said the company's research shows readers are "okay with fewer issues as long as the issues have more inside."

Sports Illustrated, for example, will publish 27 issues in 2018, including the Swimsuit edition, down from 38 this year.

Separately, Time Inc. has taken its lifestyle publication Coastal Living off the sale block after concluding the prices it was being offered weren't a reflection of fair value.

In complex markets searching for yield,

An alternative view can uncover growth.

Fiercely focused on your success.

NOMURA

Connecting Markets East & West

nomuraconnects.com

THE PROPERTY REPORT

KKR Dials Up Risk With Fund

Firm makes the most of Dodd-Frank rules now under assault by Trump administration

By PETER GRANT

KKR & Co. has closed a \$1.1 billion fund targeting the riskiest slice of commercial mortgage-backed securities in the latest sign the Dodd-Frank regulatory overhaul didn't hurt that market as much as some participants had feared.

The fund comes as the Treasury Department is proposing sweeping changes to rules put into effect after the 2008 financial crisis. Some of the changes would alter Dodd-Frank's risk-retention provisions that played a big role in the thinking of KKR and other investment firms that have raised such targeted funds.

The private-equity firm began planning the fund about two years ago, partly to take advantage of the provisions, which were designed to protect the mortgage and asset-backed securities markets from the large crash-related

losses they suffered. Drafters of the rules believed financial firms would be less likely to make bad loans if they were required to retain 5% of the securities on their books for five years.

In the commercial mortgage-securities market there was an additional twist to the Dodd-Frank rules. Underwriters would be able to comply with them if they sold the riskiest parts of the securities—known in the industry as the “B pieces”—to firms like KKR, as long as those buyers also didn't hedge or sell them for at least five years.

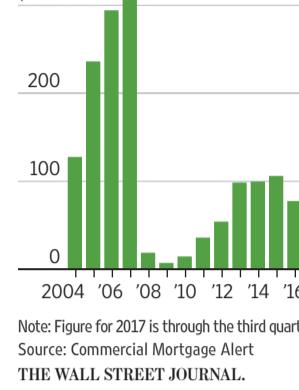
Drafters of Dodd-Frank believed such firms would provide an adequate check on banks and other loan originators because they would provide another layer of underwriting. B-piece buyers also have additional rights, including the ability to kick shaky loans out of mortgage pools.

“What we determined was there was going to be a need for an increase in capital for B-piece buyers,” said Matt Salem, who joined KKR in 2015 to help its real-estate unit start a lending business.

The returns on the B pieces

Staying Power

New issuance of commercial mortgage-backed securities is on pace to surpass the total for 2016.



Note: Figure for 2017 is through the third quarter.
Source: Commercial Mortgage Alert
THE WALL STREET JOURNAL.

can be in the 17% range, if none of the loans in the securitized pool suffer losses. But if losses are high, B-piece buyers can be completely wiped out. They suffered most of the \$29 billion in losses on the \$350 billion in commercial mortgage-backed securities issued in the boom years of 2006 and 2007, according to debt tracker Trepp LLC.

“They're not for the faint of heart,” said Manus Clancy, a

Trepp senior managing director.

The risk-retention rule went into effect for commercial mortgage securities last Christmas Eve. Since then, the KKR fund has been a leader in the B-piece market, investing about \$225 million in six commercial mortgage-securities transactions.

Other big market participants include **Rialto Capital Management**, Mr. Salem's former employer; **C-III Capital Partners**; **LNR Partners**; and **Eightfold Real Estate Capital**.

In all, about \$2 billion of B pieces are expected to be sold this year, according to Mr. Salem.

The strength of the B-piece market is one of the reasons issuance of commercial mortgage securities in 2017 is expected to top last year's \$77.6 billion.

When the risk-retention rules went into effect, some were concerned they would cause volume this year to fall sharply, partly because B-piece buyers would charge so much to hold the riskiest part for five years. Instead, the market improved, even though B-piece buyers are getting a higher re-

turn than they were getting last year, observers said. “The economics still worked” because buyers of the least risky portions of the securities have been willing to accept lower interest rates than last year, Mr. Clancy said.

Because those low-risk securities make up such a high proportion of commercial mortgage-securities issues, “that was enough to offset any loss you were going to have in the B-piece space,” Mr. Clancy said.

Risk retention is now under review as part of the Trump administration's efforts to overhaul postcrisis rule changes that targeted Wall Street.

A report released by the Treasury last week agreed that the skin-in-the-game requirement “can serve as a complement to other regulatory reforms...to provide added confidence to investors” in asset-backed securities.

But the report described risk retention as “an imprecise mechanism” and called on regulatory changes to decrease or eliminate the requirement for loans that are conservatively underwritten.

PLOTS & PLOYS

SELF-STORAGE

Rents on the Rise After Hurricanes

Average self-storage rents increased 0.9% in the third quarter from the same period a year earlier, partly because of stronger demand from areas affected recently by hurricanes, according to data from research firm **Green Street Advisors**.

“It is safe to assume that occupancies in hurricane-impacted markets, although difficult to measure with precision, are now nicely higher,” said Green Street.

The boost in demand managed to offset somewhat the impact of a boom in construction activity that has weighed on rents in many markets across the country, especially in Houston before Hurricane Harvey.

CubeSmart recorded average rent growth of 2.3% in the quarter. Rents in **Extra Space Storage Inc.** and **Public Storage** rose an average of 0.2% and 1.3%, respectively.

Average rents at **Life Storage Inc.** fell 1.5%. Life Storage earlier said it would keep its rate and leasing incentives unchanged in Houston and Florida and added that it already had a strong occupancy rate of about 92% in Houston before Harvey.

According to SpareFoot.com, a marketplace for storage facilities across the country, there had been a spike in demand for new rentals after the recent hurricanes in affected areas but it has now petered out.

Customers in storm-battered areas are likely to keep their boxes for a longer time than they initially anticipate, said Chuck Gordon, chief executive officer of SpareFoot. That would benefit places like Houston for the long term, but not enough to warrant more development projects.

—Esther Fung

VENTURE CAPITAL

Website for Pop-Ups Secures Funding

A venture-capital firm that focuses on real-estate technology is investing in a London startup that has created an online marketplace for pop-up stores.

Fifth Wall Ventures, which is backed by big names in the real-estate world like **Hines**, **CBRE Group Inc.** and **Macerich Co.**, has made a significant investment in **Appear Here**, said Brendan Wallace, Fifth Wall's managing partner. He declined to specify an amount or how much of a stake Fifth Wall is taking.

Founded in 2013, Appear Here has hooked up thousands of retailers with landlords in London and other U.K. cities. Its website includes more than 100,000 brands looking for space. The company, which enables retailers to sign leases for days or months, also has expanded to Paris and New York.

Pop-up stores selling seasonal goods like Halloween costumes have existed for years. But numerous online marketplaces have been launched to make it easier for tenants and landlords to find each other.

“We've standardized the process, which used to take six months, and made it take 48 hours,” said Ross Bailey, Appear Here's founder and CEO.

—Peter Grant

For Struggling Malls, Chance for a Rebirth

By ESTHER FUNG

Neighborhood shopping centers battered by store vacancies are finding solace in churches.

As retailers consolidate and shrink the number and sizes of their stores, retail center landlords, especially in weaker markets, are being forced to consider a wider range of prospective tenants that might not fit the conventional retail mold. Among them: houses of worship.

“Having a church becomes an asset because it creates a mixed-use space,” said Rodney Arnold, pastor at OneLife Church, based in Powell, Tenn. The church leases space both in Powell Place Shopping Center and at a building near Knoxville Center Mall in Knoxville.

Until recently, property owners have turned mainly to theaters, restaurants, medical and wellness clinics, and bowling alleys to fill space formerly occupied by retailers that have been plagued by the shift to online shopping and changing consumer tastes.

Churches usually weren't in the mix. Shopping center owners prefer tenants that draw foot traffic on a daily basis and often consider churches to be second-tier tenants because they aren't typically open all week. What's more, if rents aren't paid, landlords might find it harder to evict a church than another tenant.

But in weaker markets where vacancies are higher, it is more difficult for landlords to find complementary retailers, and churches are becoming palatable options.

“Churches are in the category of secondary uses for retail centers like charter schools and government offices,” said Lori Schneider, senior managing director at



As stores close, landlords are considering a wider range of tenants, including houses of worship. A OneLife Church in Powell, Tenn.

commercial real-estate firm Marcus & Millichap. “But depending on the amount of space they occupy, they could change the profile of the center.”

According to a Wall Street Journal analysis of August 2017 data from the Directory of Major Malls that tracks about 8,200 retail centers in the country, at least 111 malls and open-air centers have a church in them. Some have two or more.

The Outlets at Loveland in Loveland, Colo., has been an incubator for three churches and a synagogue. The tenants are a welcome addition in a market that is overly saturated with retail space, said its owner, **Craig Realty Group**.

At one point, the Outlets, which has a gross lease area of 330,000 square feet, had been as much as 45% vacant, after another 700,000-square-foot

retail center opened in 2005 nearby. “We're not in the church business, but we're in the business of providing space for a purpose,” said Steve Craig, president and chief executive officer of Craig Realty Group.

The Outlets started with a 6,000-square-foot lease to a synagogue in 2008. Three other churches subsequently approached the landlord, and as their churches expanded they started to lease more space. In all, the Outlets now leases a total 34,000 square feet to the four tenants, which bring roughly 1,000 people to the center on the weekends and about 500 people during the week, depending on the time of the year and the events they hold, said Mr. Craig.

“We've been delighted by that experience. I'm not saying that I'd do it for every prop-

erty, but for this it makes a lot of sense,” he said. The property is about 70% leased.

In Grand Cities Mall in Grand Forks, N.D., there are three churches located in the enclosed mall. The previous out-of-town owner had neglected the property, and the mall was bought in 2015 by Hope Church, which occupies the west side of the mall. The three churches, Hope Church, Thrive Church and Faith Presbyterian Church, have a total of 1,435 congregants in a given weekend, estimated Louis Christoffer, manager at Grand Cities Mall.

“There have been efforts to make it more community-focused, including the addition of an indoor playground,” said Mr. Christoffer, adding that there have been other tenants that have been brought in since, including a women's pregnancy center, a music

school and a lightsaber combat academy.

One advantage in bringing in a church as a tenant is that it requires less tenant improvement allowance. Another plus: Churches don't place restrictions on landlords such as prohibiting it from leasing space to other churches.

But sometimes, there are other hurdles.

In Knoxville, OneLife Church had eyed space that had been formerly occupied by shoe retailer Just For Feet. But the city had an ordinance prohibiting business from selling beer within 300 feet of any church or school, and the owner of Knoxville Center Mall worried about the possible loss of beer permits held by restaurants on the premises.

The City Council last October approved an amendment to remove the distance requirement for churches.

Florida Property Developers Court a Younger Demographic

By PETER GRANT

For years Boca Raton, Fla., was known by most people as the retirement town of Jerry Seinfeld's parents on the hit television show.

Now, developers are appealing to a younger crowd. In recent years, they have rolled out rental housing, retail and nightlife targeting people who are more into fine dining than early-bird specials.

Downtown Boca Raton is getting its first new luxury hotel in decades. **Penn-Florida Cos.**, a developer in the state for three decades, has obtained \$318 million in debt financing for a 2 million-square-foot project that includes a 164-unit Mandarin Oriental Hotel & Resort.

Penn-Florida secured the financing from **Mack Real Estate Credit Strategies**, a three-year-old firm that has become an active nonbank lender. These lenders have

been focusing on construction financing and other riskier loans that many traditional banks are reluctant to make.

Penn-Florida's project, named **Via Mizner**, includes the planned Mandarin hotel, a recently completed 366-unit rental apartment building, 88 condominiums and 60,000 square feet of retail space. The rental building, which opened last year, is about 50% leased, said Mark Gensheimer, chief executive of Penn-Florida.

Mr. Gensheimer said that when his company acquired the site for Via Mizner in 2007 he wasn't considering a rental building. But since then, “The entire country has changed its perspective on renting versus owning,” he said. “People that have the choice of either renting or owning have chosen to rent for the lifestyle.”

The U.S. homeownership rate hit 63.7% in the second quarter, the Census Bureau said. That is well below the

historical average but up nearly a full percentage point from a year ago, when it touched a 50-year low of 62.9%.

Via Mizner's website lists studios starting in the \$1,639-a-month range and three-bedroom units that run as much as \$6,055 a month.

Demand for hotel rooms in the area has been rising. The occupancy rate in the Boca Raton/West Palm Beach market was 74.9% for the first eight months of the year, up 0.7% compared with the same period last year, according to data firm STR Inc. The average daily rate was \$178.23, up 0.8%, the firm said.

But it isn't as if Morty and Helen Seinfeld would no longer feel at home in Boca Raton. More than 39% of the population was over 55 years old in 2015, roughly the same as 2010, according to the city's website. The country club lifestyle still appeals to many.

Siemens Group is developing a 139-unit condominium named Akoya Boca West in a private club community. About 50% of the units have sold, said Rob Siemens, a vice president.

The loan from Mack Real Estate provided funds to refinance the Via Mizner rental building, develop the Mandarin hotel and replace a land

loan that had been on the parcel where the condominium is going to be built. The interest-only floating-rate loan with a term of close to four years is designed to give the developer enough time to stabilize the project and obtain longer-term financing.

Penn-Florida selected Mack partly because principals of

the firm have extensive experience in development and understood the different dimensions of the Via Mizner plan, said Faisal Ashraf, chief executive of **Lotus Capital Partners**, which arranged the financing.

Mack Real Estate was formed by William and Richard Mack, an investment team that was active in such ventures as private-equity firm Apollo Real Estate Advisors, and Peter Sotoloff, who was head of debt origination for Blackstone Group LP. The firm expects to originate close to \$4 billion in loans this year, Mr. Sotoloff said.

Banks and other traditional lenders have become more active in making first mortgages on stabilized properties and other less-risky assets. But they have had less of an appetite for construction loans that pay higher interest rates but also are more risky, finance specialists say.



The apartment building of the Via Mizner project in Boca Raton.

HARVEY SMITH

MANAGEMENT

An Obsession With Amazon Customers

Jeff Wilke talks Whole Foods, hunt for second HQ and working with CEO Bezos

BY LAURA STEVENS

No matter how hard he works, **Amazon.com** Inc.'s chief executive of worldwide consumer is only the second most important "Jeff" at the company.

Still, Jeff Wilke's supervision now spans many of the Seattle-based company's core businesses, including retail, operations, technology and its marketplace and accompanying seller services. Part of the 18-year Amazon veteran's role is to obsess about the wants and needs of the retailer's customers.

Near the beginning of his career there, Mr. Wilke used his manufacturing expertise to help create a more efficient way of running Amazon's warehouses that made its two-day Prime shipping service possible. Mr. Wilke, who graduated with a degree in chemical engineering from Princeton University and an M.B.A. from Massachusetts Institute of Technology, also has molded the leadership principles that guide employee behavior.

Now Mr. Wilke is in charge of integrating Amazon's new subsidiary, Whole Foods Market Inc., and its roughly 87,000 employees. He also is part of the leadership team working on the company's search for a second North

American headquarters.

Wearing his traditional fourth-quarter flannel shirt, a nod to the company's more than 250,000 warehouse workers filling holiday orders, Mr. Wilke talked about Amazon's plans for Whole Foods, why it is splitting its headquarters in two and what it is like to disagree with Amazon CEO Jeff Bezos. Edited excerpts:

The Wall Street Journal: How do you approach major, company-shifting decisions like acquiring Whole Foods or creating a new headquarters?

Mr. Wilke: If the decision is reversible, we would prefer that people take a chance. You can walk through the door. If you don't like what you see on the other side, you just walk back through and you're fine. If it's not reversible, we spend a lot more time thinking about those. We will argue the merits of whatever decision we are making.

WSJ: Amazon encourages employees to fail big. Tell us about a big, fall-on-your-face failure.

Mr. Wilke: When we were deciding whether to do Kindle, Jeff [Bezos] presented his idea to the board. I thought at the time, "We're a software company that built a retail business. We don't know anything about hardware." I'd come from companies that

built hardware, so I knew how complicated it was. I said, "I don't think we should do this." I predicted that yields would be hard, that we might miss our first launch date, etc. Many of the things I predicted ultimately happened. But it didn't matter. Jeff at the time said, "It's the right thing to do for customers." I disagreed and committed, and I'm very glad I did.

WSJ: What did Mr. Bezos say to you after?

Mr. Wilke: Once we make a decision, we just move on. There are too many opportunities to invent for customers to keep score. All of us have been wrong at various times.

WSJ: Whole Foods is known for a more freewheeling, localized culture. What will Amazon have to change to integrate its new subsidiary?

Mr. Wilke: We've made a number of acquisitions over the years, and we work really

hard to respect the cultures that have been successful. There are some ways that we can help a subsidiary like Whole Foods with resources, maybe with ideas, maybe with some IT services that we've already built. But we don't want their culture to change.

WSJ: Amazon's culture isn't for everyone. How do you suss that out in the hiring process?

Mr. Wilke: There are lots of situations where you could decide to optimize for the customer or to get ahead of the competitor. We want to pay attention to competitors, but we obsess over customers. If I detect that they are too focused on competitors, they probably aren't going to be a great fit.

WSJ: Amazon is a retailer, a cloud-services provider, a film studio, a device company, a parcel carrier and a technology giant. An estimated 40%

of U.S. online spending goes to Amazon. What would you say to people who say the company is too big?

Mr. Wilke: In every one of the businesses that you describe, we have incredible competition. In world-wide retail, we're less than 1%. We think our job is to keep inventing for customers in each of these areas, and we hope that if we continue to invent well, they'll choose us to be one of the folks who wins.

WSJ: What's the reasoning behind splitting Amazon's headquarters in two?

Mr. Wilke: We have a lot of people in Seattle. We actually expect to add 2 million square feet and 6,000 people in the next 12 months here. But we think it's important if we're going to continue to grow, to make sure we have the space. And it'll diversify the opportunity for people to choose where they would like to live.

Sandberg Urges Diversity as Imperative

BY VANESSA FUHRMANS AND KHADEEJA SAFDAR

Facebook Inc. Chief Operating Officer Sheryl Sandberg and other business leaders warned companies against complacency in the effort to advance women in the workplace, arguing that there was a business imperative for committing to gender diversity.

Ms. Sandberg, at a New York event hosted by The Wall Street Journal, in part blamed the "tyranny of low expectations" for the still-low number of women in senior leadership roles.

She pointed to new data from LeanIn.Org—which was founded by Ms. Sandberg—and McKinsey & Co. showing that at companies where one in 10 senior posts is filled by a woman, 50% of men and 33% of women believe that's sufficient. "This has been happening for so long, on gender and on race, that we actually don't think more is achievable," she said.

McKinsey CEO Dominic Barton said he was worried that slow progress in boosting the number of women in managerial ranks would discourage companies from pursuing more ambitious targets. But, he added, the data showed hope: There was a difference in the outcomes between companies "who really went for it and those who did it in an average way."

Ms. Sandberg and other executives also condemned the recently alleged sexual misconduct of Hollywood producer Harvey Weinstein and those who had tolerated the behavior.

Such behavior can only be deterred by "disastrous consequences," said Ms. Sandberg.

"We cannot tolerate Harvey Weinstein-like behavior."



WUQAN ANG FOR THE WALL STREET JOURNAL

ADVERTISEMENT

Business Real Estate & Services

To advertise: 800-366-3975 or WSJ.com/classifieds

A Solid Investment.

Stake your claim in The Wall Street Journal's upcoming special advertising section, which will explore the real estate investment trust industry and reach investors and commercial real estate executives.

Issue: November 15 | **Close:** November 8

Section: Business and Finance

For more information on advertising opportunities, please contact:

Lauren Swan at lauren.swan@wsj.com / 212-597-5989

THE WALL STREET JOURNAL.
Read ambitiously

NAI Global

Access the World

Lease. Buy. Sell. Manage.
Commercial Real Estate Services for YOU.
+1 212 405 2500 | www.naiglobal.com


**MULTIFAMILY
LOAN SALE 2018-1**

Approximate Portfolio Size
Unpaid Principal Balance: \$21 Million
Total Number of Multifamily Loans: 2

Scheduled Bid Date
November 8, 2017

For further information please visit the HUD MLS 2018-1 website at

www.hud.gov/fhaloansales

MLS 2018-1 includes mortgage notes
secured by properties in the following states:
Missouri and Texas

Transaction Specialist

J.S. Watkins Realty Partners
4600 East West Highway, Suite 610
Bethesda, MD 20814

301-215-7269
mls2018-1@debtx.com
@jswpartners

This announcement is not an offer to sell or a solicitation of an offer to buy mortgage loans. Information concerning the mortgage loans will be furnished only to, and bids will be accepted only from, bidders who certify that they have such knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk and who certify that they have the resources to bear the risk of a purchase of the mortgage loans.

Commercial Real Estate

A Platform as Powerful as the People Who Use It.

To Advertise Your Commercial Property call 1-800-366-3975

For more information visit wsj.com/classifieds

THE WALL STREET JOURNAL.

© 2017 Dow Jones & Company, Inc. All Rights Reserved.

ADVERTISEMENT

Business Real Estate & Auctions

To advertise: 800-366-3975 or WSJ.COM/CLASSIFIEDS

VIRGINIA

Valuable Commercial Lot - Prime Location in Dahlgren, VA 22485

OCTOBER 24, 2017 @ 1:00 PM

Sale to be held on the premises

Property is believed to be 1.40+/- Acres, single parcel unimproved. Zoned C-2, General Trade. Eastern corner of Rt. 301 / James Madison Parkway and Commerce Drive, King George County – Parcel No. 9 82L.

Prime Commercial location with direct frontage on route 301. Large lot in high growth area with huge potential.

INVESTORS WELCOME. NO BUYER'S PREMIUM!

TERMS: A bidder's deposit of \$50,000.00 will be required at time of sale by certified funds or cashier's check. Settlement is to occur within Thirty (30) days from date of sale or sooner, time is of the essence, with the balance to be paid at settlement. Additional terms may be announced at time of sale. Broker Participation Welcome.

For complete terms and conditions visit www.atlanticauctions.com

or contact Jack Levi at

jlevi@bscamerica.com or (410) 803-4161

Atlantic
AUCTIONS, INC.

ARIZONA

ONLINE REAL ESTATE AUCTION

7.01± Net Acre Prime Development Site

IN THE HEART OF CENTRAL PHOENIX, ARIZONA

N 12th St. & DEVONSHIRE AVE., PHOENIX, AZ 85014

BEGINS: MON., DECEMBER 4TH AT 10 AM MST

ENDS: WED., DECEMBER 6TH AT 2 PM MST

CURRENT PROFESSIONAL APPRAISAL OF \$10,088,000

SITE WILL BE SOLD TO THE HIGHEST BIDDER AT OR ABOVE A BID PRICE OF \$5,500,000!

SALE INCLUDES EXISTING APARTMENT BUILDINGS WITH EXCELLENT INCOME!

In Cooperation with NAI Horizon | AUCTION SUBJECT TO TERMS OF SALE

800.331.6620 | www.fisherauction.com

FLORIDA
Business opportunity

Jasper, FL
3, 5ac Parcels
Potential: Dollar General,
Storage or fast food.
All 3 parcels or 1
Reasonably priced

Email: MWXY5Z@gmail.com

FLORIDA
Building For Sale

Busy restaurant. Site is an ideal redevelopment site with 2.4 acres in central Bradenton on major street close to downtown. 14,237 sf of custom building. Wide variety of uses.

Rae Hayo
941-920-0364 • hayo838@aol.com

WAGNER REALTY

NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE MKT and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session.
% CHG-Daily percentage change from the previous trading session.

Tuesday, October 10, 2017

NYSE highs - 197

InterXion INNX 52.44 -0.2 KKR Home KBH 23.43 0.9 AdvantageOil AAV 5.55 -3.4

Kemet KEM 16.83 -0.8 Avanture WAAS 12.52 -4.0

BrookfieldLiving BKD 10.19 2.3 BrookfieldLiving CIE 1.17 -1.4

ComstockRcs CRK 4.62 -4.9 ComstockRcs JBN 17.08 1.6

Dativa DVA 53.58 0.8 Dativa YEXT 11.92 -2.7

DeutscheMunilinmt KTF 12.13 -1.3 DeutscheMunilinmt KTF 12.13 -1.3

EnvisionHlthcr EVHC 42.27 -1.3 EnvisionHlthcr EVHC 42.27 -1.3

HCP 26.28 -1.5 HCP 26.28 -1.5

KinderMorganPfd KMPA 40.43 -0.2 KinderMorganPfd KMPA 40.43 -0.2

Markel RAD 1.81 -1.6 Markel RAD 1.81 -1.6

Smucker SJM 102.93 0.8 Smucker SJM 102.93 0.8

SpectrumBrands SPB 103.93 0.2 SpectrumBrands SPB 103.93 0.2

Yext YEXT 11.92 -2.7 Yext YEXT 11.92 -2.7

NYSE lows - 15

AdvantageOil AAV 5.55 -3.4

BrookfieldLiving CIE 1.17 -1.4

ComstockRcs CRK 4.62 -4.9

Dativa DVA 53.58 0.8

DeutscheMunilinmt KTF 12.13 -1.3

EnvisionHlthcr EVHC 42.27 -1.3

HCP 26.28 -1.5

KinderMorganPfd KMPA 40.43 -0.2

Markel RAD 1.81 -1.6

Smucker SJM 102.93 0.8

SpectrumBrands SPB 103.93 0.2

Yext YEXT 11.92 -2.7

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg Stock Sym Hi/Lo Chg

52-Wk %

BONDS

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

| Total return close | YTD total return (%) | Index | — Yield (%) — |
|--|----------------------|-------------------------------|---------------------|
| | | | Latest Low High |
| Broad Market Bloomberg Barclays | | | |
| 1938.49 | 3.1 | U.S. Aggregate | 2.570 2.050 2.790 |
| U.S. Corporate Indexes | 5.4 | U.S. Corporate | 3.150 2.870 3.520 |
| 2773.53 | 3.9 | Intermediate | 2.670 2.300 3.010 |
| 3822.57 | 8.8 | Long term | 4.170 4.110 4.710 |
| 566.74 | 4.1 | Double-A-rated | 2.610 2.230 2.870 |
| 715.95 | 6.0 | Triple-B-rated | 3.440 3.220 3.870 |
| High Yield Bonds Merrill Lynch | | | |
| 416.84 | 7.3 | High Yield Constrained | 5.467 5.399 6.858 |
| 417.15 | 8.5 | Triple-C-rated | 10.395 9.584 13.189 |
| 2864.47 | 6.7 | High Yield 100 | 5.109 4.948 6.448 |
| 378.10 | 7.4 | Global High Yield Constrained | 5.023 5.003 6.450 |
| 304.88 | 6.2 | Europe High Yield Constrained | 2.255 2.161 3.814 |
| U.S. Agency Bloomberg Barclays | | | |
| 1638.90 | 2.1 | U.S. Agency | 1.930 1.320 1.960 |
| 1467.19 | 1.4 | 10-20 years | 1.750 1.140 1.760 |
| 3337.25 | 6.8 | 20-plus years | 2.970 2.630 3.460 |
| 2452.96 | 4.6 | Yankee | 2.790 2.410 3.090 |

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds

**EMBI Global Index

| Total return close | YTD total return (%) | Index | — Yield (%) — |
|---|----------------------|---------------------|-------------------|
| | | | Latest Low High |
| Mortgage-Backed Bloomberg Barclays | | | |
| 1985.39 | 2.3 | Mortgage-Backed | 2.850 2.170 3.120 |
| 1953.92 | 1.8 | Ginnie Mae (GNMA) | 2.790 2.060 3.090 |
| 1163.99 | 2.4 | Fannie Mae (FNMA) | 2.870 2.220 3.120 |
| 1792.63 | 2.5 | Freddie Mac (FHLMC) | 2.880 2.230 3.130 |
| 521.45 | 4.5 | Muni Master | 1.927 1.668 2.516 |
| 364.71 | 5.0 | 7-12 year | 1.963 1.654 2.618 |
| 408.54 | 5.9 | 12-22 year | 2.386 2.070 3.047 |
| 392.81 | 5.8 | 22-plus year | 2.920 2.516 3.622 |
| Global Government J.P. Morgan | | | |
| 541.16 | 0.8 | Global Government | 1.470 1.010 1.560 |
| 746.53 | -0.9 | Canada | 2.180 1.370 2.190 |
| 368.15 | -0.2 | EMU\$ | 1.176 0.673 1.363 |
| 707.27 | 0.1 | France | 0.890 0.400 1.210 |
| 507.84 | -1.3 | Germany | 0.480 0.050 0.620 |
| 287.40 | -0.3 | Japan | 0.420 0.170 0.460 |
| 560.04 | -1.1 | Netherlands | 0.620 0.160 0.760 |
| 910.49 | -0.3 | U.K. | 1.670 1.340 1.790 |
| 803.80 | 8.8 | Emerging Markets** | 5.438 5.279 6.290 |

1 in local currency \$ Euro-zone bonds

Sources: Merrill Lynch; Bloomberg Barclays; J.P. Morgan

Cash Prices

Tuesday, October 10, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

| Tuesday | Tuesday | Tuesday |
|---------------------------------------|----------|-----------------------------------|
| Energy | | |
| Propane,tet,Mont Belvieu-g | 0.9590 | Coins,wholesale \$1,000 face-a |
| Butane,normal,Mont Belvieu-g | 1.0363 | 12951 |
| NaturalGas,HenryHub-g | 2.900 | Soybeans,No.1 yellw IL-bp,u |
| NaturalGas,TranscoZone3-i | 2.360 | 9.2350 |
| NaturalGas,TranscoZone6-NY-i | 2.390 | Wheat,Spring14%-pro Mnpls-u |
| NaturalGas,PanhandleEast-i | 2.470 | 7.1750 |
| NaturalGas,Opal-i | 2.500 | Wheat-No.2 soft red St.Louis-bp,u |
| NaturalGas,MarcellusNE PA-i | 1.030 | 4.1750 |
| NaturalGas,HaynesvilleLA-i | 2.810 | Wheat-Hard -KC (USDA) \$per bu-u |
| Coal,C.Aapl.,12500Btu,1.2S02-r,w | 55.500 | 5.6325 |
| Coal,PwdrRvBsn,8800Btu,0.8S02-r,w | 11.750 | Wheat,No.1soft white,Portl,OR-u |
| Metals | | |
| Gold, per troy oz | | 5.2063 |
| Engelhard industrial | 1293.34 | Food |
| Engelhard fabricated | 1309.34 | Beef,carcass equiv.index |
| Handy & Harman base | 1291.40 | choice 1-3,600-900 lbs.-u |
| Handy & Harman fabricated | 1433.45 | select 1-3,600-900 lbs.-u |
| LBMA Gold Price AM | *1282.15 | 174.08 |
| LBMA Gold Price PM | *1278.75 | Broilers,dressed A'-u |
| Krugerrand,wholesale-e | 1343.21 | Broilers,National comp wghtd-u,w |
| Maple Leaf-e | 1356.13 | Butter,AA Chicago |
| American Eagle-e | 1356.13 | Cheddar cheese,bbl,Chicago |
| Mexican peso-e | 1265.22 | Cheddar cheese,bch,Chicago |
| Austria crown-e | 1268.98 | Milk,Nonfat dry,Chicago,b |
| Austria phil-e | 1356.13 | Cocoa,Ivory Coast-w |
| Silver, troy oz. | | Coffee,Brazilian,Comp |
| Engelhard industrial | 17.2100 | Coffee,Colombian, NY |
| Engelhard fabricated | 20.6520 | Eggs,large white,Chicago-u |
| Handy & Harman base | 17.1800 | Flour,hard winter KC |
| Handy & Harman fabricated | 21.4750 | Hams,17-20 lbs,Mid-US fob-u |
| LBMA spot price (U.S. equivalent) | £12.9800 | Hogs,Iowa,So. Minnesota-u |
| | 17.1200 | Pork bellies,12-14 lb Mid-US-u |
| Grains and Feeds | | |
| Burlap,10-oz,40-in NY yd,n,w | 0.6150 | Pork loins,12-19 lb Mid-US-u |
| Cotton,1/16 std lv-mdMphs-u | 0.6895 | Steers,Tex-Oklahoma,Choice-u |
| Cottook 'A' Index-t | *78.80 | Steers,feeder,Oklahoma, City-u,w |
| Hides,hvy native steers piece fob-u | 61.000 | 158.38 |
| Wool,64s,staple,Terr del,u,w | n.a. | |
| Fibers and Textiles | | |
| Barley,top-quality Mnpls-u | n.a. | Fats and Oils |
| Bran,wheat middlings,KC-u | 69 | Corn oil,crude wet/dry mill-u,w |
| Corn,No.2 yellow,Cent IL-bp,u | 3.1350 | 35.5400 |
| Corn gluten feed,Midwest-u,w | 81.1 | Grease,choice white,Chicago-h |
| Corn gluten meal,Midwest-u,w | 473.2 | 0.2750 |
| Cottonseed meal,u,w | 230 | Lard,Chicago-u |
| Hominy feed,Cent IL-u,w | 88 | Soybean oil,crude,Centl IL-u |
| Meat-bonemeal,50% pro Mnpls-u,w | 255 | 0.3174 |
| Oats,No.2 milling,Mnpls-u | 2.9550 | Tallow,bleach,Chicago-h |
| Rice, 5% Broken White,Thailand-l,w | 380.00 | 0.3025 |
| Rice, Long Grain Milled, No. 2 AR-u,w | 24.00 | 0.3300 |
| Sorghum,(Milo) No.2 Gulf-u | 7.7100 | |
| Soybean Meal,Cent IL,rail,ton48%-u | 313.20 | |

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra,Tordella & Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; L=livewireindex.com; M=midday; N=nominal; n.a.=not quoted or not available; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; W=weekly; Z=not quoted. *Data as of 10/9

Source: WSJ Market Data Group

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose(▲) or fell(▼) in the latest session

| Coupon (%) | Maturity, in years | Yield (%) | | | | | | | | | | Spread Under/Over U.S. Treasuries, in basis points |
|------------|--------------------|-----------|--------|--------|--------|--------|--------|--------|--------|----------|-----------|--|
| | | Latest(▲) | 0 | 20 | 40 | 60 | 80 | 100 | 120 | Previous | Month ago | |
| 1.375 | U.S. 2 | 1.512 ▲ | 1.512 | 1.512 | 1.512 | 1.512 | 1.512 | 1.512 | 1.512 | 1.520 | 1.266 | 0.854 |
| 2.250 | 10 | 2.341 ▼ | 2.341 | 2.341 | 2.341 | 2.341 | 2.341 | 2.341 | 2.341 | 2.361 | 2.052 | 1.722 |
| 2.750 | Australia 2 | 1.948 ▲ | 1.948 | 1.948 | 1.948 | 1.948 | 1.948 | 1.948 | 1.948 | 1.926 | 1.863 | 1.695 |
| 2.750 | 10 | 2.841 ▲ | 2.841 | 2.841 | 2.841 | 2.841 | 2.841 | 2.841 | 2.841 | 2.830 | 2.587 | 2.147 |
| 0.000 | France 2 | -0.490 ▼ | -0.490 | -0.490 | -0.490 | -0.490 | -0.490 | -0.490 | -0.490 | -0.490 | -0.560 | -0.586 |
| 1.000 | 10 | 0.719 ▼ | 0.719 | 0.719 | 0.719 | 0.719 | 0.719 | 0.719 | 0.719 | 0.720 | 0.622 | 0.352 |
| 0.000 | Germany 2 | -0.691 ▼ | -0.691 | -0.691 | -0.691 | -0.691 | -0.691 | -0.691 | -0.691 | -0.686 | -0.755 | -0.660 |
| 0.500 | 10 | 0.445 ▼ | 0.445 | 0.445 | 0.445 | 0.445 | 0.445 | 0.445 | 0.445 | 0.449 | 0.312 | 0.057 |
| 0.050 | Italy 2 | -0.083 ▲ | -0.083 | -0.083 | | | | | | | | |

BIGGEST 1,000 STOCKS

How to Read the Stock Tables
 The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS.
 The list comprises the 1,000 largest companies based on market capitalization.
Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.
Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
 F-New 52-week high.
 F-New 52-week low.
 dd—Indicates loss in the most recent four quarters.
 FD—First day of trading.
 h—Does not meet continued listing standards.
 lf—Late filing.
 q—Temporary exemption from Nasdaq requirements.
 t—NSYE bankruptcy.
 v—Trading halted on primary market.
 vi—in bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, October 10, 2017

| | | Stock | Sym | Close | Chg | Net | Stock | Sym | Close | Chg | Net | Stock | Sym | Close | Chg | Net | Stock | Sym | Close | Chg | Net | Stock | Sym | Close | Chg | Net |
|--|--|----------------|------|--------|-------|------------------|-------|--------|-------|-------------------|-------|--------|-------------|-----------------|-------|--------|----------|------------------|-------|--------|-----------------|------------------|--------|--------|-------|-----|
| | | AcelorMittal | MT | 26.18 | -0.09 | CBP | CBD | 25.28 | 0.77 | K | 61.47 | 0.43 | Kellogg | KEY | 18.65 | 0.08 | Sanofi | SNY | 50.10 | -0.32 | UnitedRedents | UR | 141.55 | -0.94 | | |
| | | ArcherDaniels | ADM | 43.01 | -0.40 | CBRE | CBG | 39.06 | 0.25 | FBNH | 65.62 | -0.38 | KeyCorp | KEY | 18.65 | 0.08 | Sasol | SSL | 28.52 | 0.06 | US Bancorp | X | 54.23 | 0.38 | | |
| | | Arconic | ARCN | 27.39 | ... | CBSA | CBSA | 58.34 | -0.77 | FranklinRcs | BEN | 44.92 | 0.21 | KeySightTechs | KEYS | 42.17 | 0.41 | Scana | SCG | 49.11 | 0.31 | UnitedTech | UTX | 24.98 | -0.04 | |
| | | Aflac | AFL | 83.62 | 1.04 | CF Industries | CF | 34.48 | 0.04 | Freeport-McMoRan | FCX | 14.41 | -0.59 | KilroyRealty | KRC | 71.70 | 0.13 | NielsenHoldings | NLSN | 40.18 | -0.21 | UnitedTech | UTX | 118.12 | -0.51 | |
| | | AGCO | AGCO | 74.55 | -0.50 | CIT Group | CIT | 49.35 | -0.56 | FreseniusMed | FMS | 47.74 | -0.56 | KimberlyClark | KMB | 116.45 | 0.96 | Nike | NKE | 51.53 | 0.01 | UnitedHealth | UNH | 194.68 | -1.62 | |
| | | AT&T | AT | 35.50 | 0.20 | CrownCastle | CCI | 101.59 | -0.26 | GGP | 21.64 | -0.56 | KimcoRealty | KIM | 19.46 | 0.30 | NiSource | NI | 26.35 | 0.44 | UniversalHealth | UHS | 106.58 | -0.55 | | |
| | | AbbottLabs | ABBV | 55.40 | 0.74 | Cullen/Frost | CCF | 96.75 | 1.84 | Gallagher | AJG | 61.87 | -0.57 | KinderMorgan | KMI | 18.95 | -0.08 | NobleEnergy | NBL | 27.54 | -0.51 | UnumGroup | UNM | 52.43 | 0.14 | |
| | | AbbVie | ABBV | 91.17 | 0.39 | Cummins | CMI | 172.96 | 1.22 | Gap | GPS | 28.70 | -0.03 | Knight-Swift | KSS | 39.83 | 0.15 | Nokia | NOK | 5.92 | ... | SempraEnergy | SRE | 113.81 | 1.18 | |
| | | Accenture | ACN | 137.52 | 0.53 | Cummins | CMI | 102.29 | -0.28 | Gazit-Globe | GZT | 9.50 | -0.13 | KoninklijkePhil | PHG | 41.56 | 0.47 | SensataTech | ST | 48.60 | 0.14 | VerveIT | VER | 8.36 | 0.01 | |
| | | AcuityBrands | AYI | 168.79 | -2.36 | DTE Energy | DTE | 107.29 | -0.23 | GeneralDynamics | GD | 212.55 | -0.98 | KoreaElecPwr | KEP | 16.95 | 0.05 | NewmontMining | NEM | 37.99 | -0.38 | VfC | VFC | 45.61 | 0.10 | |
| | | Adient | ADNT | 84.21 | 0.28 | DeutscheBank | DB | 16.99 | 0.12 | GlobalPayments | GP | 98.52 | 0.37 | LambWeston | LW | 49.04 | 0.21 | NextEraEnergy | NEE | 149.03 | 0.13 | Ventas | VTR | 62.36 | -0.05 | |
| | | AdvanceAuto | AAP | 91.84 | 0.72 | DevonEnergy | DVL | 36.00 | 0.21 | Goldcorp | GG | 13.30 | -0.08 | LasVegasSands | LVS | 63.36 | -0.30 | NorthropGrumman | NOC | 293.33 | -0.53 | ValeoEnergy | VLO | 77.37 | 0.24 | |
| | | AdvSemiEngg | ASX | 6.32 | 0.06 | Digital Realty | D | 135.20 | 1.54 | GeneralMotors | GM | 45.21 | -0.12 | LATAMAirlines | LTM | 14.03 | 0.31 | Novalis | NVS | 85.74 | 0.29 | Vantiv | VTV | 71.46 | 0.30 | |
| | | Aegon | AEG | 5.66 | 0.10 | DiscoverDF | DFS | 119.76 | 0.39 | GenueineParts | GPC | 95.52 | 0.34 | LBrands | LB | 49.45 | 0.78 | Nucor | NUE | 55.37 | -0.03 | VarienMed | VAR | 100.40 | 0.03 | |
| | | AerCap | AER | 52.05 | -0.04 | DellTechnologies | DVMT | 79.08 | -0.11 | Gerdau | GGB | 3.47 | -0.16 | LG Display | LPL | 13.16 | -0.52 | NuStarEnergy | NS | 39.83 | -0.04 | Vedel | VEDL | 18.99 | 0.01 | |
| | | Aetna | AET | 112.55 | 0.05 | DeltaTech | DAL | 52.70 | 0.26 | Gilbane | GIL | 30.77 | 0.15 | LINe | LN | 36.46 | 0.18 | OfficeDepot | OFSK | 30.16 | 0.17 | VeeSystems | VEEV | 56.70 | -1.40 | |
| | | Aflac | AFL | 83.62 | 1.04 | DeltaTech | DAL | 52.70 | 0.26 | GloboSmith | GSK | 40.78 | 0.18 | L3 Tech | LLL | 187.57 | -0.12 | OccidentalPetrol | OXY | 64.50 | -0.02 | Ventas | VTR | 62.36 | -0.05 | |
| | | AffiliatedMtrs | AM | 195.22 | 1.10 | DevonEnergy | DVL | 36.00 | 0.21 | GoAvailActions | AVL | 8.99 | 0.07 | Leidos | LDS | 62.15 | 0.15 | Smith&Neppel | SN | 37.81 | 1.67 | Vizon | VZ | 49.14 | 0.09 | |
| | | AgilentTechs | A | 66.60 | 0.04 | DolanTech | DLY | 57.80 | -0.13 | GopAvailActions | AVL | 8.99 | 0.07 | Lennar | L | 56.24 | 0.04 | Smucker | SJM | 103.69 | 0.79 | VtivEnergy | VTE | 18.81 | -0.12 | |
| | | AiginoEagle | AEM | 45.95 | -0.35 | DollarGeneral | DG | 80.94 | 1.76 | GoFinSantander | BSM | 9.41 | -0.16 | Lennar B | LENB | 47.42 | -0.14 | NorthropGrumman | NOC | 293.33 | -0.53 | Wal-Mart | WMT | 84.13 | 3.60 | |
| | | Aigruim | AGU | 105.78 | -0.25 | DominionEne | D | 77.74 | 1.10 | GroupTelevision | TV | 23.42 | -0.06 | LennoxIntl | LKX | 181.50 | -2.61 | OwnsCoring | OC | 71.32 | -0.25 | Wal-Mart | WMT | 84.13 | 3.60 | |
| | | AlarisProducts | APU | 153.19 | 0.45 | DukeEnergy | DRE | 28.90 | -0.12 | GuidewireSoftware | GWR | 78.56 | 0.86 | LeucadiaNat | LKX | 45.06 | -0.25 | Pancom | OMC | 74.45 | -0.22 | WasteConnections | WCN | 69.88 | 0.94 | |
| | | AlaskaAir | ALK | 60.68 | 0.27 | DouglasEmmett | DEI | 40.21 | -0.21 | HCA | HCA | 75.45 | -0.19 | LeggettPlatt | LEG | 47.97 | -0.30 | SimonProperty | SPG | 162.91 | 2.15 | WebbEnergy | WEB | 149.78 | -0.81 | |
| | | Albermarle | ALB | 137.77 | 1.22 | DowDuPont | DWP | 71.57 | -0.11 | HedgeFund | HFD | 80.52 | -0.01 | LevelComm | LVL | 47.44 | -0.19 | Smith&Neppel | SN | 60.73 | -0.03 | WECnergy | WEC | 64.51 | 0.25 | |
| | | Albrite | ALB | 91.17 | 0.39 | DrFitterSnaps | DPS | 88.61 | 0.55 | HillBurton | HAL | 45.03 | -0.10 | Lennar | L | 56.24 | 0.04 | Smith&Neppel | SN | 60.73 | -0.03 | WPCarey | WPC | 68.60 | 0.29 | |
| | | Accentury | ACN | 137.52 | 0.53 | DrReddy'sLab | RDY | 36.52 | -0.09 | Hospitality | HOT | 45.03 | -0.10 | Lennar B | LENB | 47.42 | -0.14 | Smith&Neppel | SN | 60.73 | -0.03 | Wabtec | WAB | 75.03 | -0.32 | |
| | | AcuityBrands | AYI | 168.79 | -2.36 | DukeEnergy | DRE | 87.17 | 0.14 | Hanesbrands | HBI | 23.79 | -0.14 | LennoxIntl | LKX | 181.50 | -2.61 | Smucker | SJM | 103.69 | 0.79 | Wal-Mart | WMT | 84.13 | 3.60 | |
| | | Adient | ADNT | 84.21 | 0.28 | DukeEnergy | DRE | 87.17 | 0.14 | Hanover | HBI | 23.79 | -0.14 | LennoxIntl | LKX | 181.50 | -2.61 | Snap | SNA | 150.25 | -0.69 | VornadoRally | VNO | 78.93 | 1.13 | |
| | | AdvanceAuto | AAP | 91.84 | 0.72 | DukeEnergy | DRE | 87.17 | 0.14 | Hanover | HBI | 23.79 | -0.14 | LennoxIntl | LKX | 181.50 | -2.61 | Snap | SNA | 150.25 | -0.69 | VornadoRally | VNO | 78.93 | 1.13 | |
| | | AdvSemiEngg | ASX | 6.32 | 0.06 | DukeEnergy | DRE | 87.17 | 0.14 | Hanover | HBI | 23.79 | -0.14 | LennoxIntl | LKX | 181.50 | -2.61 | Snap | SNA | 150.25 | -0.69 | VornadoRally | VNO | 78.93 | 1.13 | |
| | | Aegon | AEG | 5.66 | 0.10 | DukeEnergy | DRE | 87.17 | 0.14 | Hanover | HBI | 23.79 | -0.14 | LennoxIntl | LKX | 181.50 | | | | | | | | | | |

MUTUAL FUNDS

Explanatory Notes

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR%RET is trailing three-year return annualized.

e-Ex-distribution. f-Previous day's quotation. g-Footnotes x and s apply. j-Footnotes e and s apply. k-Recalculated by Lipper. l-Distribution costs apply. l-2011 r-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. V-Footnotes x and e apply. X-Ex-dividend. Y-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper; data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Data provided by LIPPER

| Fund | NAV | Net Chg | YTD % Ret |
|----------------------------|-------|---------|-----------|
| American Century Inv Ultra | 43.74 | +0.03 | 25.4 |
| American Funds Cl A | 31.35 | +0.03 | 16.8 |
| AMCpA p | 41.02 | +0.15 | 13.0 |
| BalA p | 27.19 | +0.03 | 11.3 |
| BondA p | 12.96 | -0.02 | 3.1 |
| CapBla p | 63.08 | +0.02 | 12.1 |
| CapWGrA | 51.73 | -0.03 | 19.8 |
| EupacA p | 56.32 | +0.45 | 27.5 |
| FdInvA p | 62.49 | +0.12 | 16.9 |
| GwthA p | 50.23 | -0.02 | 19.5 |
| Hl TrA p | 10.49 | -0.02 | 6.6 |
| ICAA p | 40.80 | +0.11 | 13.9 |
| IncoA p | 23.41 | +0.07 | 10.4 |
| N PerA p | 44.22 | +0.17 | 25.2 |
| NEcoA p | 46.57 | +0.18 | 29.5 |
| NwWrldA | 65.66 | +0.43 | 27.6 |
| SmCpa p | 56.13 | +0.18 | 22.1 |
| TxExA p | 13.00 | -0.02 | 2.1 |
| WshA p | 44.98 | +0.09 | 14.0 |

| Fund | NAV | Net Chg | YTD % Ret |
|-----------------------|-------|---------|-----------|
| Baird Funds AggBdlnst | 10.90 | +0.01 | 3.7 |
| CorBdlnst | 11.26 | +0.01 | 4.2 |

| Fund | NAV | Net Chg | YTD % Ret |
|-------------------------------|-------|---------|-----------|
| BlackRock Funds A GblAilloc p | 20.21 | +0.07 | 11.2 |

| Fund | NAV | Net Chg | YTD % Ret |
|----------|-------|---------|-----------|
| EqtyDivd | 22.98 | +0.09 | 12.0 |

| Fund | NAV | Net Chg | YTD % Ret |
|-----------|-------|---------|-----------|
| GblAilloc | 20.33 | +0.06 | 11.4 |

| Fund | NAV | Net Chg | YTD % Ret |
|---------|------|---------|-----------|
| HlYrdBd | 7.86 | +0.01 | 7.5 |

| Fund | NAV | Net Chg | YTD % Ret |
|---------------|------|---------|-----------|
| StratnOptylns | 9.98 | +0.01 | 4.2 |

| Fund | NAV | Net Chg | YTD % Ret |
|-------------------------------|-------|---------|-----------|
| Bridge Builder Trust CoreBond | 10.20 | +0.01 | 3.7 |

| Fund | NAV | Net Chg | YTD % Ret |
|--------------------|-------|---------|-----------|
| D Del Invest Instl | 21.02 | +0.06 | 8.1 |

| Fund | NAV | Net Chg | YTD % Ret |
|-----------------|------|---------|-----------|
| Dimensional Fds | 5.62 | +0.08 | 5.5 |

| Fund | NAV | Net Chg | YTD % Ret |
|-----------|-------|---------|-----------|
| 5GlbFxdnc | 11.02 | ... 2.2 | |

| Fund | NAV | Net Chg | YTD % Ret |
|----------|-------|---------|-----------|
| EmgMktVa | 29.91 | +0.23 | 26.6 |

| Fund | NAV | Net Chg | YTD % Ret |
|------------|-------|---------|-----------|
| EmkMtCorEq | 22.18 | +0.20 | 29.6 |

| Fund | NAV | Net Chg | YTD % Ret |
|-----------|-------|---------|-----------|
| IntCoreEq | 14.12 | +0.17 | 23.3 |

| Fund | NAV | Net Chg | YTD % Ret |
|---------|-------|---------|-----------|
| IntVatl | 19.73 | +0.16 | 20.5 |

| Fund | NAV | Net Chg | YTD % Ret |
|---------|-------|---------|-----------|
| IntSmCo | 21.43 | +0.18 | 25.3 |

| Fund | NAV | Net Chg | YTD % Ret |
|---------|-------|---------|-----------|
| IntSmVa | 23.38 | +0.20 | 23.6 |

| Fund | NAV | Net Chg | YTD % Ret |
|------------|-------|---------|-----------|
| US CoreEq1 | 21.80 | +0.05 | 14.4 |

| Fund | NAV | Net Chg | YTD % Ret |
|------------|-------|---------|-----------|
| US CoreEq2 | 20.75 | +0.08 | 12.8 |

| Fund | NAV | Net Chg | YTD % Ret |
|----------|-------|---------|-----------|
| US Small | 36.48 | +0.13 | 8.5 |

| Fund | NAV | Net Chg | YTD % Ret |
|-----------|-------|---------|-----------|
| US SmCpVa | 39.11 | +0.17 | 5.1 |

| Fund | NAV | Net Chg | YTD % Ret |
|-----------|-------|---------|-----------|
| US TgdVal | 26.37 | +0.08 | 5.5 |

| Fund | NAV | Net Chg | YTD % Ret |
|--------|-------|---------|-----------|
| USLvgA | 38.71 | +0.10 | 11.9 |

| Fund | NAV | Net Chg | YTD % Ret |
|-------------|--------|---------|-----------|
| Dodge & Cox | 109.21 | -0.02 | 9.1 |

| Fund | NAV | Net Chg | YTD % Ret |
|----------|-------|---------|-----------|
| Balanced | 46.00 | +0.01 | 3.7 |

| Fund | NAV | Net Chg | YTD % Ret |
|----------|-------|---------|-----------|
| GblStock | 44.04 | +0.03 | 17.9 |

| Fund | NAV | Net Chg | YTD % Ret |
|--------|-------|---------|-----------|
| Income | 13.82 | ... 3.9 | |

| Fund | NAV | Net Chg | YTD % Ret |
|----------|-------|---------|-----------|
| Intl Stk | 46.85 | +0.21 | 23.0 |

| Fund | NAV | Net Chg | YTD % Ret |
|----------------|--------|---------|-----------|
| TotalDne Funds | 201.91 | -0.04 | 12.7 |

| Fund | NAV | Net Chg | YTD % Ret |
|-----------|-----|---------|-----------|
| TotRetBdI | NA | ... NA | |

| Fund | NAV | Net Chg | YTD % Ret |
|-----------|-----|---------|-----------|
| TotRetBdN | NA | ... NA | |

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

| Fund | NAV | Net Chg | YTD % Ret |
|------|-----|---------|-----------|
|------|-----|---------|-----------|

COMMODITIES

[WSJ.com/commodities](#)

Futures Contracts

Metal & Petroleum Futures

| | Contract Open | High | hilo | Low | Settle | Chg | Open interest |
|---|------------------|--------|------|--------|--------|-------|------------------|
| Copper-High (CMX) -25,000 lbs.; \$ per lb. | 1,5463 | 1,5796 | | 1,5424 | 1,5753 | .0290 | 97,730 |
| Oct 3.0255 3.0520 3.0215 3.0455 0.0285 1,690 | 2,836 | 2,896 | | 2,833 | 2,891 | .058 | 291,796 |
| Dec 3.0285 3.0705 3.0275 3.0605 0.0295 175,494 | 3.022 | 3.073 | | 3.014 | 3.071 | .053 | 167,551 |
| Gold (CMX) -100 troy oz.; \$ per troy oz. | 2,908 | 2,937 | | 2,905 | 2,936 | .025 | 120,431 |
| Oct 128.60 129.00 128.70 129.60 8.80 223 | 1,317 | 3.192 | | 3.135 | 3.189 | .049 | 160,660 |
| Dec 128.80 129.70 128.40 129.80 8.80 402,022 | 3.150 | 3.201 | | 3.146 | 3.200 | .048 | 83,931 |
| Feb'18 129.50 130.80 128.90 129.80 9.00 11,391 | 3.120 | 3.167 | | 3.117 | 3.166 | .044 | 141,167 |
| March 130.10 132.70 131.10 131.80 9.00 10,787 | 2.908 | 2,937 | | 2,905 | 2,936 | .025 | 120,431 |

| | Contract Open | High | hilo | Low | Settle | Chg | Open interest |
|---|------------------|--------|------|--------|--------|-------|------------------|
| Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu. | 1,5463 | 1,5796 | | 1,5424 | 1,5753 | .0290 | 97,730 |
| Nov 2,836 2,896 2,836 2,891 .058 291,796 | 3.022 | 3.073 | | 3.014 | 3.071 | .053 | 167,551 |
| Jan'18 3.137 3.192 3.135 3.189 .049 160,660 | 3.150 | 3.201 | | 3.146 | 3.200 | .048 | 83,931 |
| Feb 3.150 3.201 3.146 3.200 .048 83,931 | 3.120 | 3.167 | | 3.117 | 3.166 | .044 | 141,167 |
| March 3.120 3.167 3.117 3.166 .044 141,167 | 2.908 | 2,937 | | 2,905 | 2,936 | .025 | 120,431 |

Agriculture Futures

| | Contract Open | High | hilo | Low | Settle | Chg | Open interest |
|---|--|---|---|---|---|------|---|
| Corn (CBT) -5,000 bu.; cents per bu. | 349.00 | 351.25 | | 348.25 | 349.25 | -.25 | 792,226 |
| Dec 362.00 364.50 361.75 362.75 ... 269,697 | 325.25 | 325.25 | | 325.00 | 325.50 | .125 | 4,523 |
| March'18 362.00 364.50 361.75 362.75 ... 269,697 | 315.50 | 315.50 | | 315.30 | 316.20 | .70 | 155,840 |
| Soybeans (CBT) -5,000 bu.; cents per bu. | 966.00 | 967.75 | | 964.25 | 966.00 | -.75 | 302,004 |
| Jan'18 967.75 986.00 974.75 976.25 -1.00 155,840 | 315.10 | 315.30 | | 312.00 | 312.50 | 1.00 | 654 |
| Soybean Meal (CBT) -10,000 tons; \$ per ton. | 315.50 | 319.50 | | 315.30 | 316.20 | .70 | 159,146 |
| Dec 32.88 32.91 32.82 32.86 -.16 287 | 315.50 | 319.50 | | 315.30 | 316.20 | .70 | 159,146 |
| March 33.22 33.25 33.00 33.11 -.15 180,947 | 315.50 | 319.50 | | 315.30 | 316.20 | .70 | 159,146 |
| Rough Rice (CBT) -2,000 cwt.; \$ per cwt. | 118.40 120.00 118.00 120.00 18.00 7,497 | 121.50 123.50 121.50 123.20 19.00 2,452 | | 121.50 123.50 121.50 123.20 19.00 2,452 | 121.50 123.50 121.50 123.20 19.00 2,452 | | 121.50 123.50 121.50 123.20 19.00 2,452 |
| Wheat (CBT) -5,000 bu.; cents per bu. | 436.75 439.75 434.00 435.25 -.75 250,702 | 457.00 459.25 454.00 455.25 -.75 94,589 | | 457.00 459.25 454.00 455.25 -.75 94,589 | 457.00 459.25 454.00 455.25 -.75 94,589 | | 457.00 459.25 454.00 455.25 -.75 94,589 |
| Dec 431.00 435.50 429.00 431.25 .50 136,260 | 431.00 435.50 429.00 431.25 .50 136,260 | | 431.00 435.50 429.00 431.25 .50 136,260 | 431.00 435.50 429.00 431.25 .50 136,260 | 431.00 435.50 429.00 431.25 .50 136,260 | | 431.00 435.50 429.00 431.25 .50 136,260 |

Interest Rate Futures

| Company | Symbol | Yld% New/Old | Payable / Record | Amount New/Old | Frq | Payable / Record |
|---|--------|--------------|------------------|----------------|-----|------------------|
| Increased | | | | | | |
| Civista Bancshares | CIVB | 12 .07 /06 | Q | Nov01/Oct17 | | |
| MVC Capital | MVC | 5.8 15 /135 | Q | Oct31/Oct24 | | |
| Funds and investment companies | | | | | | |
| Clough Glob Eqty Fd | GLO | 10.5 1188 | M | Oct31/Oct20 | | |
| Clough Global Dividend | GLV | 10.3 1216 | M | Oct31/Oct20 | | |
| Clough Global Opp Fd | GLO | 10.5 .0994 | M | Oct31/Oct20 | | |
| Eagle Growth & Incm Opps | EGIF | 5.9 .083 | M | Oct31/Oct19 | | |
| KKR Income Opps Fund | KIO | 8.3 .125 | M | Nov30/Nov06 | | |
| KKR Income Opps Fund | KIO | 8.3 .125 | M | Dec29/Dec15 | | |
| KKR Income Opps Fund | KIO | 8.3 .125 | M | Jan31/Jan12 | | |
| KEY: A: annual; M: monthly; Q: quarterly; R: revised; SA: semiannual; S2: stock split and ratio; SO: spin-off. | | | | | | |

| | Contract Open | High | hilo | Low | Settle | Chg | Open interest |
|---|------------------|---------|------|---------|---------|-------|------------------|
| March'18 Wheat (MPLS) -5,000 bu.; cents per bu. | 448.75 | 453.00 | | 446.75 | 449.25 | .50 | 80,305 |
| Dec 623.00 627.75 615.75 617.50 -.575 36,283 | 637.25 | 641.00 | | 629.75 | 631.50 | -.575 | 23,696 |
| March'18 Cattle-Feeder (CME) -50,000 lbs.; cents per lb. | 154.000 | 154.975 | | 153.675 | 154.075 | .300 | 8,038 |
| Oct 155.725 156.975 155.150 156.150 .650 21,244 | 155.725 | 156.975 | | 155.150 | 156.150 | .650 | 21,244 |

Cattle-Live (CME)-40,000 lbs.; cents per lb.

| | Contract Open | High | hilo | Low | Settle | Chg | Open interest |
|---|------------------|---------|------|---------|---------|-------|------------------|
| Oct 111.750 114.050 111.750 113.700 2.275 15,306 | 117.050 | 119.100 | | 117.000 | 118.800 | 1.875 | 150,127 |
| Dec 59.675 60.400 59.575 60.175 1.150 14,807 | 61.225 | 62.350 | | 61.225 | 61.550 | .600 | 117,946 |
| Oct 41.600 41.750 41.570 40.730 6.40 4,355 | 43.600 | 43.800 | | 43.500 | 43.700 | .30 | 1,503 |
| Dec 16.65 16.70 16.60 16.70 0.04 4,089 | 16.70 | 16.70 | | 16.60 | 16.70 | 0.04 | 4,089 |

Cattle-Live (CME)-200,000 lbs.; cents per lb.

| | Contract Open | High | hilo | Low | Settle | Chg | Open interest |
|--|------------------|--------|------|--------|--------|-----|------------------|
| Oct 13.700 13.250 13.100 13.202 0.048 856 | 13.700 | 13.250 | | 13.100 | 13.202 | .0 | |

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

22830.68 ▲ 69.61, or 0.31%
 Last 20.91 20.10
 High, low, open and close for each trading day of the past three months.

P/E estimate * 19.30 17.61
 Dividend yield 2.25 2.59
 All-time high 22830.68, 10/10/17

Current divisor 0.14523396877348



Bars measure the point change from session's open

Weeklies P/E data based on as-reported earnings from Birinvi Associates Inc.

S&P 500 Index

2550.64 ▲ 5.91, or 0.23%
 Last 24.70 24.59
 High, low, open and close for each trading day of the past three months.

P/E estimate * 19.27 18.42
 Dividend yield 1.96 2.13
 All-time high 2552.07, 10/05/17



Nasdaq Composite Index

6587.25 ▲ 7.52, or 0.11%
 Last 25.98 24.35
 High, low, open and close for each trading day of the past three months.

P/E estimate * 21.15 19.97
 Dividend yield 1.10 1.20
 All-time high 6590.18, 10/06/17



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 | 22850.51 | 22770.99 | 22830.68 | 69.61 | 0.31 | 22830.68 | 17888.28 | 25.9 | 15.5 |
| Industrial Average | 22850.51 | 22770.99 | 22830.68 | 69.61 | 0.31 | 22830.68 | 17888.28 | 25.9 | 15.5 | 11.3 |
| Transportation Avg | 9988.38 | 9920.33 | 9928.48 | 63.59 | 0.64 | 9973.80 | 7967.02 | 22.8 | 9.8 | 7.9 |
| Utility Average | 739.49 | 731.18 | 739.43 | 7.64 | 1.04 | 754.80 | 625.44 | 15.4 | 12.1 | 9.6 |
| Total Stock Market | 26522.45 | 26412.20 | 26469.36 | 59.60 | 0.23 | 26496.16 | 21514.15 | 19.7 | 13.7 | 10.3 |
| Barron's 400 | 688.38 | 684.65 | 686.23 | 1.31 | 0.19 | 687.05 | 521.59 | 26.1 | 14.1 | 11.8 |

Nasdaq Stock Market

| | | | | | | | | | | |
|------------------|---------|---------|----------------|------|--|---------|---------|-------------|------|-------------|
| Nasdaq Composite | 6608.30 | 6561.78 | 6587.25 | 7.52 | 0.11 | 6590.18 | 5046.37 | 25.5 | 22.4 | 15.5 |
| Nasdaq 100 | 6084.14 | 6036.72 | 6063.52 | 4.99 | 0.08 | 6064.57 | 4660.46 | 25.7 | 24.7 | 16.1 |

Standard & Poor's

| | | | | | | | | | | |
|--------------|---------|---------|----------------|------|--|---------|---------|-------------|------|-------------|
| 500 Index | 2555.23 | 2544.86 | 2550.64 | 5.91 | 0.23 | 2552.07 | 2085.18 | 19.4 | 13.9 | 10.2 |
| MidCap 400 | 1823.08 | 1815.08 | 1818.58 | 5.41 | 0.30 | 1819.96 | 1476.68 | 19.6 | 9.5 | 11.7 |
| SmallCap 600 | 915.00 | 910.70 | 912.50 | 1.78 | 0.20 | 918.72 | 703.64 | 22.6 | 8.9 | 14.3 |

Other Indexes

| | | | | | | | | | | |
|---------------------|----------|----------|-----------------|-------|---|----------|----------|--------------|-------|--------------|
| Russell 2000 | 1511.33 | 1503.92 | 1508.01 | 4.44 | 0.30 | 1512.09 | 1156.89 | 22.8 | 11.1 | 12.7 |
| NYSE Composite | 12356.00 | 12321.61 | 12346.60 | 52.65 | 0.43 | 12346.60 | 10289.35 | 17.1 | 11.7 | 6.3 |
| Value Line | 545.01 | 542.02 | 543.32 | 1.30 | 0.24 | 545.78 | 455.65 | 14.5 | 7.3 | 6.1 |
| NYSE Arca Biotech | 4280.89 | 4244.29 | 4268.53 | 0.50 | 0.01 | 4304.77 | 2834.14 | 34.4 | 38.8 | 12.3 |
| NYSE Arca Pharma | 553.93 | 549.94 | 553.88 | 2.13 | 0.39 | 553.88 | 463.78 | 10.2 | 15.0 | 2.7 |
| KWB Bank | 100.84 | 100.12 | 100.76 | 0.61 | 0.61 | 100.76 | 70.90 | 39.3 | 9.8 | 13.5 |
| PHLX® Gold/Silver | 88.19 | 86.56 | 86.74 | -0.92 | -1.05 | 86.74 | 96.72 | 8.2 | 10.0 | 3.9 |
| PHLX® Oil Service | 141.90 | 138.74 | 138.84 | -0.13 | -0.10 | 138.84 | 192.66 | -17.2 | -24.5 | -16.8 |
| PHLX® Semiconductor | 1210.18 | 1194.85 | 1207.20 | 7.34 | 0.61 | 1207.20 | 802.88 | 48.1 | 33.2 | 29.1 |
| CBOE Volatility | 10.66 | 9.94 | 10.08 | -0.25 | -2.42 | 10.08 | 22.51 | -34.4 | -28.2 | -22.0 |

\$Philadelphia Stock Exchange

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 5,000 shares.

Most-active issues in late trading

| Company | Symbol | Volume (000) | Last | Net chg | % chg | After Hours | High | Low |
|---------------------------|--------|--------------|--------|---------|---|-------------|--------|-----|
| VanEck Vectors Gold Miner | GDX | 11,335.5 | 23.56 | -0.01 | -0.04 | 23.61 | 23.56 | |
| LendingClub | LC | 10,605.7 | 6.39 | ... | unch. | 6.39 | 6.38 | |
| Ambev ADR | ABEV | 10,166.9 | 6.73 | -0.01 | -0.15 | 6.74 | 6.72 | |
| Ford Motor | F | 8,679.0 | 12.38 | -0.01 | -0.08 | 12.39 | 12.36 | |
| Micron Technology | MU | 5,390.1 | 40.15 | -1.83 | -4.36 | 42.00 | 39.75 | |
| SPDR S&P 500 | SPY | 4,766.4 | 254.53 | -0.09 | -0.04 | 254.63 | 253.97 | |
| Vipshop Holdings ADR | VIPS | 4,762.8 | 8.34 | 0.06 | 0.72 | | | |

BANKING & FINANCE

Vanguard Adds \$300 Billion to Arsenal

Inflow in first nine months of 2017 nearly matches the results for all of last year

BY SARAH KROUSE

Investors plowed nearly \$300 billion into Vanguard Group funds in the first nine months of this year, nearly matching flows into the firm for all of 2016, in the latest affirmation of the primacy of low-cost passive investing.

The torrent of investor money extends a winning

streak for the Malvern, Pa., firm, which has emerged as one of the chief beneficiaries of Americans' embrace of index funds during an eight-year-old U.S. stock bull market.

Vanguard has been the fleetest among many firms on Wall Street in offering consumers cheap, easy ways to act on a simple idea: Most actively managed mutual funds trying to pick winning stocks don't perform well enough to justify the fees they charge.

The concept, embraced by Vanguard founder John C. Bogle in 1975, has since spread in varying degrees into a host

of other asset classes, from bonds to currencies. In some of these markets, the rise of passive products has only recently begun.

"It's a high cost/low cost debate," said Vanguard Chief Executive Officer F. William McNabb III in an interview Tuesday. "Last year was one that I never thought we'd see again," in terms of firmwide flows, he added.

Vanguard's assets topped \$4 trillion for the first time at the end of January and have continued their upward climb since, now reaching \$4.7 trillion. The firm's rise and the

growth of passive investing broadly are prompting changes spanning the financial world, from corporate governance to market structure.

At the same time, many investors fret that the passive revolution that has fed the growth of Vanguard and rivals such as BlackRock Inc. is itself creating a series of structures that haven't been tested and could be vulnerable to unpredictable behavior in a downturn.

"I don't think that there's much that changes these flows until we have a negative market," said Daniel Wiener, edi-

tor of the Independent Adviser for Vanguard Investors, an independent newsletter that follows Vanguard funds. "I can't tell you when that happens, but when it does there will be a lot of very surprised investors," he added.

Mr. McNabb acknowledged that a sharp downturn would "certainly" cause investors to dial back their investments in the stock market. Such a move could at least slow down the surge of money into passive investments.

He added, today, "you're still seeing the highest level of flows into riskier assets than

at any time in my career."

Vanguard long set itself apart as a firm owned by its fund shareholders that offered rock-bottom fees and refused to pay for distribution of its funds. It started the first index fund for individual investors 40 years ago.

This year, some \$516 billion has flowed into U.S. mutual funds and exchange-traded funds, according to research firm Morningstar Inc., with the vast majority of that investor cash flowing into index funds such as ETFs.

—Rob Copeland
contributed to this article.



Eminem is featured in publicity for a share offering of a firm that will buy some royalties from his music. He has no part in the IPO.

Startups Use Stars to Promote IPOs

BY CORRIE DREIBUSCH
AND BEN EISEN

Some startups are trying to lure investors to a risky new kind of share offering with an old tactic: the sheen of celebrity.

These firms are using a process known informally as Regulation A+, which is meant to help small businesses that are typically ignored by big investment banks to go public through a crowdfunding approach.

Since this process is less regulated than a traditional initial public offering, it has enabled small companies to turn to boldfaced names like actor Ashton Kutcher or lesser-known figures like a bit player in the sitcom "Seinfeld" to promote their businesses in ways that regulators would question or even prohibit for larger companies.

Reg A+ is still in its infancy and is off to a slow start. Only five companies have used it to list on major U.S. exchanges. Four of them are trading below their IPO prices, while the broader market has been rising.

Whether celebrity endorsements can generate more interest and better results remains to be seen. But dozens of companies are still trying to list through this shortcut approach, and a number are hoping star affiliations will rub off on them.

Royalty Exchange is the latest example. The Denver firm, which runs a music royalty auction website, last month filed plans to launch an offshoot that will purchase some of the sound-recording royalties generated by rapper Eminem's music. In announcing its subsidiary's plans to go public, the company repeatedly mentioned Eminem's

Up and Down

Of the five companies that have used a new type of share offering under Regulation A+, four are trading below their IPO prices.

Change in share price since IPO*



*Chart includes change in S&P 500 since June 9 for comparison

Source: FactSet

THE WALL STREET JOURNAL.

name in a press release and during the CEO's TV appearances. "The star power helps a lot," said Matt Smith, CEO of Royalty Exchange. He noted that the popularity of an artist typically means its royalties are more valuable.

The company says 7,500 people have signed up to be notified when the shares are offered for sale.

Eminem, who has no part in the IPO, was less enthused. A spokesman said he "has no connection to this company" and "Eminem was not consulted." The decision was made by a third party who retains royalties for an early portion of his catalog, the spokesman added.

Some financial advisers worry that celebrity affiliations could distract potential mom-and-pop investors from looking closely at the companies they are funding.

"Many investors don't understand these investments," said Winnie Sun, a financial adviser in Irvine, Calif. "With a celebrity name, I worry you're buying for the wrong reasons, to get in on a cool celebrity club, rather than the right reasons, or fully understanding the business."

The Securities and Exchange Commission has also scrutinized celebrity involvement and prohibits advisers from using such endorsements in advertisements.

Regulators balked when mutual-fund company Franklin Templeton placed football legend Joe Montana in ads during the early 1990s. The SEC eventually relented, but only after Franklin Templeton agreed to put stricter parameters around such ads to make sure they weren't misleading.

In the 1980s, actor John Houseman appeared in com-

mercials for Smith Barney in which he exhorted: "They make money the old fashioned way. They earn it." There were fewer restrictions since the ads didn't promote specific products.

With Reg A+ companies, the SEC has offered much greater latitude for marketing their offerings, and it doesn't restrict who can appear in the ads.

In one case, YayYo, a company that billed itself as a ride-hailing aggregation app, used late-night TV commercials for its Reg A+ offering that featured John O'Hurley, the actor who played fashion-catalog mogul J. Peterman on "Seinfeld."

YayYo says it paid Mr. O'Hurley for his endorsement but declined to say how much. The company has since changed course, and Ramy El-Batrawi, YayYo's founder, said the firm is now focusing on buying cars and renting them to drivers. He has stopped running the J. Peterman ads on TV.

Executives at Chicken Soup for the Soul Entertainment, known for the book series of the same name, went on the road to pitch the IPO of its entertainment arm. They talked often about Mr. Kutcher, who is an executive producer and shareholder.

Even though Mr. Kutcher never made an appearance, William Rouhana, CEO of the entertainment unit, said, potential investors told him the actor's involvement "resonated." The offering in August raised \$30 million.

The stock's performance, however, has been less pretty. On its first day of trading, shares tumbled 14% from its \$12 IPO price. It closed Tuesday at \$7.78.

Goldman Sachs Group Inc. is hiring two technologists at the elite rank of partner, as Wall Street's computer nerds continue to expand their power base.

Jeff Wecker will join as Goldman's chief data officer, with a goal of helping the firm sort through, and in some cases begin to sell, the reams of data it collects every day, the bank said. He comes from Bridgewater Associates, the world's biggest hedge fund.

Mr. Wecker spent a decade trading derivatives for Goldman in New York and Tokyo before leaving in 1994. He later launched an early electronic-trading platform at Lehman Brothers.

Goldman is hiring Michael Blum, a veteran of high-frequency trading firms KCG Holdings and Getco, to oversee technology in its electronic-trading group.

Goldman has been revamping its trading systems to court so-called quantitative hedge funds that crave speed. It has been upgrading outdated technology, where executives acknowledge Goldman had lost ground to rivals.

Both men's positions are new ones for Goldman, created under Elisha Wiesel, who was promoted this year to oversee the firm's technology and engi-

nering division.

Goldman has doubled its lateral hiring this year, President Harvey Schwartz said at an investor presentation last month, and has been dangling partnerships for prized recruits. Opening up its most elite ranks to outsiders is an acknowledgment that, to grow, the firm must look beyond its homegrown talent.

That is especially true in technology, where Goldman fights for talent with Silicon Valley. The firm, which has his-

torically preferred to build its own software from scratch, is increasingly turning to open-source solutions that have worked elsewhere, and hiring outsiders fluent in them.

"There was a long period of time, at Goldman and elsewhere, where being insular was the thing to do," Mr. Wiesel said. "But all this amazing new technology is being developed outside, and there's value to being able to use that and hiring people who are familiar with it. The mix of 'build' versus 'buy' versus 'download' is shifting."

Indonesia Scrutinizes U.K. Bank's Clients

BY MARGOT PATRICK

On Monday, Singapore's Monetary Authority confirmed it is conducting an investigation and will take "firm action" against any financial institution or individual found breaking its anti-money-laundering or counterterrorist financing rules.

Ken Dwidjigasteadi, director general of tax at Indonesia's finance ministry, said 62 of the 81 people had participated in a recent tax-amnesty program in Indonesia.

Standard Chartered self-reported the transfers after questions were raised internally over their timing and on due diligence conducted on the clients, a person familiar with the matter said.

—I Made Sentana and P.R. Venkat contributed to this article.

New Highs and Lows | WSJ.com/newhighs

Continued From Page B10

NYSE Arca lows - 24

Stock Sym 52-Wk % Hi/Lo Chg Stock Sym 52-Wk % Hi/Lo Chg

SOPRMSICAIWMI ACIM 155.94 0.1 VGT 16.18 0.9

SOPRMSICAIWLC LOWC 87.30 0.4 VMEK 43.81 0.1

SOPRMSICArte Europe VKG 58.75 1.1 VPK 59.12 0.8

SOPRMSICArte Strat DEFA 64.08 1.0 VPL 63.36 0.9

SOPRMSICJapan Tech VNP 75.44 0.9 VRE 134.91 0.1

SOPRMSICTech KNTX 80.72 0.1 VRY 28.82 0.5

SOPDRMomentumL MMTH 108.81 0.2 VST 163.32 0.2

SOPDRSICpGndr MDYD 150.14 0.2 VTEC 16.37 0.2

SOPDRSICpGrowth SPVG 125.94 0.1 VUG 15.52 0.3

SOPDR Aero & Dns XAR 82.65 -0.1 VUH 16.07 0.3

SOPDRSICpGrowth SXPV 76.84 -0.1 VUL 236.11 0.2

SOPDRSICpGrowth SXPV 76.84 -0.1 VVO 235.25 0.3

SOPDRSICpGrowth VHD 79.33 -0.1 VWS 130.81 0.1

SOPDRGenderDivers SHE 70.48 0.2 VZT 131.48 0.1

SOPDRSSICAgbl GBL 37.19 0.4 VZT 131.48 0.1

SchwabFunditLrgo FND 30.04 0.9 VZV 117.31 0.2

SchwabFunditSmc NCM 35.13 0.1 VZV 117.31 0.2

SchwabInqEquity SCHF 33.79 0.9 VZV 117.31 0.2

SchwabInqLiqd QFUE 36.17 0.9 VZV 117.31 0.2

SchwabInqLiqd QHDF 31.07 0.6 VZV 117.31 0.2

MARKETS

Treasurys Rebound; New Note Sales Loom

BY SAM GOLDFARB

U.S. government bonds strengthened, showing some signs of resilience following recent declines.

The yield on the 10-year Treasury note settled

CREDIT MARKETS 2.343% on

TUESDAY, down from 2.370%

Friday. The U.S. bond market was closed Monday for Columbus Day.

Yields, which fall when bond prices rise, edged lower as investors continued to weigh geopolitical risks against a variety of factors that have pushed yields higher in recent weeks.

Along with tensions between the U.S. and North Korea, Spain's political crisis has been a source of concern that is keeping a check on Treasury yields, according to analysts. Catalonia's separatist leader Tuesday stopped short of a declaration of independence that would take immediate effect but reassured the region's right to become a separate state following an Oct. 1 referendum, which Spain's government has declared illegal.

2.343%

Yield at which 10-year Treasury note settled Tuesday

Despite the worries, the 10-year yield has logged four consecutive weeks of increases, bringing it back to levels seen before a summer bond rally pulled it down to nearly 2%.

Signs that the Federal Reserve will raise interest rates in December have been one factor behind the recent selling. Speculation that Fed Chairwoman Janet Yellen could be replaced next year with someone favoring tighter monetary policy and progress in Washington toward passing tax cuts that could boost inflation and expand the budget deficit have also pressured bonds.

In the near term, "we still have the risk of slightly higher yields just based on central bank expectations," said John Canavan, market analyst at Stone & McCarthy Research Associates.

At the same time, he said, "the geopolitical situation remains in flux, particularly in regard to North Korea."

This week could be an eventful one in the bond market. Auctions of three-year and 10-year Treasury notes are both scheduled for Wednesday, while a sale of 30-year Treasury bonds is slated for Thursday.

The Fed will release minutes from its September meeting on Wednesday afternoon, while new data on retail sales and the consumer-price index will be released Friday, potentially offering fresh insight into the state of the economy and the outlook for monetary policy.

AUCTION RESULTS

Here are the results of Tuesday'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.

13-WEEK AND 26-WEEK BILLS

| | 13-Week | 26-Week |
|---------------------------------|-------------------|-------------------|
| Applications | \$121,892,716,100 | \$108,555,080,000 |
| Accepted bids | \$42,000,316,100 | \$36,000,360,000 |
| "noncomp" | \$586,859,100 | \$458,080,000 |
| "foreign noncomp" | \$200,000,000 | \$600,000,000 |
| Auction price (rate) | 99.25736 | 99.38322 |
| Coupon equivalent | 1.103% | 1.245% |
| Bids at clearing yield accepted | 31.32% | 84.28% |
| Cusip number | 912796ML0 | 912796PA1 |

Both issues are dated Oct. 12, 2017. The 13-week bills mature on Jan. 11, 2018; the 26-week bills mature on April 12, 2018.

52-WEEK BILLS

| | 52-Week |
|---------------------------------|------------------|
| Applications | \$65,425,759,100 |
| Accepted bids | \$20,000,056,100 |
| "noncompetitively" | \$229,301,100 |
| "foreign noncompetitively" | 98,619833 |
| Auction price (rate) | (1.365%) |
| Coupon equivalent | 1.398% |
| Bids at clearing yield accepted | 72.47% |
| Cusip number | 912796LB8 |

The bills, dated Oct. 12, 2017, mature on Oct. 11, 2018.

FOUR-WEEK BILLS

| | Four-Week |
|---------------------------------|-------------------|
| Applications | \$101,452,986,900 |
| Accepted bids | \$35,000,026,900 |
| "noncompetitively" | \$552,598,900 |
| "foreign noncompetitively" | 99,921056 |
| Auction price (rate) | (1.030%) |
| Coupon equivalent | 1.030% |
| Bids at clearing yield accepted | 33.68% |
| Cusip number | 912796KX6 |

The bills, dated Oct. 12, 2017, mature on Nov. 9, 2017.

Stock Indexes Resume Their Climb

By MICHAEL WURSTHORN
AND RIVA GOLD

Gains in Wal-Mart Stores and shares of other consumer-staples companies pushed major U.S. stock indexes higher.

The advances helped shares

TUESDAY'S MARKETS recover from its modest losses on Monday, when U.S. stock-trading

volume declined to its lowest level of the year for a full day of trading.

The Dow Jones Industrial Average gained 69.61 points, or 0.3%, to 22,830.68—a record. The S&P 500 rose 5.91 points, or 0.2%, to 2,550.64, while the Nasdaq Composite added 7.52 points, or 0.1%, to 6,587.25.

Wal-Mart contributed roughly 25 points to the Dow industrials' daily gain after company executives said the retailer would keep U.S. store openings to a minimum, while focusing more on e-commerce and launching locations overseas to increase sales.

Wal-Mart jumped \$3.60, or 4.5%, to \$84.13, to notch its highest close since February 2015.

The company led gains in the S&P 500's consumer-staples sector, which rose 1%. Costco Wholesale rose 2.26, or 1.5%, to 156.87, while Hormel Foods gained 50 cents, or 1.6%, to 31.75.

"Consumer staples is a sector that has been completely left behind for the year, particularly last quarter," said Don Townswick, director of

equity strategy at Conning, adding that he expects the group to post gains in the fourth quarter.

The sector shed about 2% in the three months ended in September.

Shares of airliners broadly rose after American Airlines Group raised its revenue guidance for the third quarter and United Continental Holdings said a measure of airline traffic would fall, but less than it had expected in its early September guidance.

American rose 2.43, or 4.8%, to 53.03, while United gained 3.02, or 4.7%, to 67.72.

With earnings season getting under way, investors expect that U.S. firms will continue to deliver solid results. Improving profit and revenue at American companies has helped support stocks over the past year.

At the end of September, analysts polled by FactSet expected companies in the S&P 500 to post earnings growth of 4.2% in the third quarter, a slightly slower rate than previous quarters, in part because of the recent hurricanes.

Companies with a higher share of global revenue are forecast to particularly benefit from a strengthening world economy and weaker dollar, according to FactSet.

"The profit picture has been solid, but I would keep an eye on the dollar because if it starts to strengthen again, that would throw a little more caution to my outlook for equities," said Mark Heppenstall,



American Airlines shares surged 4.8% after the carrier raised its view on third-quarter revenue.

chief investment officer at Penn Mutual Asset Management.

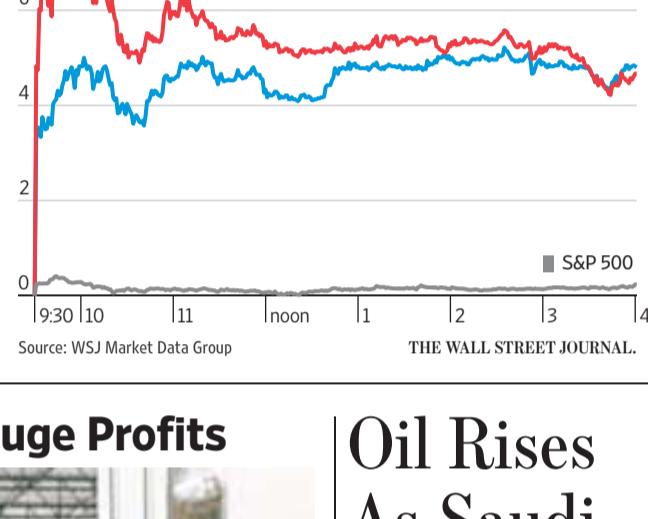
The WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, dropped 0.4% Tuesday but has risen for five of the past six weeks.

Elsewhere, the Stoxx Europe 600 slipped less than 0.1% as declines in shares of Spanish and Italian companies offset a modest advance in U.K. stocks.

Early Wednesday, South Korea's Kospi was up 0.6% after advancing 1.6% to its highest close since July on Tuesday. Also early Wednesday, Japan's Nikkei was up 0.2% and Hong Kong's Hang Seng Index was up 0.3%.

Soaring

Shares of airlines were among the biggest gainers in the S&P 500 on Tuesday.



Source: WSJ Market Data Group

Oil Rises As Saudi Plan Lifts Spirits

BY SARAH MC FARLANE
AND STEPHANIE YANG

Oil prices rose, after Saudi Arabia's plans to cut monthly exports in November renewed faith in the major oil producer's efforts to drain global stocks.

LIGHT COMMODITIES sweet crude for November delivery advanced \$1.34, or 2.7%, to \$50.92 a barrel on the New York Mercantile Exchange on Tuesday. Brent, the global benchmark, rose 82 cents, or 1.5%, to \$56.61 a barrel.

Saudi Arabia's oil ministry said Monday that the kingdom will export 7% less crude by sea in November, compared with the same period last year. The move is part of efforts by the Organization of the Petroleum Exporting Countries and other producers, including Russia, to stabilize prices by curbing output in a deal that expires in March 2018.

Last week, Saudi King Salman and Russian President Vladimir Putin met in Moscow, where discussions included extending the cuts, but no new agreement was struck.

"The Saudis still continue to signal their intention," said Gene McGillian, research manager at Tradition Energy. "This is a sign that they're serious about trying to rebalance the market."

Weekly U.S. oil inventory data, due Wednesday, is expected to show a continued draw in crude stocks. Analysts surveyed by S&P Global Platts expect oil supplies to have fallen by 400,000 barrels in the week ended Oct. 6.

The damage done by Hurricane Nate this weekend fell short of more severe storms this season such as Harvey and Irma. However, its path through the Gulf of Mexico disrupted oil production as platforms and rigs were evacuated and some operations were halted.

Analysts and traders expect data from the U.S. Energy Information Administration Thursday to show a decline in crude stockpiles for the week ended Oct. 6.

Investors are also awaiting OPEC's monthly report due Wednesday, followed by the International Energy Agency's monthly report Thursday, for updated supply and demand forecasts.

Amazon's Private-Label Brands Set to Deliver Huge Profits



Doug Strickland/CHATTANOOGA TIMES/ASSOCIATED PRESS

Amazon.com's business selling phone chargers, batteries and diaper wipes under its own brand names could become a \$1 billion boon to its bottom line by 2019, according to a Morgan Stanley equity analyst.

Amazon is increasingly focusing on expanding its private-label business, Brian Nowak wrote in a research note Tuesday. The retailer has been selling its own brands for years, debuting the AmazonBasics private-label line back in 2009 to sell mostly electronics.

Today, Amazon has 34 different private-label brands, Morgan Stanley estimates, ramping up spending. In the second quarter, Amazon's profit fell 77% despite higher sales as the company poured more money into new warehouses and data centers.

The bank estimates private-label brands will add \$1 billion to Amazon's gross profit by 2019 if the business grows into 5% of its sales.

"We're always listening to customers, learning and innovating on their behalf and bringing them products we think they will love," an Amazon spokeswoman said. Shown above is an Amazon fulfillment center in Chattanooga, Tenn.

Private-label businesses also tend to be more profitable, Morgan Stanley says, on average having profit margins that are 6 percentage points above those of branded lines. Amazon doesn't break out results for its private-label business.

"A deepening gross profit pool gives Amazon more dollars to invest and (eventually) allow to flow down the [profit and loss] for shareholders, Mr. Nowak wrote. "Private label is likely to be the next driver."

Amazon shares have surged 32% so far this year.

—Chelsey Dulaney

Symantec's Shares Are Coming Undone

By CHRIS DIETERICH

The hack at Equifax Inc. last month gave shares of security-software maker Symantec Corp. a bump. This week, Wall Street cooled on the stock.

Headlines about the breach led to a surge in consumer demand for identify-theft protection service LifeLock, which Symantec acquired last year for \$2.3 billion.

Symantec, one of the earliest players in providing antivirus software for personal computers, has been acquisitive to boost growth as digital security is becoming a top concern in corporate boardrooms.

Analysts this week said that the stock's move fully valued a spurt of new business at LifeLock. Keith Weiss at Morgan Stanley said that any improvement in LifeLock is "still too small to move the needle" and materially translate into Symantec's bottom line over the next year. Mr. Weiss cut his rating on the stock Tuesday to "equalweight" from "overweight."

Symantec didn't return a request for comment.

MARKETS

Traditional Retailers Face Holiday Chill

Some large companies' stocks are likely to end year lower because of move to e-commerce

By MICHAEL WURSTHORN

Brick-and-mortar retailers shouldn't expect much relief from their brutal year during the holiday season, many investors and analysts say.

Consumers' shift to buying clothes, electronics and other goods online at the click of a button has helped put shares of several traditional retailers on course for declines in 2017. Some analysts and investors say consumers' preference for e-commerce is likely to keep pressure on the stocks during the most important sales season of the year.

A group of six retailers in the S&P 500 that includes Macy's Inc., Target Corp., Kohl's Corp. and Nordstrom Inc. has fallen 9.5% in 2017. The group would be down even more if it weren't for Dollar General Corp., up 9.3%, and Dollar Tree Inc., up 16%, as shares of discount retailers have proved more resilient to the slump in traditional retail.

Investors are stepping up bets against the group and its peers. Short interest in shares of department stores has risen nearly 17% this year to \$4.5 billion, while that of general-merchandise stores such as Target jumped 30% to roughly \$6.9 billion, according to financial-analytics firm S3 Partners. Investors also have been making bearish bets against e-commerce giant Amazon.com Inc., which have mostly lost money, and the companies expected to be affected by its expansion plans, the data firm added. Investors and analysts watch short interest to gauge sentiment and to look for signs of potential swings in heavily shorted stocks.

"The Amazon threat isn't

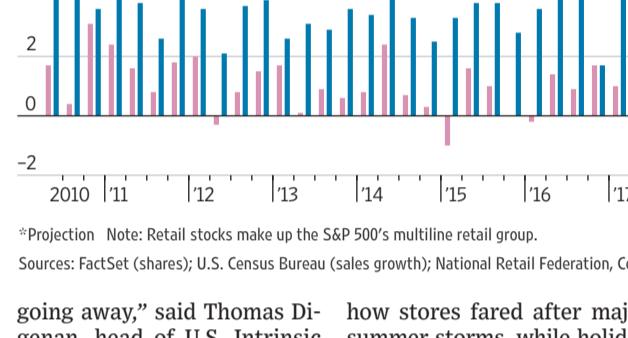
Shift in Shopping

A group of S&P 500 retailers has been under pressure this year as consumers continue to switch to online purchases. Holiday sales are projected to rise, but with much of the growth coming from e-commerce.

Share-price performance



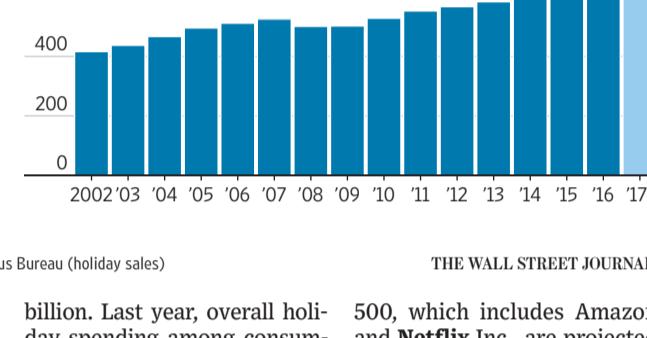
Sales, change from previous quarter



*Projection Note: Retail stocks make up the S&P 500's multiline retail group.

Sources: FactSet (shares); U.S. Census Bureau (sales growth); National Retail Federation, Census Bureau (holiday sales)

Total U.S. holiday sales



THE WALL STREET JOURNAL.

going away," said Thomas Digenan, head of U.S. Intrinsic Value Equities at UBS Asset Management. "There will be survivors, but no one knows how it's going to play out."

Mr. Digenan said he is bearish on department-store stocks going into the end of the year, but expects same-store sales declines to be less severe than previous quarters because of higher consumer spending.

September retail-sales figures due later this week should give investors a glimpse into

how stores fared after major summer storms, while holiday sales and quarterly earnings reports are projected to show a continued divide between traditional and online stores.

U.S. holiday sales, which run from November through December, are expected to increase between 3.6% and 4%, up from \$655.8 billion last year, according to estimates from the National Retail Federation last week, with nonstore sales, including those made online, rising 11% to 15% to around \$140

billion. Last year, overall holiday spending among consumers rose, driven by e-commerce, while sales within department stores, general merchandisers and other retailers declined, according to the NRF.

"There are definitely gains to be made among these retailers," said GlobalData Retail analyst Neil Saunders of the holiday shopping season. "But it's not really robust enough to give them a big boost in growth."

Earnings for a group of internet retailers in the S&P

500, which includes Amazon and Netflix Inc., are projected to grow 0.3% in the third quarter and 17.5% in the final quarter of the year, compared with their respective year-earlier periods, according to FactSet estimates as of Monday. Meanwhile, earnings at department stores in the S&P 500, such as Macy's and Kohl's, are expected to contract 16.1% in the third quarter and post growth of 7.2% in the fourth quarter, according to FactSet.

As department-store chains

such as Macy's and Kohl's cope with several quarters of declining same-store sales and store closings, executives at those companies say they are investing to improve their in-store experiences as well as their online operations to grab consumers' holiday spending.

Kohl's said over the summer that it was focused on attracting customers from retailers that were shutting down stores. Macy's, meanwhile, said it was retaining about 12% of sales from closed stores at other locations, a higher percentage than previous closings.

"You take that into the fourth quarter with you," Macy's Chief Executive Jeffrey Gennette said.

Shares of both companies are down by double-digit percentages this year.

"Retail has gotten really punished, and the majority of it is justified," said Trip Miller, managing partner at money manager Gullane Capital Partners, which owns shares of Amazon as well as Dollar General.

Investors looking for an upside to this year's holiday spending spree should look to stocks with greater e-commerce exposure, as well as traditional retailers that are further along in growing online sales and attracting customers back to their stores, analysts said.

Wal-Mart Stores Inc. jumped 4.5% Tuesday after the company announced efforts to free up funds for new e-commerce and store improvements. Wal-Mart said it would deepen cost-cutting and keep U.S. store openings to a minimum.

Shares of **Best Buy** Co. are up 34% in 2017 after it struggled with falling sales and dwindling profits years earlier. The company has been closing stores, investing in its e-commerce operations and has brought prices in line with online rivals. In its most recent quarter, same-store sales grew 5.4%, with much of that coming from a jump in online sales.

HEARD ON THE STREET

Email: heard@wsj.com

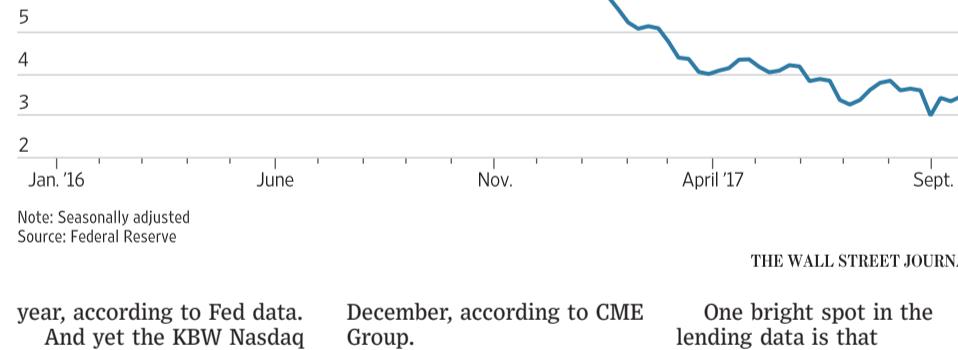
FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

What Could Dash Hopes of Bank Investors

Waiting for the Rebound

Total loans and leases by U.S. commercial banks, change from year earlier



THE WALL STREET JOURNAL.

year, according to Fed data.

And yet the KBW Nasdaq Bank Index has risen 11% over the past month on optimism about the global economy and rising expectations of a Fed rate increase. Markets are now pricing in a nearly 90% probability that the Fed will raise rates again in

December, according to CME Group.

Bankers may talk about global growth and rate increases on their earnings calls, but it is doubtful they'll have any great insights. What the bankers do know is where two key indicators are heading: loan growth and credit quality.

One bright spot in the lending data is that

commercial and industrial loans, which had been almost totally dormant, have picked up slightly. On a sequential basis, they rose 1.4% from the previous quarter, up from 0.8% growth in the second quarter. Bank executives can

help investors get a read on whether corporate borrowers are getting comfortable again despite political uncertainty, perhaps encouraged by solid economic trends.

They can also shed light on the financial health of American consumers, who lately have been falling a bit behind on their credit-card and auto loans. This is less of a risk for the top banks than for smaller, consumer-focused lenders like **Capital One Financial** and **Synchrony Financial**. But the huge credit-card portfolios of banks like Citigroup bear watching.

This may have been a forgettable quarter for banks, but it is important for the industry's future. Lending growth will have to rebound, and consumer credit losses stabilize, for the recent bank rally to have staying power. If not, the fourth quarter will really be one to forget.

—Aaron Back

Peltz or Not, P&G Shares Look Pricey

Procter & Gamble is the world's biggest marketing company, so investors shouldn't be too surprised if it managed to shout down Nelson Peltz's efforts to win a board seat. The real problem is that, despite its growth problems, P&G's shares look expensive.

P&G says its shareholders voted against Mr. Peltz, who wanted a board seat on behalf of his activist firm, **Trian Fund Management**. Mr. Peltz hasn't conceded defeat yet.

It would be better if Mr. Peltz won his proxy fight. Having an investor monitoring the company's turnaround would be helpful.

But in reality the result won't change much. Mr. Peltz's plan for the company isn't substantially different from management's; it mainly involved pushing harder on doors management had already opened. P&G Chief Executive David Taylor will be under pressure to show results.

An interesting precedent may be Mr. Peltz's failure to win a seat on the board of DuPont in 2015. The chemical company's management rebuffed the activist's calls for a breakup, only to propose a far more complex split following a merger with rival Dow Chemical. Mr. Peltz lost the proxy battle but in a sense won the war.

Whether the efforts of either Mr. Taylor or Mr. Peltz succeed in boosting the share price is another matter. P&G's stock has lagged behind peers, but still trades at 21 times forward earnings, close to a 10-year high. Even if management revives the company's growth, the rewards for shareholders may not follow.

—Stephen Wilmot

Nvidia Keeps Driving to a Higher Level

More so than most chip companies, **Nvidia** is benefiting from being in the right places at the right time. The law of scarcity also helps.

Take the automotive business. While there is no shortage of chip companies driving hard for the opportunity, Nvidia has garnered a pole position in the race to build self-driving cars thanks to its advances in artificial intelligence. That position seemed to get stronger Tuesday after the company announced a powerful new system called Pegasus, based on its Drive PX platform, that is designed to handle fully automated vehicles. The company also announced a deal with

Deutsche Post DHL to deploy a test fleet of autonomous delivery trucks next year.

The news gave Nvidia's already highflying stock another lift. Nvidia is now up 75% since the start of the year and commands one of the richest multiples in the chip sector at nearly 52 times forward earnings.

That would seem to make Nvidia a dicey prospect for investors, especially because cars are a relatively small part of its business. Automotive sales accounted for just 6% of Nvidia's revenue for the trailing 12-month period ended July 30, and Wall Street expects that to increase to only 7% for the next fiscal year. But cars

are just one of the company's fast-expanding segments; Nvidia's larger data center business is also expected to double in size this year.

It also helps that the playing field has narrowed considerably. Stifel Nicolaus analyst Kevin Cassidy noted Tuesday that the field of publicly traded semiconductor companies has fallen from 118 in 2007 to 55 today, thanks mostly to industry consolidation. But chip companies now have more growth opportunities beyond just smartphones and PCs. Investors looking for exposure to that growth simply have fewer places to park.

—Dan Gallagher

OVERHEARD

Former Federal Reserve Chairman **Alan Greenspan** stayed true to his libertarian intellectual roots on Tuesday, arguing that government spending is at the root of what ails the U.S. economy.

Speaking at a conference held by Grant's Interest Rate Observer, Mr. Greenspan said entitlement spending in particular is largely responsible for the stagnation of productivity growth in the U.S. since 2009 because it crowds out private savings and investment. U.S. markets may be entering a period of "euphoria" in the near term, but it will be a "false dawn" followed by stagflation "unless we can slow down or actually reverse entitlements."

He added what could be read as criticism of postcrisis global monetary policy.

He sounded a lot like one **James Grant**, the editor of Grant's Interest Rate Observer and a prominent critic of low-rate policies under recent Fed governors and Mr. Greenspan himself. Before an audience of famous short sellers and hedge-fund managers, Mr. Grant asked Mr. Greenspan how he would invest given this gloomy scenario. Mr. Greenspan began explaining that he believes it is best to constantly invest in stock index funds before he was gently interrupted by his host.

"This isn't the crowd for that," said Mr. Grant.