

THE WALL STREET JOURNAL.

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What's News

Business & Finance

Goldman is weighing a trading operation dedicated to bitcoin and other digital currencies, a burgeoning yet controversial market. **A1**

◆ **Equifax's former CEO** plans to testify that a breakdown in security safeguards aided hackers as they broke into the firm's systems. **B1**

◆ **Tesla badly missed its goal** of building 1,500 Model 3 cars last quarter, blaming production bottlenecks. **B1**

◆ **GM and Ford ramped up their plans for electric vehicles** in coming years. **B3**

◆ **Samsung stands to make billions of dollars supplying rival Apple with parts** for its new iPhone. **B1**

◆ **U.S. stocks set records, boosted by strong factory data.** The Dow rose 152.51 points to 22557.60. **B1**

◆ **Uber's board is bracing for a battle over voting control after two investors threatened legal action.** **B5**

◆ **GE ex-CEO Immelt is stepping aside as chairman and leaving the board months ahead of schedule.** **B3**

◆ **Facebook estimated 10 million people saw ads it discovered on its platform paid for by Russian entities.** **B5**

◆ **Insurers likely face steep losses after one of the most expensive years for natural disasters on record.** **B10**

◆ **Britain's Monarch Air declared bankruptcy, stranding more than 100,000 passengers overseas.** **B3**

◆ **Shire filed an antitrust suit against Allergan over its rival's Medicare contracts for dry-eye drugs.** **B4**

World-Wide

◆ **Police in Las Vegas were investigating what led a retiree to open fire on concertgoers, killing at least 59 and injuring 527 in the worst mass shooting in modern U.S. history.** **A1, A6-7**

◆ **The gunman appears to have used at least one rifle outfitted with a device that allowed the weapon to fire at a rapid rate, and he had 23 firearms in his hotel room.** **A6**

◆ **Catalonia's leader said any declaration of independence from Spain won't come for at least several days after the secession vote.** **A8**

◆ **Palestinian Authority officials arrived in Gaza for talks with Hamas in an effort at mending ties after a decade of deadlock.** **A10**

◆ **Trump said he has confidence in Tillerson, a day after dismissing efforts by the secretary of state to negotiate with North Korea.** **A11**

◆ **Two women pleaded not guilty to charges of murdering the half brother of North Korea's leader as their trial began in Malaysia.** **A11**

◆ **Three Americans won the Nobel Prize in medicine for their discoveries of molecular mechanisms controlling biological rhythms.** **A2**

◆ **The FDA chief called costly drugs a public health concern and began offering concrete steps to speed new, complex drugs to market.** **A4**

◆ **The Supreme Court term opened with a bruising argument over how workers pursue wage and labor claims.** **A4**

◆ **Died: Tom Petty, 66, rock 'n' roll everyman.** **A13**

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Audience members fled a country-music festival on the Las Vegas Strip as shots were heard. The suspected gunman opened fire on the crowd from a 32nd-floor hotel suite.

'It Was Just a Kill Box'

At Least 59 Dead, 527 Hurt In Las Vegas Festival Shooting

LAS VEGAS—Police investigating the worst mass shooting in modern U.S. history struggled to find the reasons a retiree and avid gambler opened fire on concertgoers

By Dan Frosch,
Jon Kamp
and Ian Lovett

from a 32nd-floor hotel suite here on Sunday night, killing at least 59 people and injuring 527.

The suspected gunman, identified by police as 64-year-old Stephen Paddock, killed himself as SWAT units ap-

roached his Mandalay Bay Resort & Casino room, where he smashed two windows and fired relentlessly down on the crowd of roughly 22,000 at an open-air festival.

By Monday evening, there was still no clear or publicly revealed motive after police searched his home and blocked off his quiet, upscale retirement neighborhood 80 miles outside Las Vegas.

President Donald Trump called the massacre an "act of pure evil," and said he would visit Las Vegas on Wednesday.

Nevada Lt. Gov. Mark

Please see ATTACK page A7



Las Vegas Massacre

- ◆ The suspected gunman, Stephen Paddock, above, had arsenal of firearms... **A6**
- ◆ Casino security overhaul unlikely, experts say.... **A6**
- ◆ Hospitals grapple with a range of injuries..... **A7**

Concertgoers, Amid Barrage Of Bullets, Raced to Escape

By SCOTT CALVERT
AND ALICIA A. CALDWELL

Russell Bleck was in a VIP tent at the Route 91 Harvest Festival in Las Vegas on Sunday night when the shooter squeezed off the first several rounds.

"It sounded like an amp cracking," said Mr. Bleck, 28 years old. "Then all of a sudden, it went from three-round bursts to fully automatic. All of a sudden, the guy just unloaded."

After he saw someone apparently get shot roughly 10 yards away, he took off run-

ning. Ricocheting bullets sent pebbles flying to his face as he tried to reunite with his fiancée and their friends crouched behind a bar.

Within seconds of those first shots, more than 22,000 concertgoers were fleeing for their lives amid a barrage of gunfire raining down from the 32nd floor of the nearby Mandalay Bay Resort Hotel and Casino.

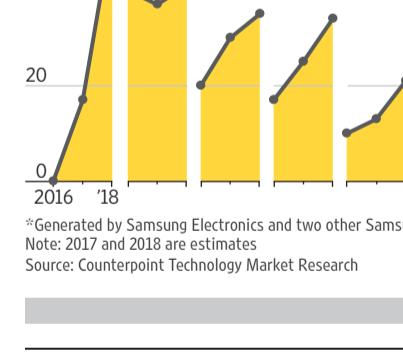
"People would run one way and then you'd hit a dead end—it was just a kill box," said Mr. Bleck of Las Vegas. "You were kind of getting led

Please see CHAOS page A6

Ties Bind Rival Phone Makers

Samsung makes memory chips, displays, batteries and other components that go in rival Apple's iPhones. The South Korean firm's supplier role—and revenue from iPhone sales—is expected to grow. **B1**

Estimated share of Samsung components in all iPhones sold



*Generated by Samsung Electronics and two other Samsung affiliates
Note: 2017 and 2018 are estimates
Source: Counterpoint Technology Market Research

Samsung's smartphone-component revenue, by source



THE WALL STREET JOURNAL.

Goldman Considers Trading Bitcoin, First Big Bank Foray

Goldman Sachs Group Inc. is weighing a new trading operation dedicated to bitcoin and other digital currencies, the first blue-chip Wall Street firm preparing to deal directly in

By Paul Vigna,
Talis Demos
and Liz Hoffman

this burgeoning yet controversial market, according to people familiar with the matter.

Goldman's effort is in its early stages and may not proceed, the people said. The firm's interest, though, could boost bitcoin's standing among investors and fuel the debate

around digital currencies, which were initially viewed as havens for illicit activity but are pushing further into the mainstream investment world.

China in recent weeks has banned exchanges that trade bitcoin, fearing the virtual currency could provide an avenue for capital flight.

J.P. Morgan Chase & Co. Chief Executive James Dimon, whose bank is the largest dealer in global currencies, last month called bitcoin a "fraud" and said he would fire any employee who traded it.

Yet Japan's government has embraced bitcoin, creating regulations to legitimize its

trading. India and Sweden have mused about creating their own virtual currencies, and the U.S. Federal Reserve has studied bitcoin and the technology underpinning it.

"In response to client interest in digital currencies, we are exploring how best to serve them in this space," a Goldman spokeswoman said.

Bitcoin is a digital currency that runs on a decentralized network of computers, rather than a centralized ledger under the control of a central bank or government. Users can exchange value directly, without a middleman such as a bank.

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INSIDE



AMERICANS WIN NOBEL PRIZE IN MEDICINE

U.S. NEWS, A2



ROCKER TOM PETTY DIES AT 66

OBITUARY, A13

CHINA'S LEAP IN ELECTRIC CARS

Beijing's subsidies conjure vast market, pulling Western auto makers along in its wake

By TREFOR MOSS

SHANGHAI—China has created the world's largest electric-car market by sheer force of will, a giant bet on domestic production that's leaving major foreign auto makers scrambling to keep up.

The government is funding its own manufacturers, luring domestic buyers with subsidies and building a vast charging-station network—while strong-arming its consumers by making sure buying an electric car is the only sure way to get license plates in crowded cities.

William Zhou, a 33-year-old software-company manager, recently abandoned his 18-month quest to buy a gasoline-powered foreign car—a middle-class status symbol—

when his wife became pregnant.

He drives in gridlocked Shanghai, where severe restrictions on issuing license plates for new gas-powered cars don't apply to electric or plug-in hybrid models. He settled for a Chinese plug-in hybrid because "I didn't want to waste any more time and energy on the license plate."

In the U.S. and elsewhere, there is some skepticism about whether electric vehicles will be a significant market soon. China has made up its mind. One goal is to curb pollution and reduce reliance on foreign oil. China's chief aim, though, is to use the emerging electric market to improve the patchy quality of its domestic auto makers. To

Please see CARS page A12

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2012 2013 2014 2015 2016

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U.S. NEWS

Americans Win Nobel in Medicine

STOCKHOLM—Three Americans won this year's Nobel Prize in physiology or medicine for their discoveries of molecular mechanisms controlling biological rhythms.

By David Gauthier-Villars, Denise Roland and Amy Dockser Marcus

Jeffrey C. Hall, Michael Rosbash and Michael W. Young received the prize for research that led to the understanding of how plants, animals and humans synchronize their biological clocks with the Earth's revolutions.

Using flies for their research, the biologists were able to isolate a gene that governs the normal daily biological rhythm. They elucidated clockwork mechanisms in which the gene is active or inhibited depending on oscillation in the level of a protein.

The trio's work gave rise to the understanding of molecular clocks in all of biology, said Russell Foster, head of the Sleep and Circadian Neuroscience Institute at the University of Oxford.

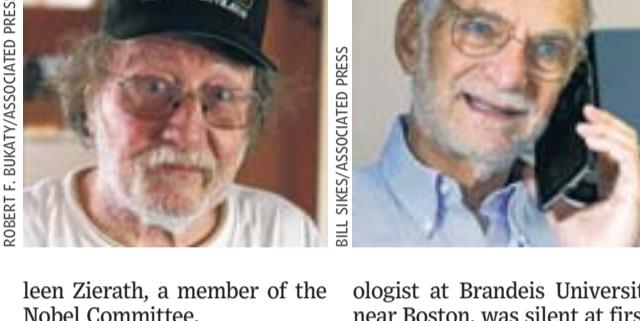
"Many of us have built our careers on the layer above this," he said.

The research has also had implications in scientists' understanding of how night and day cycles influence the human clock, and how things can go wrong when we behave out of sync with our inner time-keeper, hopscotching time zones, for instance.

"It raises awareness to proper sleep hygiene," said Ju-



The Nobel prize in physiology or medicine was awarded to Michael W. Young, shown above at his lab at Rockefeller University in New York Monday, Jeffrey C. Hall, below left, and Michael Rosbash.



leen Zierath, a member of the Nobel Committee.

Nobel committee Secretary-General Thomas Perlmann reached both Dr. Hall and Dr. Rosbash by phone early Monday morning to inform them of the award, which comes with a check for nine million Swedish kronor (\$1.1 million).

Dr. Rosbash, a 73-year-old bi-

ologist at Brandeis University near Boston, was silent at first, said Mr. Perlmann. When he finally found words, he said: "You're kidding me."

Dr. Rosbash, the son of Jewish immigrants who escaped from Nazi Germany in 1938, is a well-known figure at Brandeis. He attends basketball and soccer games, and is a regular

presence at the annual Student Open House, where he discusses his research with prospective students.

He and Dr. Hall both arrived at Brandeis in 1974. Dr. Hall, 72, is a professor emeritus of biology and now lives in Maine.

Dr. Young is a biologist at Rockefeller University in New York City. Speaking Monday at a press conference there, he said he "had trouble getting my shoes on this morning," forgetting first his socks and then that he needed to put his pants on before his shoes.

Dr. Young, 68, said he has been working on the question of how the circadian clock works for most of his career, including as a graduate student at the University of Texas at Austin, where he received his Ph.D. in

1975, and at Rockefeller, where he has been working since 1978.

When he began his career, Dr. Young recounted, technological advances that allow the exact copying of specific genes and DNA sequences were just beginning. "You could pick anything in the world to work on," he said.

He chose the genes that control circadian rhythm in fruit flies, hoping they would prove to be the same in other organisms, especially humans. They did.

By identifying the basic machinery of the body clock, researchers hope to develop ways to treat a variety of rhythmic, sleep and mood disorders, Dr. Young said in an interview. "The first line of attack is to understand what the basic machinery looks like," said Dr. Young. "Once you know the parts of the machine, you can try to fix them."

Scientists have linked disruption in the sleep-wake cycle to myriad health problems, including an increased risk of heart disease and cancer. Although the medical application of circadian-rhythm biology is still a young field, early efforts are under way to develop treatments that can stabilize sleep-wake cycles in people whose circadian rhythms have been disrupted, like night-shift workers, said Prof. Foster.

At a press conference at Brandeis on Monday, Dr. Rosbash said the full impact of research on the link between disruptions of the biological clock and human diseases "has not been felt yet." "It's coming," he said, "but is not yet here."

U.S. WATCH

ECONOMY

Manufacturing Hits A 13-Year High

Manufacturing activity in the U.S. reached a 13-year high in September, as strong demand and order growth rode out a severe hurricane season.

The Institute for Supply Management said Monday that its index of manufacturing activity climbed to 60.8 last month from 58.8 in August, hitting its highest reading since May 2004. A reading above 50 indicates sector expansion as measured by factors such as sales, output and hiring.

The reading exceeded economist expectations and suggests the factory sector is weathering the impact of three recent major Atlantic hurricanes—Harvey, Irma and Maria.

"The economy appears to have taken the punch and rolled with it," Ian Shepherdson, chief economist at Pantheon Macroeconomics, said of the storm disruption.

—Harriet Torry

FEDERAL RESERVE

Kashkari Says Rate Increase Can Wait

Federal Reserve Bank of Minneapolis President Neel Kashkari said Monday that the U.S. central bank should hold off on rate increases until there is more convincing evidence inflation is rising.

Mr. Kashkari, who was writing in an essay, also said there is a strong case to make that the persistent weakness in inflation that has complicated the case for raising short-term interest rates is in fact very likely the product of an overly hawkish policy stance over recent years.

"My preference would be not to raise rates again until we actually hit a 2% rise in inflation on a 12-month basis," Mr. Kashkari said. He would change that path only if there was "a large drop in the headline unemployment rate, signaling that we have used up remaining labor market slack, or a surprise increase in inflation expectations."

Mr. Kashkari has over the course of the year become the Fed's most prominent skeptic of the push to raise rates. He has been the sole opposing vote the central bank's two rate increases this year.

Later Monday, Federal Reserve Bank of Dallas President Robert Kaplan said the door remains open to raising short-term interest rates this year. "We need to look at future action in December," Mr. Kaplan said in reference to the central bank's final policy meeting of the year.

—Michael S. Derby

KANSAS

Top Court Says Aid To Schools Too Low

The Kansas Supreme Court ruled that legislators didn't increase spending on the state's public schools enough this year, hinting in its opinion Monday that lawmakers fell hundreds of millions of dollars short of a year of providing a suitable education for every child.

The court rejected the state's arguments that a new law phasing in a \$293 million increase in funding over two years was enough to provide a suitable education for each of the state's 458,000 students.

Four school districts that sued the state over education funding in 2010 had argued that the increase was at least \$600 million short of what was necessary over two years. In its unsigned opinion, the seven-member court told legislators to enact a new, constitutional school funding law before July 2018, without setting a specific target for how much they must spend.

—Associated Press

A Windy Day in Tampa Bay



SMOOTH SAILING: Kiteboarders glided along Tampa Bay north of the Sunshine Skyway Bridge on Monday as the tanker Louisiana headed toward the Gulf of Mexico.

TRADE

Continued from Page One

Big banks, including J.P. Morgan and Goldman, have dabbled in the technology behind bitcoin, known as blockchain, and opined on its potential to reshape industries. But they have been wary of venturing directly into a market whose early enthusiasts included anarchists and drug dealers.

Bitcoin has been a popular tool of ransomware, like the 2017 WannaCry cyberattack. It was also used extensively on darkweb marketplaces like the Silk Road, which trafficked in illegal drugs. It has also been beset by frauds and Ponzi schemes and its anonymity complicates governments trying to track the people behind transactions.

As digital coins proliferate and draw interest from professional investors, though, they become harder for Wall Street trading desks to ignore.

Its effort could eventually entail a team of traders and salespeople making markets in bitcoins much as they do Japanese yen or Apple Inc. shares.

Keeping abreast of the day-to-day cryptocurrency market could also position Goldman to capitalize on further development of this market. Digital-currency proponents envision a world where coins will be widely accepted by online retailers and companies will use the tokens for cross-border

Some 70 hedge funds now invest in cryptocurrencies, according to research firm Autonomos NEXT.

Exchange-traded funds meant to track digital currencies have so far faced pushback from regulators, but they could one day give a wider base of investors a way to indirectly own bitcoin and create new opportunities for savvy traders.

Such interest from institutional investors has propelled the bitcoin market to a size that merits banks' attention. About \$750 million of bitcoin trades on exchanges every day, on par with the daily trading volume of shares of Caterpillar Inc., the equipment maker.

Already, a handful of non-bank finance firms, such as DRW Holdings LLC's Cumberland Mining and Genesis Global Trading Inc., broker bitcoin trades for institutional investors that want to buy or sell

commerce.

Already, cryptocurrencies are infringing on some traditional banking activities. Some startup companies that historically might have hired banks to take them public are bypassing Wall Street by selling digital tokens, rather than shares, to the public. Such "initial coin offerings" raised \$1.3 billion over the past three months without paying fees to underwriting banks.

Goldman's effort involves both its currency-trading division and the bank's strategic in-

vestment group, the people said. That suggests the firm believes bitcoin's future is more as a payment method rather than a store of value, like gold.

Launched in 2009, bitcoin grew as a communal software project championed by cypherpunks, who embraced its technological promise, and libertarians, who cheered its independence from government influence. In recent years, more sophisticated exchanges have cropped up to host trading, attracting professional investors.

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That is a role that banks could easily step into. Wall Street firms also offer leverage to juice trading returns and hold assets on clients' behalf. So far, though, none of the big banks have dealt directly in bitcoin.

For starters, bitcoin is highly volatile. After doubling in price between July and early September, bitcoin lost 35% of its value in two weeks. That exposes dealers to the risk of big, quick losses.

But it also offers an opportunity for quick-footed traders to profit by anticipating price moves and facilitating panicked trading. Volatility has been sorely missing lately in traditional markets, leading to a slump in banks' trading revenue.

The name of dining chain Shake Shack was incorrectly given as Shake Shake in one reference in a Markets article Monday about a new private-equity fund launched by Union Square Hospitality Group.

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

Goldman, once known as the nimblest trader on Wall Street, has struggled more than peers. Revenue in its fixed-income division fell 21% from last year through June, dragged down by poor performance in commodities and currencies.

Already, some of the infrastructure for trading bitcoin is cropping up. The Commodity Futures Trading Commission this summer approved the first derivatives exchange for cryptocurrencies. LedgerX, founded by two former Goldman traders, will clear options and futures that would allow dealers to protect themselves from drastic price swings and lock in profits.

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U.S. NEWS



Kindergarten student Elionet Saez Martin, a new arrival from Puerto Rico, with teacher Rachael Leupold in New Britain, Conn., Friday.

Schools Await Puerto Ricans

In Maria's wake,
districts on the
mainland prepare to
take in newcomers

By JOSEPH DE AVILA
AND ARIAN CAMPO-FLORES

School districts from Florida to Massachusetts are anticipating an influx of Puerto Rican students displaced by Hurricane Maria and have begun preparations to identify which schools have space and which resources will be needed.

Puerto Rican schools have been closed since the Category 4 hurricane made landfall on Sept. 20, battering the island and knocking out the electrical grid and communication systems. Officials there said schools could open on Oct. 16.

"We are living through a unique, difficult and unprecedented situation that none of us has experienced before," Julia Keleher, Puerto Rico's education secretary, told staff members in a letter Friday.

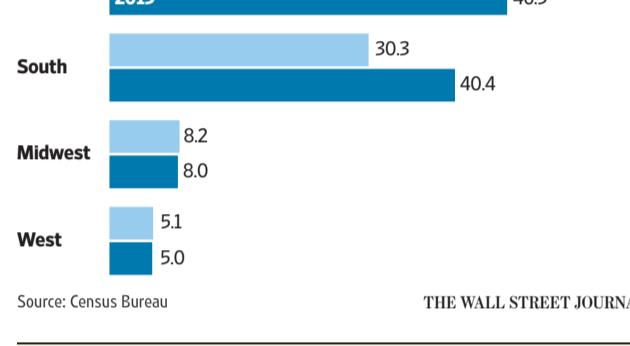
Amid estimates that it will take months for power to return fully across the island, states that have large Puerto Rican populations are expecting that many island residents with financial means will move to the mainland once air travel returns to normal. Edwin Meléndez, director of the Center for Puerto Rican Studies at Hunter College in New York, said his conservative estimate is that more than 200,000 children and adults will leave Puerto Rico for the mainland.

"I think the reality is we are going to see, temporarily or permanently, more of our citizens move from the island," said Connecticut Gov. Dannel Malloy, a Democrat.

Hassan Abderrahim Jiménez, a teacher at a private school in Guaynabo, Puerto Rico, is seriously considering sending his 16-year-old son to the mainland so he doesn't fall behind in

Migration Boom

Florida's booming Puerto Rican population has increased the South's share of those 16 and older who were born on the island. Where such people live on the U.S. mainland, by region:



Source: Census Bureau

THE WALL STREET JOURNAL.

Miami District Sizes Up Costs, Logistics

Miami-Dade County's school system is accustomed to sudden arrivals triggered by events in the Caribbean and Latin America.

Alberto Carvalho, superintendent of Miami-Dade Public Schools, said he spoke to Puerto Rico's education secretary, Julia Keleher, about aligning the school systems' curriculums and standards to try to ease students' transition. He also has reached out to members of Congress about trying to secure additional federal funding to accommodate stu-

dents from the island.

Miami-Dade's district estimates the additional cost to address the needs of students arriving from offshore, including Puerto Rico, is \$2,000 to \$2,200 a year per pupil, on top of the roughly \$7,000 in per pupil funding allocated by the state.

A spokeswoman with the U.S. Education Department said the department is monitoring the situation. "As we are able to fully assess the number of students impacted, the department will be able to provide the flexibility and assistance needed to states to accommodate these displaced students," she said.

—Arian Campo-Flores

school. He said a friend in Florida is checking on whether a high school in Kissimmee might be able to take his son, but he would also have to figure out a housing situation.

"We know it's a complicated decision, and we're evaluating our options," he said.

Puerto Rico's education system was already facing tough times. Over the summer, the island closed about 170 public schools, as the government

contends with bankruptcy and residents flee for the mainland.

The Miami-Dade County school district has enrolled about a dozen Puerto Rican children and expects the number to grow exponentially.

In the Orlando area, home to a ballooning Puerto Rican population, about a half-dozen new enrollees from the U.S. territory have arrived since the storm, but that figure is expected to climb, said Barbara Jenkins, su-

perintendent of Orange County Public Schools.

To anticipate which areas of Orange County could experience surges of Puerto Rican students, the district is studying maps of where the existing population resides, Ms. Jenkins said. In those areas, it plans to beef up transportation and free-lunch programs.

Boston superintendent Tommy Chang said his district was expecting Puerto Rican students to arrive in the first week of October.

Mr. Chang said he recently asked a class of fifth-graders that had many Puerto Rican students if they had friends or family that were expecting family from the island.

"Literally half the kids raised their hands," Mr. Chang said.

Boston schools, which have a 42% Hispanic population out of about 57,000 students, are setting up one-stop centers with nonprofit groups where families could enroll students, get language assessments and obtain winter clothing, he said.

Officials with New York City schools, the largest district in the U.S., with 1.1 million students, have been meeting regularly to prepare for the arrival of Puerto Rican evacuees, said Maite Junco, senior advisor for city's Department of Education.

Connecticut's capital city of Hartford, where one-third of the 123,000 residents are Puerto Rican, is working to identify how many classes it would need and where space is available, said Leslie Torres-Rodriguez, the city's superintendent. The district is also trying to figure out how many teachers it would need to add and whether it needs more Spanish-speaking nurses or social workers.

"There is a resource allocation issue," Ms. Torres-Rodriguez said. "If we are going to open up new classrooms and sections, we need teachers."

—Daniela Hernandez contributed to this article.

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Texas County Rethinks Flood-Prevention Plans

BY DAN FROSCH

HOUSTON—Long before Hurricane Harvey hit in late August, government engineers were working on an array of projects to shield this flood-prone region from high water.

But the record-setting tempest—which swamped the nation's fifth-largest metro area, killed dozens and caused tens of billions in damages—changed the future of flood prevention in the region.

Officials in Harris County, which includes Houston, are considering a potentially billion-dollar bond issue that could fund more flood-mitigation projects, a new storm-watter reservoir and swifter buyouts of flooded homes. Harris County commissioners last week approved \$20 million to buy out more than 200 homes flooded by Harvey. And county engineers are reassessing flood-prevention projects in the works, to see if they could handle a storm of Harvey's might.

The region's top elected leaders say that Harvey—along with two other extreme floods since 2015—have forced them to consider that such disasters may not be so rare after all.

"We've had three 500-year floods or above in the last two years. So there is a new normal," said Judge Ed Emmett, Harris County's chief executive,

at a news conference last week. Any upgrades to the flood-prevention projects will have a hefty price tag. Mr. Emmett favors putting the bond measure to voters soon—along with a proposed property-tax increase to help pay for it—as opposed to waiting too long, he said.

The bond would be a boon to the Harris County Flood Control District, which has an annual capital-improvement budget of \$60 million. The money could help speed existing channel-modification and water-detention projects along the region's network of bayous and allow for new ones, county officials said.

The bond needs to be approved by county commissioners before being placed on the ballot. The rate for any new tax increase isn't yet clear. Mr. Emmett, a Republican, said he believed there was enough support for the idea.

State Sen. Paul Bettencourt, a conservative who represents a part of Houston hit hard by flooding, said he didn't think any tax increase should be proposed until the county and city marshaled all other financial resources first.

With or without the bond issue, local officials said they would push to broaden an existing program to buy out homes that have flooded, trying to get more people out of harm's way before the next big flood.

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U.S. NEWS

Between War and Acceptance on North Korea



CAPITAL JOURNAL

By Gerald F. Seib

The Trump administration now finds itself in a remarkable position: Nobody in the world knows where it stands on the most dangerous international issue of the day, and nobody is sure who speaks for the administration on that issue.

That's the situation that emerged on Sunday, when President Donald Trump openly contradicted his own secretary of state on the approach the administration is taking with North Korea and its nuclear program.

Rex Tillerson, speaking after a visit with Chinese leaders, said the U.S. has direct lines of communication with North Korea; within hours, Mr. Trump tweeted that his secretary of state is "wasting his time trying to negotiate."

The resulting confusion would be risky under any circumstances. Yet the most ominous part of the exchange actually lies elsewhere, in the implication that Mr. Trump now sees only what Sen. Bob

Corker, head of the Senate Foreign Relations Committee, referred to Sunday as a "binary choice": capitulation to North Korea or military conflict with potentially catastrophic consequences.

In fact, there is a third way, one that a variety of analysts from across the ideological spectrum have begun pointing to as a way out of the binary-choice box. It is a strategy called "deterrence and containment": Deter the North Koreans from ever using their weapons against the U.S. and its allies, and contain Pyongyang in its box until sustained pressure brings about either a change of heart or a change of regime in the rogue nation.

This isn't a novel approach, because it was the basis for perhaps the most successful national-security strategy in American history. Precisely 70 years ago this summer, American diplomat George Kennan wrote a famous article for Foreign Affairs magazine outlining the basis for a strategy of containment of the Soviet Union, which came to pose a much larger nuclear threat.

Mr. Kennan, a staunch foe of Communism with on-the-ground experience in the Soviet Union, wrote in 1947 that the U.S. had little hope of good relations with the Soviets in the short term, given Moscow's conviction it had both right and might on its side. But he also argued that



EVAN VUCCI/ASSOCIATED PRESS

President Trump tweeted that Secretary Rex Tillerson, right, is wasting his time on North Korea.

the Soviet system, with its combination of paranoia and the resulting suppression of its citizens, carried the seeds of its own demise.

"This would of itself warrant the United States entering with reasonable confidence upon a policy of firm containment, designed to confront the Russians with unalterable counterforce at every point where they show signs of encroaching upon the interests of a peaceful and stable world," Mr. Kennan wrote.

Mr. Kennan wasn't advocating that the U.S. stand idly

by, but rather that it actively work to keep the Soviets in a box, while also seeking to undermine Communism internationally and to "influence" internal Soviet developments. His writing implied he thought this strategy might be necessary for 10 to 15 years. In fact, it took half a century, but ultimately the Soviet Union collapsed without a shot being fired.

The differences between the Soviet Union then and North Korea now are enormous, of course, starting with whether North Korean leader Kim Jong Un can be counted

on to respond rationally to pressure. Still, the parallels exist: a hostile and paranoid foreign power, its population kept under tight control, posing a military threat while a military confrontation risks horrific consequences.

Flash forward to today, and Michael J. Mazarr and Michael Johnson, senior researchers at the nonpartisan Rand Corp., write: "Contain, deter and transform. Not a radical solution, but one that has worked before—and an approach that holds out the hope of preserving U.S. interests while avoiding war."

Jeffrey A. Bader, former Asia specialist on the National Security Council staff in the Obama administration now at the Brookings Institution, argues for an "assertive policy of deterrence and containment." He writes that they are "not appealing options" and were attacked during the Cold War as "passive, immoral and defeatist." But, he argues, "in fact they were none of those then, and would be none of those now."

As Mr. Bader suggests, the contain-and-deter option hardly implies simply sitting back and watching. It would require significant buildup of American and allied missile-defense systems, a larger American military presence on land and at sea in Asia, a robust effort to isolate North Korea economically and diplomatically and efforts to undermine the North Korean regime internally and externally.

There are, of course, skeptics. "To be sure, this may be the only option left, but many who are advocating the policy don't seem to be thinking through its military requirements and possible regional consequences," writes Daniel Blumenthal of the conservative American Enterprise Institute. The approach also led, he notes, to costly proxy wars.

Still, the deter-and-contain idea shows there remains ample middle ground between capitulation and war.



People waited in line Monday outside the Supreme Court to attend the first day of arguments in the court's new term.

Supreme Court Weighs Workers' Rights

BY JESS BRAVIN

WASHINGTON—The Supreme Court term opened Monday with a bruising argument over how workers pursue wage and labor claims against their employers, an issue that divided not only the justices but the federal government itself.

At issue is whether employers can block workers from pursuing joint claims by requiring they use individual arbitration to settle disputes. Some 25 million workers are held to such restrictions, one lawyer told the court Monday.

The court's business-friendly justices, led by Chief Justice John Roberts, appeared unsettled at the prospect companies and other employers couldn't require individual arbitration.

Justice Stephen Breyer, referring to former President Franklin D. Roosevelt, said businesses were seeking to overturn "labor law that goes

back to FDR at least, the entire heart of the New Deal." Justice Breyer is part of the court's liberal wing who tends to favor workers in employment disputes.

The issue pitted a lawyer in

GOP President Donald Trump's Justice Department, who sided with employers, against the pro-employee position taken by an attorney from the Na-

At issue is whether employers can block workers from pursuing joint claims in court.

tional Labor Relations Board who was appointed by Mr. Trump's Democratic predecessor, Barack Obama.

The chief justice and other conservatives have led the court in expanding a line of precedent that makes arbitra-

tion clauses nearly sacrosanct under the Federal Arbitration Act, adopted in 1925 to regulate commercial disputes. The law has more recently been applied to prevent consumer class actions by requiring complaints be resolved through individual private proceedings.

Businesses have relied on the expanding scope of the Arbitration Act to set aside an array of state laws they say encourage frivolous and costly litigation. Worker advocates have said requiring arbitration harms workers by limiting the tools they have to settle disputes with employers.

The parties agree that employment contracts can require workers to raise workplace claims in arbitration. The dispute is over whether they can be forced to do so only as individuals, or whether employees with similar claims can file them jointly, potentially increasing an employer's ultimate payout if found liable.

The NLRB and aggrieved

workers contend that Congress, in entitling employees to act collectively, wouldn't have allowed bosses to erase that option as a condition of employment. They point to the National Labor Relations Act, a 1935 law entitling workers to take "concerted" activities for...mutual aid or protection."

Justice Anthony Kennedy, who appeared likely to hold a controlling vote, asked if the law distinguished between class actions, which can be filed by an individual seeking to represent many similarly injured parties, and a collective action where several specific individuals join together in a complaint.

"Is one case easier than the other? Or do we decide both on the same principle?" he asked.

While the parties appeared to say no distinction was possible, there were hints that the court could explore a compromise that would split the difference.

At issue is whether employers can block workers from pursuing joint claims in court.

At issue is whether employers can block workers from pursuing joint claims in court.

The Interior Department's internal watchdog said Monday it is investigating Secretary Ryan Zinke's use of charter flights, even as Mr. Zinke dismissed the controversy over his taxpayer-fi-

nanced flights as "a little BS over travel."

Mr. Zinke disclosed Friday that he had taken three charter flights since taking office in March, including a \$12,375 late-night trip from Las Vegas to his home state of Montana in June.

No commercial flight was available from Las Vegas at the time he planned to fly to give a

speech to Western governors the next day in Whitefish, Mont., he said.

A spokeswoman for Deputy Inspector General Mary Kendall said the inspector general's office was investigating Mr. Zinke's travel. Two Democratic members of Congress requested the investigation.

—Associated Press

FDA Chief Says Costly Drugs Are Health Concern

BY THOMAS M. BURTON

WASHINGTON—The new commissioner of the Food and Drug Administration declared high drug prices are "a public health concern that FDA should address," and he began offering concrete steps the agency will employ to speed new, complex drugs to market through more efficient processes partially designed to address high drug prices.

Commissioner Scott Gottlieb is focusing first on what he terms "complex generics." The move to speed the regulatory approval process for drugs in this fast-growing area of the drug market would help introduce competition that might act to slow drug price increases, or even lower prices.

"I consider access to medicine a matter of public health," Dr. Gottlieb declared in a blog post Monday. "If consumers are priced out of the drugs they need, that's a public health concern."

Dr. Gottlieb's move is largely unprecedented for an FDA commissioner. The FDA has traditionally taken the position that the agency's sole role in medical-product approval is assessing safety and effectiveness, and that pricing is generally out of its purview. Pricing for some particularly



FDA chief Scott Gottlieb

important, high-price drugs, such as those used for cancer and hepatitis, remain beyond the FDA's reach.

Yet, in Monday's blog post, Dr. Gottlieb appears to be trying to address high drug prices. Dr. Gottlieb said that in the case of chemically complex drugs, such as the multiple-sclerosis drug glatiramer acetate injection or drug-device combinations, the agency will be taking steps like publishing a guidance to manufacturers on how to make early meetings with the agency more scientifically efficient.

The idea, he said, is to create "more efficient generic drug development, review and approval pathways," adding the agency also will be issuing a draft guidance to generic manufacturers about when FDA submissions for generic versions of certain particularly complex chemicals called peptides will be appropriate.

"There are a number of branded medicines that are peptides, where exclusivity has lapsed, but these drugs face little or no competition," the commissioner wrote.

He mentioned a range of such drugs, including those that go by generic names glucagon, iraglutide, nesiritide, teriparatide and teduglutide, that will be covered by the draft guidance. The FDA uses guidances as a way to make its intent clear without going through the more time-consuming process of getting a federal regulation adopted.

"We'll soon release other important policies aimed at spurring competition to complex drugs," he wrote. This will include scientific work within the agency to develop newer analytical tools to measure the effects of generics.

Dr. Gottlieb's actions take place as public concerns about high drug prices have led to proposals in Congress. So far, no significant legislation has passed.

WASHINGTON WIRE

ADMINISTRATION

Watchdog Examines Interior Chief's Travel

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—Associated Press

WHITE HOUSE

Trump Touts Stronger Ties With Thailand

Making no reference to Thailand's military rule, President Donald Trump hailed strengthening relations with the U.S.'s oldest ally in Asia as he welcomed on Monday a junta leader who

took power in a coup.

The Oval Office meeting with Prime Minister Prayuth Chan-ocha of Thailand underscored shifting U.S. foreign-policy priorities under Mr. Trump, emphasizing U.S. trade and strategic interests over democracy and human rights in the nations it deals with.

—Associated Press

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MASSACRE IN LAS VEGAS

Gunman Had Arsenal of Weapons

By JOE PALAZZO
AND ZUSHA ELINSON

The gunman who authorities said killed at least 59 people at a Las Vegas music festival appears to have used at least one rifle outfitted with a device that allowed the weapon to fire at a rapid rate, and had nearly two dozen firearms in his hotel room, law-enforcement officials said.

Investigators found 23 firearms in a room on the 32nd floor of the Mandalay Bay Resort and Casino. The weapons included AR-15-style and AK-47-style rifles as well as a large cache of ammunition, two law-enforcement officials said.

At least one of the guns was outfitted with a "bump

stock," a device that allows the weapon to increase the rate of fire on a semiautomatic rifle, one of the officials said.

The gunman alternated between two windows in the hotel room, firing upon thousands of concertgoers below, one official said. The staccato of automatic gunfire could be heard in videos of the shooting that were posted online.

The suspect, 64-year-old Stephen Paddock, killed himself before police entered the hotel room, authorities said.

Investigators searching Paddock's home in Mesquite, Nev., retrieved 19 firearms and thousands of rounds of ammunition, Las Vegas police officials said Monday.

Clark County Sheriff Joseph

Lombardo said they also found Tannerite, an explosive that detonates when shot by bullets and is used in target practice.

In Paddock's car, authorities found more ammunition and

Investigators found 23 firearms in a room on the 32nd floor of the Las Vegas hotel.

ammonium nitrate, a fertilizer that can be used to make explosives, Mr. Lombardo said.

Automatic rifles, which meet the legal definition of a machine gun, can fire continu-

ously with one pull of a trigger and are heavily restricted under federal law.

The AK-47, invented for the Soviet Army following World War II, is sometimes used as a generic label for a family of guns that are found on battlefields around the world, often identifiable by a wood stock and grips.

The gun can toggle between automatic and semiautomatic, though manufacturers sell civilian versions that fire semiautomatic only.

The AR-15, originally developed by Armalite and Colt, is a semiautomatic rifle that resembles the black firearms carried by U.S. soldiers.

Gun experts speculated on Twitter and in online groups

that the gunman may have used an accessory to ramp up the rate of fire on a semiautomatic rifle, such as a trigger crank or bump stock, which uses a combination of forward movement and recoil to engage the trigger rapidly. Such accessories are far cheaper and easier to obtain than an automatic weapon.

The 1934 National Firearms Act requires automatic weapons to be registered with the federal government, unlike semiautomatic firearms.

A 1986 law prohibits civilian possession of machine guns that weren't registered before May of that year. The law exempts automatic firearms possessed by or sold to government agencies.

Suspect Gambled, Invested In Property

Stephen Paddock, the 64-year-old man accused of carrying out the deadliest mass shooting in modern U.S. history, lived in a quiet retirement community surrounded by desert and golf courses about 80 miles northeast of the Las Vegas Strip where he went to indulge in gambling.

By Valerie Bauerlein,
Tawnell D. Hobbs
and Kate King

According to relatives, a lawyer, authorities and court documents, Paddock recently made a living as an investor in residential real estate and was also a regular video-poker player. He had been gambling in recent days, with transactions over \$10,000 that triggered federal reporting requirements, though it wasn't clear how much he might have been gambling or where, said people familiar with the matter.

Eric Paddock, his brother who lives in Orlando, Fla., told reporters that Stephen Paddock had given no indication that he was capable of violence. "We are shocked, horrified, completely dumbfounded," said Eric Paddock in the interviews. "Where the hell did he get automatic weapons?"

Nicole Paddock, who in a Facebook post described herself as the niece of the shooter, wrote that her uncle never came across as religious or political.

"I cannot speak to what possibly motivates someone to do something like this nor what his specific motivations may have been," she wrote.

Nevada Lt. Gov. Mark Hutchison said it was too early to know the accused shooter's motive.

"This seems like the act of a deranged, crazy man," Mr. Hutchison said, adding that the suspect didn't appear in any law enforcement databases and was "not on any radar."

Paddock had no U.S. military background, according to officials from the armed services.

He was a regular at the hotels on the Las Vegas Strip, said Martin Kravitz, a lawyer who represents several hotels there. In 2012, Paddock sued the Cosmopolitan Hotel, saying that he incurred more than \$30,000 in medical bills after being injured in a slip-and-fall accident.

A judge dismissed the case and ordered Paddock to pay the hotel's attorney fees, Mr. Kravitz said. The ruling was based on hotel surveillance footage that showed Paddock fell in a busy area traveled by dozens of people around the time he fell, he said.

Mr. Kravitz said he recognized Paddock immediately when police named him in the shooting, and was puzzled.

"He was not argumentative, he was not violent, he was not nasty," Mr. Kravitz said. "He was more nondescript than most people."

His father, Benjamin Hoskins Paddock, was convicted of bank robbery and automobile theft, according to an FBI wanted poster issued in 1969 after he escaped from a Texas prison.

Benjamin Paddock was "diagnosed as a psychopathic" with suicidal tendencies, and carried firearms, the FBI said at the time. The agency removed him from its most wanted list in 1977, according to its website.

A 1998 obituary published by an Oregon newspaper said Benjamin Paddock operated a bingo parlor there until the state Attorney General's Office filed racketeering charges against him in 1987.

In his past, Stephen Paddock worked for the Internal Revenue Service in the 1970s and for a predecessor firm of defense contractor Lockheed Martin Corp. in the 1980s but it wasn't clear in what role. He was also a private pilot who appears to have owned at least one plane over the years.

He was a lead investor in an apartment complex in a Dallas suburb that was sold in 2012 for \$8.3 million, according to real-estate records.

Casino Security Overhaul Unlikely, Experts Say

By SARA RANDAZZO
AND ALEXANDRA BERZON

Las Vegas casino hotels maintain vast security networks meant to root out robbery, cheating and other crimes. They are not designed for the scenario that occurred Sunday night when a shooter, with stockpiled weapons in a 32nd-floor hotel room, opened fire on a large crowd below, security experts said.

Virtually anyone can enter a casino without being stopped or having to pass through a metal detector or bag check. Casinos have long been reluctant to increase the visible show of security, beyond security guards in suits around the casino floor, for fear that it might scare away tourists who flock to Las Vegas to have a good time. Increased physical security could fundamentally alter the free flow of foot traffic in and out of the properties through multiple entrances and exits.

Stiffer entrance requirements are unlikely to be implemented even after Sunday's shooting, according to those in the security business.

"I don't know anybody in the U.S. or Europe who screens hotel-guest bags, and I just don't see that starting," said Tommy Burns, a police and security consultant who

has worked as the security director at Caesars Entertainment Corp. properties and other Las Vegas casino hotels.

Casino executives said that while they will study whether there is anything they can do to address security concerns, they think it is unlikely there will be any easy fix.

"The worst [part of this] is, you expected it some time," said Jan Jones Blackhurst, who heads up government relations

for Caesars Entertainment. "Or rather, you feared for it."

Rather than screening guests on the front end, Las Vegas hotels and casinos surveil crowds with thousands of cameras pointed at gambling floors and other areas of Vegas hotels. Staff may watch some of the footage for suspicious behavior or possible cheating, but can't have eyes on every part of the property at once.

CHAOS

Continued from Page One down like cattle would to a slaughterhouse. I saw bodies everywhere. The guy was just spraying the crowd."

Several witnesses said the limited number of exits and high chain-link fences around the festival grounds hampered the escape. At one exit, fleeing concertgoers stepped on other people in their panic to flee the worsening carnage, many losing shoes along the way, said attendee Kodiak Yazzie, who lives in nearby Henderson, Nev. "There was a massive amount of people running and yelling and screaming," he said. "People were bloody everywhere. A lot of people were just getting trampled."

Jordan McLaughlin, 34, from San Diego, went with a friend to get a drink about three songs into Jason Aldean's set.

"Then we heard some popping noises," she said. "People said it was firecrackers. Then a couple seconds later, there were a lot more, and it seemed louder."

The second round of shots came, then a third, she said. "People started jumping on the floor, and running, and finding any way to get through or around or behind something."

At first, she and her friend hid behind tables, then they ran out. "It was just awful," she said.

Sonya Schwede, 43, of Redondo Beach, Calif., said she was near the front stage with her husband and friends when they heard the noises. A man near her said he thought he had been hit by something and when the emergency lights came on, she saw he was covered in blood, she said.

"People around us were getting shot," she said.

Ms. Schwede and her husband scrambled under a table, then when there was a lull in the shooting, they ran. "You could hear the bullets ricochet off the stage," she said. "We thought we were dead. We should have been dead."

People weren't sure where the gunfire was coming from at first, so they didn't know where to run, she said. Once it was clear where the gunfire was coming from, there was a "mass stampede" to scramble out, she said. She ran past dead and wounded on the way out, she said.

Mr. Yazzie and his girlfriend were about 150 feet from the stage when the massacre began. After initially thinking it was just fireworks, he heard a fresh, rapid-fire burst of pops and saw band members on stage bolting for cover. "That's when we just ran," said Mr. Yazzie, 36, who works in sales for a home builder.

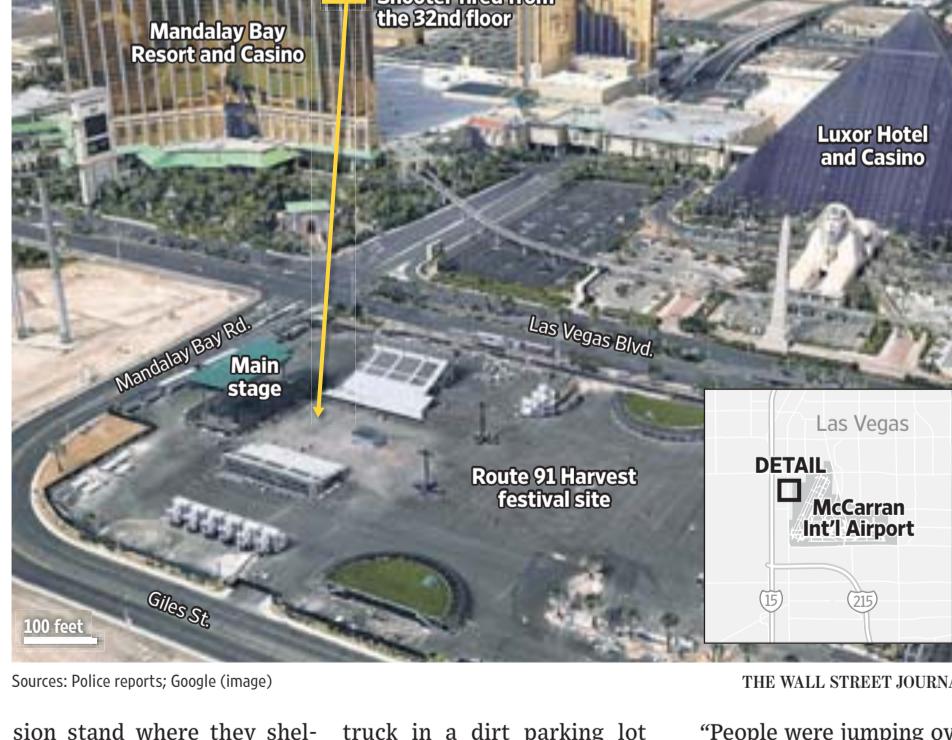
Their heads tucked down, the couple raced to a conces-



Police advised people to take cover near the scene of the shooting. Several witnesses said limited exits and fences hampered escape.

Gunman's Vantage Point

The attacker fired into the crowd at the Route 91 Harvest festival from a suite in the Mandalay Bay hotel.



Sources: Police reports; Google (image)

he was about 50 yards from the others in his group—his fiancee Breanna Skagen and two friends. He saw the trio taking cover behind a bar and joined them by diving over it. People packed into any seemingly shelter they could find, he said, with six people squeezing into a portable toilet.

Adding to his fear was the fact that Mr. Bleck didn't know the shooter's location. He said he worried the gunman was in the crowd, possibly heading in their direction.

"People didn't know where to go," he said. "People were yelling, 'He's coming this way!'"

Mr. Bleck said he would wait for a pause in the shooting, run about 50 feet and drop to the ground as soon as the gunfire resumed. Finally, he and Ms. Skagen found a gate and ran through it.

"We saw bodies being dragged, I saw people plugging bullet holes with their fingers," he said. He said he also saw first responders bravely trying to protect concertgoers. "They were literally running toward danger and using their bodies to shield people."

Amid the chaos, he and Ms. Skagen became separated from the two friends, but he said all four of them made it out physically unscathed. Later, he said, Ms. Skagen felt dried blood in her hair "and lost it."

—Ian Lovett, Jim Oberman and Lisa Schwartz contributed to this article.

sion stand where they sheltered behind a counter. Mr. Yazzie said he could tell the gunfire was coming from an elevated area and saw what looked like a camera flashing nonstop about halfway up the Mandalay Bay tower. The couple eventually sprinted through an exit on the east side of the venue, then crouched behind a water

truck in a dirt parking lot where about 25 other people were huddled. Mr. Yazzie said he stayed near the water truck during a fusillade that seemed endless. "There had to be several hundred rounds that were shot, easily," he said.

The panic continued after concertgoers escaped the fenced-in venue, he said.

"People were jumping over different walls and fences, trying to take cover. People were trying to break into buildings to get to safety. Glass was shattering." Eventually, he and his girlfriend walked several miles and called a Lyft to take them home.

When the shooting started, Mr. Bleck, a brand manager for High Times magazine, said

MASSACRE IN LAS VEGAS



DAVID BECKER/GETTY IMAGES

People scrambled for safety after hearing gunfire at the Las Vegas festival Sunday. Hospitals treated victims who had brain injuries, chest, abdomen and bowel wounds, broken bones and major blood loss.

Hospitals Staffed Up as Victims Poured In

BY JEANNE WHALEN
AND ALICIA A. CALDWELL

Hospitals in Las Vegas were grappling Monday with a range of patient injuries that reflect the chaos of Sunday's mass shooting, including horrific gunshot wounds and traumas inflicted as victims tried to flee.

Local hospitals called in extra staff as well as medical personnel from a nearby Air Force base to cope with the onslaught, as authorities reported at least 59 deaths and more than 527 wounded from the carnage outside the Mandalay Bay Resort and Casino.

Leading the trauma response is University Medical Center of Southern Nevada,

which had 50 doctors treating more than 100 patients with injuries including gunshot wounds and trauma suffered when victims were hit by cars while fleeing.

The wounded streamed in by ambulances and personal vehicles, said Medical Director John Fildes, chairman of the hospital's trauma department.

Deborah Kuhls, a surgeon and director of the hospital's trauma intensive-care unit, said the gunshot traumas ranged from "devastating brain injuries" to chest, abdomen and bowel wounds to broken bones and major blood loss.

"We had friends and family putting them in the back of a pickup truck and bringing

them to the trauma center or the main ER," Dr. Kuhls said in an interview Monday.

One patient was injured in a stampede as people fled. "She just got knocked down and got kind of trampled by people fleeing," said Dr. Kuhls, referring to the patient, who survived.

The hospital also saw patients who had been involved in car accidents. They suffered broken bones and deep skin abrasions from scraping the pavement. Dr. Kuhls said she didn't know the circumstances surrounding the car accidents.

University Medical Center also treated some pediatric patients from the scene of the shooting, Dr. Kuhls said, adding that she wasn't able to dis-

close further information on those cases.

Dr. Kuhls already had worked a full shift when the shooting occurred shortly after 10 p.m. and took charge of

'We heard there was an active shooter at a casino. So we called all the surgeons in.'

the response. "It was a busy day to begin with, and I was not quite ready to leave when I heard 'multiple gunshot wounds,'" she said. "We heard there was an active shooter at

a casino. So we called all the surgeons in. Every message we got was more and more people, and potentially hundreds injured."

The hospital declared a state of "internal disaster," a step that activates disaster-preparedness plans and calls in extra nurses, administrators and other staff, including extra physicians.

The first victims to arrive were in cardiac arrest after being shot and bleeding profusely, Dr. Kuhls said. "A few people, their heart had already stopped. Some had CPR in progress. And we continued that and tried to see if there was a way to change the course of events."

Soon the hospital had up to

six operating rooms in use, with multiple surgeons in each room—a very unusual amount of trauma activity, Dr. Kuhls said. The hospital called in more than half a dozen personnel from nearby Nellis Air Force Base.

"They have a lot of expertise handling mass casualties, from Iraq and Afghanistan. And I cannot tell you how helpful they were," Dr. Kuhls said.

Referring to the mass-casualty training University Medical Center routinely conducts, Dr. Fildes said the response "went just as planned." The hospital didn't run out of blood or other critical equipment, such as ventilators, Dr. Kuhls said.

ATTACK

Continued from Page One
Hutchison said Paddock didn't appear on any law-enforcement databases and wasn't on authorities' radar. Although the Islamic State terror group claimed responsibility, intelligence and law-enforcement officials cast doubt on the claim.

"This seems like the act of a deranged, crazy man," Mr. Hutchison said, speaking outside University Medical Center, where many of the victims were sent.

The shooting shut down the Las Vegas Strip for hours, turning the nation's party town into a gruesome mass-casualty scene. Local hospitals struggled to care for hundreds of badly wounded patients who flooded into emergency rooms.

The massacre unfolded on Sunday night, just after 10 p.m. local time on the south end of the glittery Vegas strip, where country-music singer Jason Aldean was wrapping up his show below the Mandalay Bay. Video taken at the concert and posted on social media showed Mr. Aldean singing, then the sound of rapid-fire shooting before Mr. Aldean fled the stage.

"Everyone started running for our lives," said Nicole Khouri, 39, from Simi Valley, Calif.

"People were breaking legs, getting trampled," said her friend, Wendy Theroux, 47. "They were trapped under those barriers that concerts have. There were bodies everywhere. We didn't know who was dead or trampled."

Describing the confusion, she said she first thought shots were coming from inside the venue.

"It's coming from upstairs in the Mandalay Bay. Upstairs in the Mandalay Bay. Halfway up. I see the shots coming from Mandalay Bay," a law enforce-

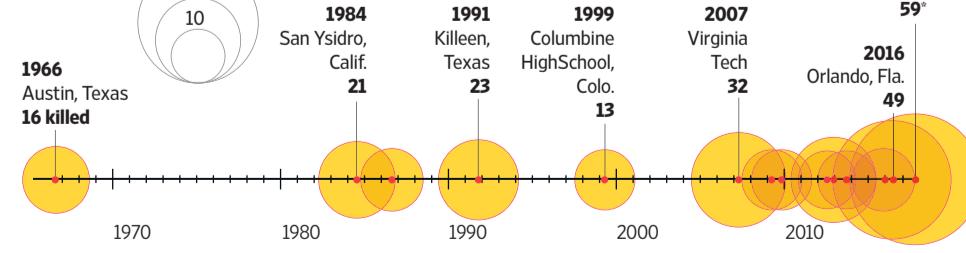


CHRIS CARLSON/ASSOCIATED PRESS

Investigators on Monday loaded a truck near the body of a victim of the massacre at a music festival.

The Deadliest Shootings in U.S. History

The number of fatalities surpassed the 49 victims from the Orlando shooting in 2016, previously the largest number of people killed in an American mass shooting. Here are some of the deadliest mass shootings in modern U.S. history:



*As of 6:30 p.m. EDT, Monday.

Note: Fatalities don't include shooter.

Source: News reports

he get automatic weapons?"

He described his brother as wealthy and said he liked to play video poker and had no known affiliations with religious or political groups. He had texted recently to ask how his elderly mother was after Hurricane Irma swept through Florida, Eric Paddock said.

Stephen Paddock lived in the quiet retirement community of Mesquite, a town about 80 miles northeast of Las Vegas, but neighbors there and at a previous home near Dallas had little recollection of him.

Authorities were searching the

Mesquite residence and another in northern Nevada Monday.

It wasn't immediately clear what Paddock, who had once worked at a predecessor firm to Lockheed Martin, most recently did for a living.

Police said they didn't be-

lieve his female companion, identified as Marilou Danley, was involved in the shooting, but they want to speak with her when she returns from an international trip.

The mass killing is among the bloodiest in at least 50 years, according to a review of records and news accounts.

Details on the deceased in Las Vegas were emerging slowly as authorities notified next of kin. The dozens killed included Sonny Melton, 29, a nurse from Big Sandy, Tenn.

Mr. Melton was attending the concert with his wife, orthopedic surgeon Heather Gulish Melton, and was shielding her when he was shot, friend Jeremy Butler said. He said he had spoken with Mr. Melton's family on Monday.

"He was literally one of the best people you could ever meet," said Mr. Butler.

Adrian Murfitt, 35, of Anchorage, Alaska, treated himself to a trip and concert in Las Vegas after a profitable summer aboard a commercial fishing boat, according to his older sister, Shannon Gothard. She said her brother was at the concert with two friends when he was fatally shot.

Hours after the rampage, survivors recounted scenes of horror and heroism.

Al and Kymberli Quackenbush, a married couple from Long Beach, Calif., at first scrambled behind a bar for safety. They then ran from the gunfire raking the crowd, stopping to help two people who "were dragging the lifeless body of a woman," said Mr. Quackenbush. "So we stopped and carried her behind a concrete pillar," he said.

As the couple continued trying to get away, they noticed concertgoers scaling a fence. They found an opening in the fence and fled.

—Del Quentin Wilber, Jennifer Levitz, Cameron McWhirter, and Zusha Elinson contributed to this article.

WORLD NEWS

Catalan Leader Awaits Move by Madrid

After secession vote, region's president says he won't immediately declare independence

By JEANNETTE NEUMANN
AND MARINA FORCE

BARCELONA—Catalonia's leader said that any declaration of separation from Spain won't come for at least several days, putting pressure on the government in Madrid to make the next move in the standoff between the country and the restive region.

The two sides were carefully weighing their next steps on Monday the day after Catalan voters appeared to overwhelmingly back independence in a referendum boycotted by opponents and marred by violence, leaving hundreds of civilians injured and raising the political stakes.

Carles Puigdemont said Catalan authorities were still tallying the official results and weren't likely to send them to regional lawmakers until at least Wednesday. The Catalan parliament, where separatists have a majority, would then have 48 hours under the vote's enabling legislation to declare Catalonia's separation from Spain.

The central government in Madrid says the vote was illegal because it violated Spain's constitution, which upholds the "indissoluble unity" of Spain. Police, acting on court orders, tried to prevent voters from entering polling stations



People in Vic, Spain, gathered beneath a large banner reading 'Sí'—'Yes' in Catalan—during a protest against the violence marring Sunday's vote on Catalan independence.

and using voting material.

Mr. Puigdemont's slight delay throws the ball into the court of Spanish Prime Minister Mariano Rajoy, a conservative who has taken a hard line against Catalan separation. A strong reaction from Mr. Rajoy—for instance pre-emptively stripping Catalonia of the autonomy it currently has—would likely bolster Mr. Puigdemont's support among his voters. The pause also allows the Catalan leader to present himself as open to dialogue, and not solely focused on declaring independence.

Many analysts think secession is unlikely to materialize. "There will ultimately be a settlement on regional financial reform and greater autonomy for Catalonia within Spain but this will be a drawn-out process," Fitch Ratings analysts said in a research report.

Mr. Puigdemont is seeking to muster international backing for his independence push by playing down his urgency, analysts said.

"You burn political capital by moving too quickly and unilaterally," said Antonio Barroso, a political analyst at con-

sulting firm Teneo Intelligence.

Mr. Puigdemont called for international mediation of Catalonia's bid to separate from Spain, but foreign states are unlikely to be willing to be drawn into a bitter conflict that most have characterized as an internal Spanish matter.

Mr. Rajoy now has some time to assess his options. He could attempt to open up talks with separatists on a political solution to the crisis or pursue a hard line and invoke constitutional powers that allow Madrid to take control of the region.

Mr. Rajoy met with opposi-

tion leaders Monday afternoon in Madrid to gauge their support for various responses.

The leader of the centrist Ciudadanos party, which opposes Catalan independence and has deemed the vote illegitimate, called on the prime minister to strip Catalonia of its autonomy and call early regional elections, pre-empting a declaration of independence by the Catalan parliament.

European leaders expressed support for Mr. Rajoy's bid to uphold Spain's constitution but urged him to seek a negotiated solution with the separatists. A spokesman for German Chancellor Angela Merkel said Germany hopes for "dialogue in the framework...of the Spanish constitution."

European Union chief Donald Tusk appealed on Twitter "for finding ways to avoid further escalation and use of force."

Common ground between Messrs. Puigdemont and Rajoy will be hard to find. Both men maintain they have been open to negotiations for years, but accuse each other of bad faith.

◆ Euro is rattled as political risk returns..... B12

Rich Region Embraces Chance for Going It Alone

By JON SINDREU
AND MIKE BIRD

BARCELONA—The economic strength of Catalonia—one of Spain's richest regions—is a central concern of secessionists, who argued the region would be even more prosperous as an independent republic.

But though an independent Catalonia would retain economic might, it would have to grapple with some daunting issues, economists and policy analysts say. European officials say secession would likely leave Catalonia outside the European Union's single market, and its banks outside the eurozone.

The new nation could inherit a large chunk of Spain's sizable public debt. And it may face problems at first securing tax revenues, the vast bulk of which are now collected by Spanish rather than regional

authorities.

Catalonia's economy is bigger than that of Portugal and roughly the size of Finland's. Its per capita income is above the EU average, according to Eurostat, whereas Spain's is significantly below. The region's unemployment rate stands at 13.2%—high compared with European peers but still lower than Spain's 17.2%.

An independent Catalonia, however, could be saddled by a large public-debt burden. After the financial crisis hit in 2008, Catalonia's debt rose faster than that of most other Spanish regions, even though its economic performance was better, and now stands at 35% of gross domestic product.

On top of that, if Catalonia negotiated a separation, it would likely assume a share of Spain's public debt, analysts say, which stands at 100% of

GDP.

How much of a share? "There would need to be quite a complex discussion about assets and liabilities," said James Ker-Lindsay, a professor at the London School of Economics and expert in secession procedures.

A large debt pile would be a problem if Catalonia decided to keep the euro as a currency. A Catalan central bank with its own currency could address the issue but create a bigger one, economists say, since few would trust it at first.

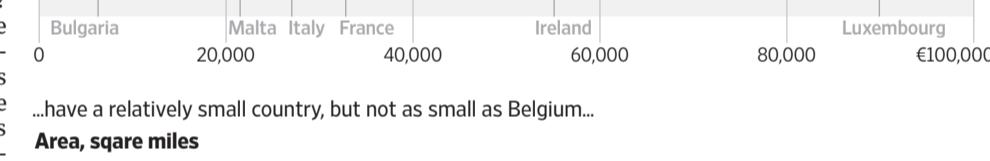
Brussels has said Catalonia would be out of the EU until and unless it reapply, leaving the new country in a monetary gray zone. Other countries, among them Kosovo and Montenegro, currently use the euro without being members of the eurozone. But adopting the currency without access to the bloc's institutions offers severe drawbacks.

Catalan banks could be deprived of access to liquidity from the European Central Bank, having to rely on other banks or subsidiaries in the eu-

Catalonia On Its Own

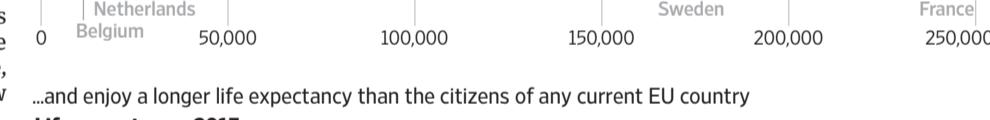
As citizens of an independent country, in comparison to existing European Union countries, Catalans would fall between the Italians and the French in terms of economic output per person...

GDP per capita, 2015



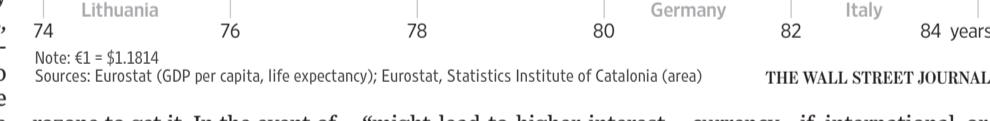
...have a relatively small country, but not as small as Belgium...

Area, square miles



...and enjoy a longer life expectancy than the citizens of any current EU country

Life expectancy, 2015



Note: €1 = \$1.1814
Sources: Eurostat (GDP per capita, life expectancy); Eurostat, Statistics Institute of Catalonia (area)

currency—if international organizations and nations were to recognize its independence.

Catalan Economy Secretary Pere Aragonès said investors have expressed interest in Catalonia issuing more debt, but not as long as the region's fate remains uncertain.

"might lead to higher interest rates and stifle lending."

London-based investment bankers and asset managers said Catalonia, given its current size and economic strength, would be able to tap bond markets easily—whether in euros or its own

currency—if international organizations and nations were to recognize its independence.

Mr. Hammond said.

Mr. Hammond's appeal comes amid signs voters in the U.K. are moving away from the embrace of free markets that was ushered in by Margaret Thatcher in the 1980s and broadly sustained by Labour under Tony Blair.

In common with other major economies, public support for free markets was tested by the financial crisis. Opinion polls suggest Mr. Corbyn's policies continue to strike a chord with voters—especially the young—wary of years of government belt-tightening and feeble wage growth.

Labour economy spokesman John McDonnell said the Conservatives have presided over years of stagnant wage growth since coming to power in 2010. In a series of messages on his verified Twitter account, he dismissed Mr. Hammond's speech as "an embarrassing rant."

A survey of 2,000 adults published on Friday by polling firm Populus for the Legatum Institute, a free-market think tank, found widespread public support for nationalizing railways, utilities and banks.

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Notice of Nomination of Directors

In accordance with Section 4210 of the Insurance Law of the State of New York and Regulation 14-A of the Insurance Regulations of the State of New York, notice is hereby given that the Board of Directors of Mutual of America Life Insurance Company has nominated the following named persons as candidates for election as Directors in the class designated to serve until the election in 2021 or until their respective successors have been duly elected.

Kimberly Casiano

President

Kimberly Casiano & Associates
San Juan, Puerto Rico

Wayne A. I. Frederick, M.D.

President

Howard University
Washington, D.C.

Frances R. Hesselbein

The Frances Hesselbein Leadership Forum
New York, New York

Dennis J. Reimer, General, U.S. Army (Retired)

President

Army Emergency Relief
Arlington, Virginia

James J. Roth

Senior Executive Vice President and General Counsel
Mutual of America Life Insurance Company
New York, New York

A certificate of nomination of the above candidates has been duly filed with the New York State Department of Financial Services.

The election of Directors of Mutual of America Life Insurance Company will be held at the Home Office, 320 Park Avenue, New York, New York, on Thursday, April 26, 2018, from 10:00 a.m. to 4:00 p.m. Policyholders whose policies or contracts are in force on the date of the election and have been in force at least one year prior thereto are entitled to vote in person or by mail, by proxy or by ballot.

Diane M. Aramony

Executive Vice President

and Corporate Secretary

October 3, 2017



SAMSUNG



Gering High School students Elexus Johnson, Eric Crane and Payton Welfl show a photo of their Samsung Solve for Tomorrow Contest winning project – a drone-powered spraying system to target weeds and use fewer chemicals on crops – on the steps of the U.S. Capitol on Wednesday, April 26, 2017.

Celebrating the future leaders of tomorrow, today.

As Samsung's flagship citizenship initiative, the Solve for Tomorrow contest is designed to address the growing education gap and career readiness shortage in STEAM (Science, Technology, Engineering, Arts and Math) skills in the U.S.

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Since 2002, Samsung has provided more than \$46 million to more than 1,000 public schools and community organizations in the United States through its many citizenship initiatives.

The contest is now accepting STEAM project ideas from teachers. Learn more at Samsung.com/Solve.

*\$2 million prize is based on an estimated retail value.

Photo by Jocelyn Augustino

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WORLD NEWS

Palestinians Move to Repair Ties

BY RORY JONES

GAZA CITY—Palestinian Authority officials arrived here on Monday for two days of talks with militant group Hamas, as the two major Palestinian sides work to mend ties after a decade of deadlock.

The talks are the latest attempt at reconciliation between the groups after years of mistrust, and could lead to a united Palestinian national movement that would participate in peace talks with Israel. Their success hangs on whether Hamas agrees to hand over security of the strip to the Authority for the first time in 10 years.

Israel and the U.S. are carefully watching the outcome of the discussions, which will likely continue for a number of weeks after the delegation's departure. Israel has fought three wars with Hamas in the past decade.

Among the issues under discussion between Palestinian Authority Prime Minister Rami Hamdallah and Ismail Haniyeh, leader of Hamas, is the return of thousands of Authority employees to jobs administering the strip.

Yasser Muhamna is one of thousands of the Authority's Gazan employees who stopped working with the rise of Hamas and are now eagerly awaiting the talks' outcome. He walked off his job in the telecommunications ministry here a decade ago on the orders of the Palestinian Authority, after it ceded control of the enclave to Hamas.

Since then, the Authority, which still formally governs the West Bank, has sought to ensure the loyalty of thousands of people like Mr. Muhamna, in part by paying them wages though they no longer work. For many, the talks offer a possible way out of that limbo.

"It's very important," he said. "We want to keep working."

The two sides began discussions last month in Cairo after Hamas agreed to allow the Authority back into the strip. They will continue in the



Palestinians celebrated the arrival of Premier Rami Hamdallah and his ministers at the Erez border crossing in the Gaza Strip Monday.

Egyptian capital next week.

Officials from the Authority, which is dominated by President Mahmoud Abbas's Fatah party, entered Gaza from Israel on Monday and were met by hundreds of jubilant Gazans lining the streets. They waved Fatah and Hamas flags and held pictures of Egyptian President Abdel Fattah Al Sisi.

Both sides want to "see the end of the Palestinian divide and see Palestinian unity," Sabri Saidam, the Authority's education minister, said in an interview in Gaza. "It's history being made."

Israel has its own criteria for judging the talks on a potential united Palestinian movement. "First of all, are they willing to accept the existence of Israel...second are they

going to stop shooting and creating terror actions in Israel," Israeli cabinet member Yoav Galant said. "If the answer to these questions is positive, there is a lot to talk about."

The Palestinian Authority and Hamas have been at odds for a decade.

Mr. Abbas has been financially pressuring Hamas for months to cede control of the territory.

Despite the rift, the Authority has continued to pay tens of thousands of teachers, doctors

and civil servants. While some of them work alongside the roughly 50,000 Hamas employees who replaced many of their Palestinian Authority counterparts, many haven't set foot in their workplaces for a decade.

One of the key issues the two sides are discussing is how to deploy the Authority and Hamas employees fairly across dozens of ministries.

Mr. Abbas's recent moves to squeeze Hamas appeared aimed at showing new U.S. President Donald Trump that the Arab leader can unite Palestinians and negotiate on behalf of both the West Bank and Gaza, comprising the territory where Palestinians hope to create a future state.

The White House hasn't committed publicly to supporting

the establishment of a Palestinian state, saying such a move would improperly pre-empt any future talks between Palestinians and Israel. Palestinian officials have expressed frustration over that position, a reversal of decades of U.S. policy.

"The United States welcomes efforts to create the conditions for the Palestinian Authority to fully assume its responsibilities in Gaza," Jason Greenblatt, the White House's special representative for international negotiations, said on Monday.

Mr. Muhamna believes his return to work is required to show the international community the Palestinians are credible partners to talk with Israel. "There's a good chance [the talks] could go well. But they could explode at any moment."

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Guadalupe Romero with her 10-month-old daughter, Grecia, at the improvised camp in the capital.

Quake Victims Live Rough

A Mexico City park becomes home to a group of neighbors

BY JUAN MONTES

MEXICO CITY—Guadalupe Romero would often bring her 10-month-old daughter to a children's playground in a tree-lined park in southern Mexico City.

Now, after a devastating earthquake that damaged thousands of homes in the capital, she is living in the park with her husband, Eduardo Paredes, and their daughter, Grecia, at an improvised campsite. They are waiting for authorities to determine whether their apartment building was so badly damaged it has to be demolished, or is safe to return to.

Neighbors say there are about 100 people at the camp, all residents of a 57-year-old housing complex where one of the 10 apartment blocks fell apart in the earthquake, killing nine people, and the others appear severely damaged.

Several people at the camp said they are reluctant to move, even temporarily. "We want to be here, near our building, to put pressure on the authorities to repair or rebuild it. We

won't go," said Magdalena Trejo, a worker at the country's electoral agency who said her apartment was damaged in the quake.

The 7.1 magnitude earthquake on Sept. 19 killed at least 361 people, including 220 in Mexico City, where it toppled 38 buildings and seriously damaged about 1,800 others, according to Mexican authorities.

'We want to put pressure on the authorities to repair or rebuild.'

Some 1,150 people are staying in 30 government-run shelters in the capital, and hundreds more like Ms. Romero are in informal camps set up in parks, church grounds and schools.

At night, when the temperature drops sharply, Ms. Romero and her husband take turns sleeping with the baby in their car, parked several blocks away, while the other remains in the tent. Like many others, they

Somali Charged In Attack In Canada

BY PAUL VIEIRA
AND VIPAL MONGA

Canadian police filed multiple charges, among them attempted murder, against a Somali refugee after he allegedly stabbed a police officer and struck four pedestrians while driving a truck in Edmonton, Alberta, Saturday night in a suspected terrorist attack.

Abdullahi Hassan Sharif, an Edmonton resident now in police custody, faces five counts of attempted murder and charges related to dangerous driving, criminal flight and possession of a weapon. He will make his first court appearance on Tuesday.

Superintendent Stacey Talbot of the Royal Canadian Mounted Police told reporters in the Alberta capital that the terrorism investigation is in the early stages and additional charges could be filed.

"The complexities of a terrorism investigation are vast," said Superintendent Talbot, head of the RCMP's national-security team in Alberta. As more evidence becomes available, she said, the charges Mr. Sharif faces "will be reassessed...and, if warranted, further charges will be pursued."

It wasn't clear on Monday whether Mr. Sharif had legal representation.

Previously, law-enforcement officials said a complaint was filed against Mr. Sharif in 2015 for "espousing radical ideology." Officers investigated the complaint and interviewed the suspect, but found no cause to press charges, officials said.

Edmonton Police Inspector Carlos Cardoso said Monday the officer who was struck and stabbed, Constable Michael Chernyk, "was doing surprisingly well." He added that police remain persuaded Mr. Sharif acted alone.

WORLD NEWS

Trump Backs Tillerson, White House Says

President said Sunday chief diplomat was 'wasting his time' in bid for North Korea talks

BY FELICIA SCHWARTZ
AND LOUISE RADNOFSKY

WASHINGTON—The White House said President Donald Trump has confidence in Secretary of State Rex Tillerson, a day after Mr. Trump said the chief diplomat was "wasting his time" by trying to negotiate with North Korea.

Mr. Tillerson disclosed over the weekend that the U.S. has had direct contact with Pyong-

yang and was trying to ascertain whether North Korean officials want to hold talks on their nuclear program. His statements, during a trip to Beijing to meet Chinese leaders, prompted Mr. Trump to tell Mr. Tillerson in a Twitter message that he should save his energy, and "we'll do what has to be done."

The apparent disagreement prompted charges the White House and State Department were at odds on a critical foreign policy issue, and that Mr. Trump had undercut his chief diplomat.

The White House and State Department have tried to close any gaps that followed Mr. Trump's tweets. Mr. Tillerson joined Mr. Trump Monday for a

meeting with Thailand Prime Minister Prayuth Chan-ocha.

Mr. Tillerson on Saturday said the U.S. has "a couple, three" channels to communicate with North Korea. State Department officials said that he wasn't suggesting that the U.S. is conducting active negotiations with North Korea, but to state that the U.S. has a way to communicate with Pyongyang.

White House press secretary Sarah Huckabee Sanders, asked whether Mr. Trump still has confidence in Mr. Tillerson despite his tweets, said, "He does. Yes."

However, she said the White House maintains negotiations should not be held with North Korea. "We've been clear that

now is not the time to talk," she said. She said the U.S. wants to use the existing channels only to discuss three Americans who are detained in North Korea. "Those were the type of conversations that this administration was willing to have. Beyond that, there will be no conversations with North Korea at this time," Ms. Sanders said.

The two governments are known to have held talks in recent years via North Korea's United Nations mission. A State Department official also met with North Korea's top nuclear negotiator in Norway as part of efforts to negotiate the release of Otto Warmbier, raising expectations that the regime might

eventually engage with the Trump administration about Pyongyang's weapons program.

Mr. Warmbier, an American college student, was imprisoned in North Korea for more than a year before being medically evacuated in June in a coma. He died shortly thereafter.

After Mr. Trump's tweets, on Sunday, State Department officials stressed that North Korea hasn't been making use of the open channels and that those channels would soon close.

Ms. Sanders' comments on Monday seemed to echo Mr. Trump's skepticism about the utility of talks with North Korean leader Kim Jong Un.

Despite efforts to align the

messages of Mr. Trump and Mr. Tillerson, experts and former officials said Mr. Trump's comments on Twitter undercut Mr. Tillerson and risked confusing North Korea about U.S. intentions.

"I don't think you can operate in an environment in which the president has convinced himself that he also can be the nation's top diplomat," said Aaron David Miller, a former adviser to Republican and Democratic secretaries of state now at the Wilson Center. "He belittled Tillerson and the little rocket man and the idea of diplomacy—it's a three-for."

"Little rocket man" is a disparaging nickname used by Mr. Trump to refer to Mr. Kim.

Business Confidence Skyrockets In Japan

BY MEGUMI FUJIKAWA

TOKYO—Business confidence is riding a 10-year high in Japan as the economy enjoys its longest stretch of growth in more than a decade, a central bank survey showed, less than three weeks before a national election.

Prime Minister Shinzo Abe is highlighting his handling of the economy and his Abenomics economic program in an election campaign he was initially expected to win easily before two opposition parties joined forces last week.

While opinion polls show Mr. Abe's opponents may be eating into his large lead, the latest Bank of Japan survey of businesses finds that in company boardrooms at least, bullish sentiment over Japan's outlook under its current leadership is strong.

The quarterly *tankan* survey of companies showed an improvement in business sentiment across a wide range of businesses including small chemical makers and the nation's giant technology and auto manufacturers.

The business-sentiment index among large manufacturers rose to plus 22 in the July-September quarter from plus 17 previously, its highest reading since September 2007. Results for small manufacturers and large and small nonmanufacturers also matched or outperformed economists' expectations.

Some analysts say the data will likely give Mr. Abe's Liberal Democratic Party a tailwind as he heads into the general election on Oct. 22.

◆ Japanese stocks surge, but skeptics abound..... B1



Doan Thi Huong, left, and Siti Aisyah face the death penalty if convicted of killing North Korean dictator Kim Jong Un's half brother at Kuala Lumpur's airport in February.



Accused Killers of Kim's Kin Plead Not Guilty

BY YANTOULTRA NGUI

SHAH ALAM, Malaysia—Two women pleaded not guilty to charges of murdering the half brother of North Korean dictator Kim Jong Un, opening a trial over an assault that shocked the world and accelerated an international drive for sanctions against the rogue regime.

The women, 25-year-old Siti Aisyah of Indonesia and 28-year-old Doan Thi Huong of Vietnam, stand accused of colluding with a team of North Koreans to kill Kim Jong Nam at Kuala Lumpur International Airport on Feb. 13. Proceedings are scheduled through the end of November, with verdicts and any sentencing to follow.

Mr. Kim, the estranged, self-exiled older sibling of North Korea's leader, died shortly after the two women exposed him to what Malaysian authorities said was VX

nerve agent. The United Nations classifies the banned substance as a weapon of mass destruction.

Both women face the death penalty, which is carried out in Malaysia by hanging. They have said that they were unwitting accomplices in the plot and that they thought they were being paid to perform a prank for a television show. North Korea has denied any involvement in the killing.

The women arrived in separate vehicles at the courthouse under heavy security on Monday, wearing bulletproof vests. They wore handcuffs inside the courtroom and gave their pleas through interpreters.

Ms. Aisyah and Ms. Huong are being tried jointly in proceedings expected to last until the end of November, with prosecutors expected to call as many as 40 witnesses. The verdicts and any sentencing would come later.

No one else has been

charged or is on trial. Several North Koreans identified as suspects in the plot fled Malaysia quickly after the killing. Three were allowed to leave Malaysia in exchange for North Korea letting Malaysian diplomats leave Pyongyang.

Defense attorneys want the

Kim Jong Nam died from what Malaysian authorities said was VX nerve agent.

North Koreans involved to be formally identified and to face charges. Prosecutors said they would reveal the identities in the course of the trial.

The first witnesses to appear were an airport information-counter employee and a police officer to whom a disoriented Mr. Kim spoke after

the assault. The police officer

said that he took Mr. Kim down one floor to the airport clinic from the departure hall and that Mr. Kim asked him to walk slowly and said his eyes were blurry.

Police say Ms. Aisyah, a single mother from a rural area outside Indonesia's capital, Jakarta, worked as a spa masseuse on regular visits to Kuala Lumpur. Her lawyers say that a North Korean approached her in January to act in prank videos in Malaysia and neighboring countries, and that she thought he was Japanese.

Ms. Aisyah's lawyer says the man asked her to approach strangers in malls, airports and casinos, and to put liquids such as oil and Tabasco sauce on their hands or faces.

She said she earned around \$100 for each prank and was always directed to target men whom she describes as Chinese looking, the lawyer said.

Ms. Huong, the youngest of

five in a farming family in rural Vietnam, had moved to Hanoi at age 18 to become a pharmacist. There, she dropped out of school, eventually taking up work, until last year, as a drinks server at a downtown cowboy-themed bar.

In December, her defense team says, a North Korean man approached her with a proposition similar to the one offered to Ms. Aisyah.

Malaysian investigators say she later traveled to Kuala Lumpur and practiced smearing liquids on people's faces at a shopping mall and other locations.

Both women were captured on airport security cameras assaulting Mr. Kim as he arrived at a departures hall on Feb. 13.

The women were also seen gathered beforehand with several North Koreans who intelligence officials in Seoul say worked for the foreign and security ministries in Pyongyang.

WORLD WATCH

EUROZONE

Inflation to Bear on Future of Stimulus

Inflation in the bloc hasn't yet reached the European Central Bank's definition of price stability and the path toward that goal will shape the ECB's plan to end its bond-buying program, the central bank's chief economist said.

Peter Praet said the ECB remained confident that inflation would ultimately hit levels that were close to, but below, 2%, the ECB's medium-term price-stability target.

But "the evidence still shows insufficient progress toward a sustained adjustment in the path of inflation toward those levels," Mr. Praet said in remarks in London and published on the ECB's website on Monday.

Data released last week showed inflation in the eurozone was 1.5% year-to-year in September, lower than economists' expectations. Moreover, there was evidence that price pressures could be easing. Core inflation, which excludes prices of energy and food that the ECB has little influence over, stood at 1.1%, its lowest level since June.

Mr. Praet's comments may

suggest that the central bank is likely to be exceedingly cautious as it ends its bond-purchase program. Markets expect the ECB to offer more detail on its plans at its meeting on Oct. 26. The ECB currently buys €60 billion (\$70 billion) of bonds a month and is due to continue purchasing at that volume until the end of the year.

—Todd Buell

FRANCE
Stabbing Suspect Had Been Detained

A man who fatally stabbed two women outside Marseille's

main train station had been held for shoplifting and released the day before the attack, officials said.

French authorities are studying the suspect's cellphone and working to determine his identity and whether he had direct links to the Islamic State group, which claimed responsibility for Sunday's killings. Soldiers killed the assailant immediately after the attack, the latest of several targeting France.

The suspect was identified by his fingerprints, which matched those taken during seven previous incidents recorded by police since 2005, Paris Prosecutor François Molins told reporters.

The attacker didn't have any past convictions in France, Mr. Molins said. The man's most recent arrest occurred in the Lyon area Friday—just two days before the train-station stabbings.

The man was held overnight for shoplifting, then released Saturday and the charges were dropped, Mr. Molins said. He added that local authorities had no reason to hold the man longer based on the identification document he gave them—a Tunisian passport.

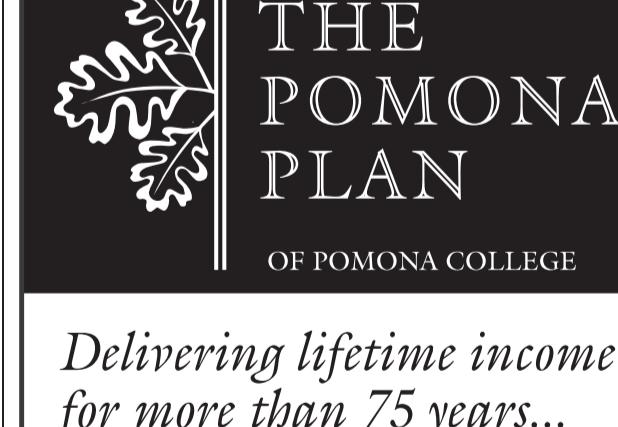
French Interior Minister Gérard Collomb, apparently not satisfied with the explanation, on Monday ordered a probe of the circumstances that led police to free the man, who attacked and killed the young women a day later. The report is due by week's end, a ministry spokesman said.

—Associated Press



ZHANG XIAOLIANG/XINHUA/ZUMA PRESS

HOLIDAY TREK: Tourists visit the Longmen Grottoes in Luoyang, China, at the beginning of the eight-day National Day and Mid-Autumn Festival holiday, during which millions of people travel.



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IN DEPTH

Mexico's New National Hero Loves Having Her Ears Scratched

Frida, an 8-year-old Labrador, works tirelessly to rescue earthquake victims, fetching hope and joy for a nation wary of public servants

By ROBBIE WHELAN

MEXICO CITY—The most popular public employee in Mexico is 8 years old, weighs 70 pounds, is covered in yellow fur and likes chasing rubber balls.

Her name is Frida, and she is a Labrador sniffer dog for the Mexican Navy. She became a nationwide celebrity after the 7.1-magnitude earthquake struck Sept. 19, showing up at collapsed buildings to look for survivors.

Dozens of newspaper reporters and TV stations have lined up to "interview" Frida, who hosts news conferences while wearing booties and "doggles." She pants contentedly, barks and endures petting and ear scratching while cameras and microphones are shoved in front of her snout.

Frida T-shirts and Frida piñatas have popped up for sale, two merchandise-related trademarks were filed in her name, and Facebook users are nudging Mexico's central bank to replace muralist Diego Rivera with a portrait of Frida in her rescue gear on the 500-peso note. She would be the second Frida on the bill. Painter Frida Kahlo, Mr. Rivera's wife, is on the back.

"The country is in a moment of fear and uncertainty right now. And Frida represents joy and hope," says Verónica Granados, a publicist in Mexico City who bought Frida stuffed animals online for her 5-year-old niece and herself.

Frida's popularity contrasts sharply with the disappointment and distrust many Mexicans feel about the government's overall response to the earthquake. It killed at least 361 people, including 220 in Mexico City, where it toppled 38 buildings and seriously damaged about 1,800 others.

President Enrique Peña Nieto's approval rating fell to 16% in the third quarter, according to a poll released Thursday. Only about 35% of Mexicans



EL UNIVERSAL/ZUMA PRESS

Mexican Navy sniffer dog Frida, in full rescue regalia, has located 12 disaster survivors and identified 53 bodies buried under debris.

polled by the newspaper Reforma said they approve of Mr. Peña Nieto's or the city government's response to the earthquake. The highest approval ratings were for citizen-led earthquake rescue efforts and the Navy's response.

Last week, Mr. Peña Nieto and the governor of Morelos, a hard-hit state, were booed and hissed at an event to highlight government relief efforts, according to YouTube videos of their appearance.

"Frida's not a politician," says Jorge Chabat, a political scientist at Mexico City's non-partisan CIDE research center. "She's a dog, and look, the truth is she's cute. Just look at those glasses! She doesn't steal money, she's not corrupt. What else do you need?"

Frida was born in 2009 at the navy's canine-unit facility in the southern part of Mexico City. She lives there with about 60 other dogs, most of them Belgian Shepherds or Labradors.

When the last major earthquake hit Mexico in 1985, the Mexican Navy had only one or two dogs, used for narcotics and explosives detection. Since then, the unit has expanded its canine search-and-rescue training.

Other celebrity rescue dogs include Eco and Evil, brothers from the same Belgian Shepherd litter, and Titán, a brown Labrador from the fire department in the central city of Silao. Titán happened to be in town for emergency training exercises commemorating the 1985 earthquake, which also

occurred on Sept. 19, when last month's quake struck.

Frida has located 12 survivors of earthquakes and other disasters in Mexico, Haiti and Ecuador. She has identified 53 bodies buried under debris. Frida has a "sixth sense" for finding humans that is unlike any other dog the navy has trained, says Frigate Capt. Israel Monterde, chief of the canine division.

The navy says it hasn't tallied how many people Frida has found in Mexico City since last month's earthquake, partly because she has been working with other dogs who find the trace of a scent that Frida is called in to confirm.

When Frida shows up to look for survivors, she is met with cheering and applause

from volunteers and onlookers. The Twitter hashtags #fridaparapresidente ("Frida For President") and #fridar-escatista ("Frida the Rescuer") have been tweeted tens of thousands of times.

Frida's talent for sniffing out survivors, goofy goggles and relaxed demeanor have made her the new public face of the Mexican Navy, an institution widely admired in Mexico for capturing drug lords in daring, dangerous missions.

"We walk down the street, and people thank us for our work, because they have seen Frida," Capt. Monterde says. "It's a connection between the citizenry and the navy, a coming together, where one feels proud to be a member of the armed forces."

At a media event for the canine unit's rescue dogs and trainers, Mexican marines in combat fatigues tickled dog bellies and endured licking attacks by 11 Belgian Shepherd puppies now in training for future missions.

Reporters swarmed Frida when she was brought out from her resting area at the naval complex. After donning her goggles and booties, a trainer threw a rubber toy to demonstrate Frida's boundless energy. She chased after the toy, tripped over her paw protectors and rolled over onto her back.

"She's a very noble dog, a very, very calm dog, very sociable," Emanuel González, one of Frida's trainers, says to explain her appeal. "She's almost like a daughter to me. I love her."

Ernesto Cortés, a translator and musician in Cali, Colombia, decided in the middle of the night to launch a Twitter account called @PerrosRescate (or "Rescue Doggies") to share photos of Frida and other search-and-rescue dogs and link to fan art and products celebrating them.

Mr. Cortés says the search-and-rescue dogs are a welcome distraction from the earthquake's horrors, but he worries government officials "will hijack" Frida to improve their own image. "I hope this symbolism is not perverted," he says.

Based on her age and navy rules, Frida is due to be evaluated at the end of this year to see if her olfactory abilities are still up to snuff and if she can still carry out her rescue duties. If not, she could be forced into retirement.

Arturo Rodriguez, a call-center worker from Mexico City, says Frida deserves a full pension. "At the very least, she ought to be taken care of in comfort for the rest of her life," says Mr. Rodriguez.

CARS

Continued from Page One that end, it is using industrial-policy measures to create a giant test bed for its companies' designs and technology.

Already, Chinese-made models dominate. More than 100 electric models are on the domestic market. Sales of plug-in passenger vehicles reached 351,000 in 2016—nearly half the global total, according to EV-Volumes, a research group that tracks electric-car sales.

Chinese auto makers built nearly all those. Tesla Inc. is the only foreign electric-car maker to have sold in significant numbers, having imported and sold 11,000 cars last year.

New-energy mandate

Foreign makers will have to join the fray if they want to keep selling. Beijing on Thursday said it would require foreign auto companies manufacturing in China to start making new-energy vehicles in the country by 2019.

The nation's overall car market is so huge, comprising one-third of 2016 global sales, according to Macquarie Research, that foreign auto makers have little choice but to adjust strategies to adapt.

"That's why we're investing so heavily in electrification," General Motors Co. Chief Executive Mary Barra told reporters in Shanghai last month, when asked about China's push to phase out traditional cars.

Of GM's global unit sales, 40% were in China last year. Beijing's bet has translated into "a very aggressive rollout on electrification in China," said Ms. Barra, who detailed GM's plans to have at least 10 plug-in models available in China by 2020. GM hasn't outlined such targets in its other markets. GM currently has three plug-in models in China, including a local version of the Volt, introduced several months ago.

Foreign manufacturers were already making millions of gasoline cars in China annually, but they had held off building electric cars in the country until recently, and imports were discouraged by a 25% tariff. Bill Russo, a former Chrysler executive who is now managing director of auto consultancy Gao

Fung Advisory Co. in Shanghai, said they had been reluctant to plunge into a market that didn't yet offer significant scale.

Hints of scale are appearing. Sales of plug-in passenger cars in China have increased 40% this year, EV-Volumes said. They will make up 22% of Chinese auto purchases by 2025, projects Bernstein Research, up from 1% to 2% this year.

Volkswagen AG was firmly committed to diesel engines until it recently announced a sharp shift to embrace electric vehicles after its diesel-emissions scandal forced it to rethink strategy. China accounts for half its revenues, and VW Chief Executive Matthias Müller at last month's Frankfurt auto show indicated China will help drive VW's global transformation: "China and California are leading the way."

Propelled by a China sales target of 1.5 million annual electric cars by 2025, VW will invest \$83 billion rolling out 300 electric models world-wide by 2030, he said.

Some auto makers wonder if China's electric-car demand growth will slow as the government dials back subsidies, as it has begun doing. "It's the state's support which is really driving the attention and demand for EVs," Toyota Motor Corp.'s China head, Hiroji Onishi, told reporters at April's Shanghai auto show, where Toyota said it would start building electric vehicles to fit Chinese requirements.

"I just have a slight skepticism that in the future, if these subsidies are gone," Mr. Onishi said, "whether the consumers

'China will drive large-scale electrification of the global automotive industry.'

would still want to buy EVs at the market price."

Still, global auto makers fear if they don't build in China now they may lose out in other markets that move decisively toward electric cars, said Mr. Russo. "China," he said, "will drive large-scale electrification of the global automotive industry."

This year, Ford Motor Co.,

Electric Avenue

The best-selling pure-electric cars in China in the first half of 2017

CHINA	Range*, miles	Price†	Units sold
Zhidou D2	117	\$6,954	18,693
BAIC EC180	97	7,400	17,939
BYD e5	224	19,302	10,826
JAC iEV6E	127	8,767	8,197
Geely Emgrand EV300	224	17,949	7,982
Chery eQ	106	8,737	6,605

*Those claimed by manufacturers †Retail prices after subsidies

Source: yiche.com; the manufacturers (ranges)

Many foreign makers, recognizing that the bulk of Chinese demand is at the low end, are producing entry-level cars. In July, GM launched its first pure-electric car for the Chinese market, the Baojun E100, with a \$5,300 price tag. The Chevrolet Bolt, its premier U.S. electric model, isn't available in China. Ford and Volkswagen have said their recently announced joint ventures will concentrate on entry-level electric cars.

Chinese auto makers are honing quality enough to improve their reputations in China, said Jeff Cai, general manager for auto product and quality at the China unit of JD Power, which rates autos by surveying consumers. "In the past two years, some Chinese manufacturers have made a breakthrough," he said. Among Chinese consumers, "their perceived quality has taken a big jump."

BYD Co., one of China's big privately owned auto makers, hired Wolfgang Egger, formerly Audi Group's head designer, to become its design chief last year. BYD has figured out the industrial part of the equation, Mr. Egger said, and now the challenge is overcoming a "Made in China" stigma—a commonly held view that foreign cars are superior. "The product can be excellent from a technical point of view," he said, "but it needs a strong character."

Cao Zhen, 35, wanted to buy a foreign gasoline car in April. "People feel that those brands are better quality, and that they make them look good," he said. The Shanghai writer abandoned that idea because of the license-plate restrictions. Seeking a high-end Chinese-made electric vehicle, though, he struggled to find one expensive enough to fit his \$45,000 budget.

He ended up spending \$35,000 on a Roewe eRX5 plug-in made by state-run Shanghai Auto. It exceeded expectations, he said, and was a marked improvement on his previous car, a foreign make.

"In the next three years, the quality of Chinese EVs will improve a lot again," said JD Power's Mr. Cai. "Soon foreign [auto makers] could be the ones that struggle to compete."

—Junya Qian, Mike Colias and Yoko Kubota contributed to this article.



CHINA/ZUMA PRESS

Nearly half of all plug-in passenger vehicles sold in 2016 were in China. Charging up in Huzhou City.

the Renault-Nissan Alliance and Volkswagen have formed new Chinese joint ventures to build battery cars. Ford in a June statement pledged that 70% of its Chinese cars will be electric by 2025. Tesla said it is in talks to build a factory in Shanghai.

In July, Mercedes-Benz parent Daimler AG said it would jointly invest \$767 million to develop electric cars with state-run Beijing Automotive Industry Corp.

China began actively promoting electric cars in 2009 by introducing subsidies and setting sales targets. Sales began to take off in 2013. Electric vehicles took center stage in China's industrial strategy with the 2015 launch of the Made in China 2025 plan, which calls for China to become a world leader in 10 future industries, including electric-vehicle production. China has provided \$8 billion in subsidies so far.

France and the U.K. have set targets to ban gasoline-car sales by 2040. In Norway, among the world's most advanced electric-vehicle markets,

electric cars constitute nearly half of total vehicle sales.

The U.S. provides a federal tax credit of up to \$7,500 to encourage electric-vehicle purchases and some states offer further incentives. California's mandates for statewide reductions in greenhouse-gas emissions are tipping auto markets toward electric vehicles in the state.

China has gone a step beyond with its incentives. Authorities have guaranteed sales for Chinese makers, in part by buying vehicles for public fleets. Beijing's municipal government has earmarked \$1.3 billion to replace 70,000 city taxicabs with electric models.

China will have 4.8 million charging points by 2020, the government forecasts, up from 156,000 in March. The U.S. had 43,000 points in June, according to a University of Michigan study.

At those rates, China has roughly one charging point for every six electric cars, versus about one for every 17 in the

U.S. and Norway.

Beijing's most persuasive tool—and a reason foreign makers are eager to start producing in China—is restricting license plates for new gasoline-powered cars in seven cities. In Beijing, more than 11 million people typically enter a monthly lottery for 14,000 gasoline-car plates.

Shanghai auctions them to the highest bidders. Electric-vehicle buyers in the cities can get tags almost instantly at no cost.

A \$7,000 best seller

Most Chinese auto makers have focused on building the most inexpensive electric cars they can. The best-selling Chinese model in the first half of

2017 was the Zhidou D2, retailing for under \$7,000. At a Shanghai dealership of car maker Beijing Auto, manager Wang Yipeng said his top seller is the electric EV160 at roughly \$11,000 with government subsidies—\$22,000 without subsidies.

GREATER NEW YORK

Officials Feud Over Public-Hospital Funds

City says system will soon run out of money; state differs, says it is bracing for federal cuts

BY MARA GAY
AND MIKE VILENSKY

New York City and state officials clashed Monday over funding for the city's public-health system amid looming federal cuts.

Officials with NYC Health + Hospitals, which runs the city's 11 public hospitals, disclosed Friday that they have enough

cash on hand to operate for only about two weeks because they haven't received \$380 million from the state that they expected to be paid out earlier this year.

Gov. Andrew Cuomo's administration said Monday that the city is exaggerating its case, as state officials prepare for a loss of about \$2.6 billion in federal funding over several years to hospitals statewide and look to reorganize state dollars.

"We have provided the hospitals with as much funding as possible while being responsible," said Robert Mujica, the state budget director.

City officials said the state isn't acting rationally and noted that it was withholding funds that weren't from the state's coffers.

The \$380 million is a mix of federal and city dollars distributed to NYC Health + Hospitals every year through the state. Officials from the governor's office said they are considering spreading the payments out over several months amid uncertainty in Washington. State officials said they weren't obligated to distribute the money.

Interim NYC Health + Hospitals President Stanley Brezenoff said he expected the funding as

part of an annual reimbursement for last year's expenses. "This money is a major part of what we were counting on," he said.

\$330M

Potential federal health funding cuts to the state this fiscal year

Officials at City Hall said they were caught by surprise by the state's decision not to distribute

the funding before the end of the federal fiscal year on Saturday.

Though their budget staffs have been in touch, New York City Mayor Bill de Blasio and Mr. Cuomo hadn't spoken about the funding dilemma as of Monday afternoon, their aides said.

The federal-funding cuts under way have been in the works for years as part of changes under the Affordable Care Act that assumed states would have lower health-care costs because more Americans would be insured. But until this year, Congress had delayed the cuts.

"Everyone was on notice, the

state, the city, the hospitals," said Bill Hammond, director of health policy for the Empire Center, a research group.

The city's public-health system already is in dire financial straits. In a letter to the state Friday asking for the funds, Mr. Brezenoff said that without the money, NYC Health + Hospitals could within weeks fail to meet basic functions such as payroll.

In a response to the letter, state Health Commissioner Howard Zucker said New York is facing \$330 million in federal health-care funding cuts this fiscal year.

And the Baseball Playoffs Begin



BATTER UP: Aaron Judge took some swings Monday at Yankees Stadium. On Tuesday the Yankees host the Twins in a wild-card game.

State Cuts Hit Connecticut Towns Hard

BY JOSEPH DE AVILA

A wave of education funding cuts hit Connecticut cities and towns on Monday, forcing them to freeze spending and consider tax increases as the state moves into its fourth month without a budget.

Garry Brumback, town manager of Southington, said he instructed departments to come up with plans to reduce spending by up to 10%. He also froze hiring and capital purchases. If the state doesn't pass a budget and provide Southington more funding soon, the town will have to implement across-the-board layoffs in areas of public safety, roads and parks, Mr. Brumback said.

In the absence of a state budget, state education funds to Southington would be cut by \$20 million, or 14% of the town's annual budget, he said. "Nothing will be unscathed."

After failing with lawmakers to agree to a budget at the start of the fiscal year in July,

The Biggest Losers of Aid by Dollar Amount

	Cut to Municipal Funding	Share of General Revenue
New Haven	\$67.23 million	12%
Hartford	\$56.32	10
Bridgeport	\$30.66	6
West Hartford	\$23.76	8
Enfield	\$23.35	17

Source: S&P Global Ratings. Note: These are annual figures. These cuts could be reversed by a budget approved by state lawmakers and signed by the governor.

Gov. Dannel Malloy, a Democrat, signed an executive order to keep state operations running. But the order can only provide funding based on the state's current revenue projections. That required cuts to municipal aid in excess of \$900 million.

The Malloy administration has said the solution to avoid painful spending reductions is to pass a budget as soon as possible. Reaching agreement on how to close a two-year

\$3.5 billion deficit has been difficult.

Republican lawmakers, along with a few Democrats, passed a budget in September that gave more funding to towns but slashed spending for the University of Connecticut. It also required teachers to pay more for their pensions. Mr. Malloy vetoed that plan last week. The House of Representatives will convene a veto override session Tuesday.

Leo Paul, first selectman of

Litchfield, said the governor's executive order would eliminate state education funding this year for the town, which received \$1.5 million from the state last year. Mr. Paul said the cuts to municipal funding could force Litchfield to raise taxes by up to 8%. "That is unacceptable," he said.

Mr. Malloy's executive order keeps education funding flat for the municipalities that have the lowest-performing school districts. That means New Haven will get \$154.3 million in education funds from the state, which is the same as last year. But the executive order cuts funding for reimbursements of nontaxable property and other payments by \$67 million in New Haven.

The city enacted a hiring freeze for nonpublic safety positions and shut down new contracts, said Toni Harp, mayor of New Haven. It also stopped a youth-work program for this fall, she said.

"We are hurting," Ms. Harp said.

In court on Monday Mr. Rahimi immediately sought to address Judge Berman, in the presence of the jury. "Down, Mr. Rahimi. Not now!" the judge said. "Please be seated or I'll have you removed."

When Mr. Rahimi persisted, he was led from the courtroom. When he returned with no jurors present, he apologized and told the judge he was upset that his wife and three children had been pre-

vented from visiting him in jail. "I'm asking you if you can help me to resolve this issue," Mr. Rahimi said.

Judge Berman promised to look into the matter and intervene if necessary, but added that it was "disconcerting" that Mr. Rahimi waited until the moment the trial began to speak up.

An official at the Metropolitan Correctional Center in lower Manhattan, where Mr. Rahimi is being held, declined to comment.

In her opening statement, prosecutor Shawn Crowley described the Chelsea bomb as an explosion that "blew people off their feet, burned their faces and tore their limbs."

"By some miracle, not one was killed that day...But not for his lack of trying," she said. "The defendant believed he was a soldier in a holy war against Americans."

In the opening defense statement, attorney Meghan Gilligan acknowledged that the case "hits close to home," but urged jurors to keep an open mind about her client.

"He is at the end of the day a person and he is a person who is presumed innocent," she said.

Without offering specifics, Ms. Gilligan said: "There are some serious questions about the reliability of certain witnesses and certain evidence."

The trial is expected to last at least two weeks.

Woman Suspected of Extorting Spitzer Is Freed in Plea Deal

BY MIKE VILENSKY

A woman accused of extorting former Gov. Eliot Spitzer for \$400,000 struck a plea deal with state prosecutors Monday and was released from jail.

While the plea deal for Svetlana Travis Zakharova resolved the Spitzer case as well

as a forgery case against her involving another man, she only pleaded guilty to petit larceny against the other man.

Her lawyer said Monday that Ms. Zakharova never extorted Mr. Spitzer.

Under the terms of the plea deal, Ms. Zakharova, 27 years old, would be sentenced to a

maximum of 90 days in prison. She was released Monday because she has already been held for more than 90 days since her arrest.

"We consulted with the victims in this case and they both agreed to the plea agreement reached," said Bronx District Attorney Darcel Clark, in a

statement, referring to Mr. Spitzer and the other man, who wasn't named by prosecutors.

Ms. Zakharova has been at Rikers Island since October 2016, held on \$1 million bail. She was initially charged with more serious crimes than the misdemeanor she pleaded to,

including allegedly stealing \$400,000 from Mr. Spitzer through an extortion scheme.

"She's very happy to be getting out," her lawyer, Joseph Murray, said Monday. "She's going to try to put her life back together."

A spokeswoman for Mr. Spitzer said: "The complaint,

indictment and time served in prison speak for themselves."

Now a real-estate developer, Mr. Spitzer, a Democrat, served two terms as New York's attorney general and was governor for 14 months until 2008, when he resigned amid revelations he had patronized prostitutes.

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GREATER NEW YORK

Curtain Rises On Broadway Ticket Deal

BY CHARLES PASSY

A veteran Broadway producer is instituting what he believes is an industry first: A best-price guarantee on show tickets.

Ken Davenport, lead producer of the revival of "Once on This Island," slated to open Dec. 3 at Broadway's Circle in the Square Theatre, says the guarantee will ensure that ticket-buyers won't have to scour the web for deals through theater sites advertising discounts. Instead, they can go to the show's website.

"We want customers to know we are going to take care of them the best way we can," said Mr. Davenport.

Moreover, when theatergoers go to discount sites in search of cheaper seats, they often learn about deals for other Broadway productions, Mr. Davenport says. In turn, that could lead them to buy

TheaterMania.com or BroadwayBox.com, will be eligible to receive that same price, plus a 10% discount, according to the "Once on This Island" site. Claims must be made within 24 hours of the purchase, among other restrictions.

While Mr. Davenport says the idea is to make pricing fairer and more transparent, he also allows that he stands to benefit from the guarantee. If theatergoers come to see the show as the best source for a discount, he says he doesn't have to spend as much time and money marketing various other deals.

Under the terms of the guarantee, theatergoers who find a lower ticket price advertised on an "official promotional partner site," such as



A new best-price guarantee on theater tickets will include day-of-show discounts offered through Times Square's TKTS booth.

tickets for a different show.

The guarantee will be extended to any day-of-show discounts offered through Times Square's popular TKTS booth, Mr. Davenport says.

Discounting has become in-

creasingly common on Broadway, as producers look to get an edge on the competition. But while Mr. Davenport's strategy may resonate with theatergoers tired of the bargain hunting, not everyone

thinks it will pay off.

Larry Compeau, a Clarkson University professor who specializes in consumer psychology, says Americans have become accustomed to the hunt. He notes failed experiments by

retailers and manufacturers to simplify pricing and do away with discounts.

Others say Mr. Davenport could be sacrificing revenue from ticket-buyers who don't necessarily worry about deals.



A performance of Jacques Offenbach's 'Les Contes d'Hoffmann.'

Performers Cover Up In Met Belt Tightening

BY CHARLES PASSY

At the Metropolitan Opera, budget constraints are resulting in an unusual edict for performers: Bare less flesh.

This season, the company is having some of the non-singing female cast members who in previous years appeared semi-nude in its racy production of "Les Contes d'Hoffmann" ("The Tales of Hoffmann") cover up considerably more.

The reason has nothing to do with a sudden desire to keep the production, which bowed in the 2009-10 season, a family-friendly affair. Rather, it is because the company, which has been in a belt-tightening mode after running a deficit as high as \$21.9 million in fiscal 2014,

is saving money by doing so.

Artists who shed their clothes earn an extra \$200 for every performance, according to Met spokesman Tim McKeough, who wouldn't provide the exact contractual rates.

Mr. McKeough said the company is still having three of the seven performers go the more racy route—specifically, by donning pasties. The remaining four will be garbed in "less revealing" fashion.

The company said the change will result in a savings of several thousand dollars over the course of the season. The opera, by Jacques Offenbach, is to be presented nine times this season, with two of the performances having already taken place.

Mayor Vows to Improve School Safety

BY LESLIE BRODY

Scores of parent leaders packed a Harlem library Monday to grill New York City Mayor Bill de Blasio about school safety after last week's fatal stabbing of a student inside a Bronx high school.

Bullying appeared to be a factor in the killing, and several parents asked why schools weren't doing more to fight such harassment.

Speakers from around the city said calls to staff to report bullying had elicited too little action; that some schools had too few social workers or psychologists; and that it is too hard for parents to get up-to-date information on violence at their children's schools.

One parent from Queens, Souad Kirama, said she had worked as an advocate for Muslim elementary students who were called ISIS by bullies, and a school principal hadn't returned her call for help. In some cases, she was directed to staffers who had no experience or power to handle such problems. "We'd like to see more compassion, more seriousness," Ms. Kirama said.

The mayor said his administration had sent a message, and "will send it even more rigorously, to everyone in the school community, never ignore an instance of bullying."

Abel Cedeño, 18 years old, was charged with murder last week in the stabbing death of



Mayor Bill de Blasio and Schools Chancellor Carmen Farina fielded school-safety questions on Monday.

a 15-year-old classmate at the Urban Assembly School for Wildlife Conservation in the Bronx. Mr. Cedeño's lawyers at the Legal Aid Society said he had endured a "long history of bullying." Mr. Cedeño didn't specify that the victim was among those that harassed him, according to police.

Mr. de Blasio was often on the defensive during the meeting that lasted about 1½ hours. He emphasized the city's efforts to teach school staff to de-escalate conflicts, beef up peer mediation, and improve mental-health services.

The mayor said schools had become safer, but parents, police and school staff must communicate better. "We have more to do and we have to do it together."

Schools Chancellor Carmen Farina said professional-development sessions will be held for all teachers, covering conflict resolution and review of protocols for reporting bullying.

Gigs Taylor-Stephenson, a parent-association president at Wadleigh Secondary School for the Performing & Visual Arts in Harlem, said such training mattered only if staff used the lessons. "What do we do as parents to make sure the

accountability is there when teachers show up for training because they have to, but they ignore it?" she asked.

Renesha Westbrooks, a parent on the Community Education Council in District 32 Brooklyn, said she was horrified several times to see children hopping around in classrooms, throwing papers in front of teachers who had no control. "I've watched safety guards actually sit there in one spot," she added. "I don't see security guards budge."

The mayor told her "a classroom that is not in order is something we don't accept."

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GREATER NEW YORK WATCH

LAW ENFORCEMENT

Officer Files Suit in Mistaken-Arrest Case

The police officer who tackled former pro tennis player James Blake in a mistaken arrest filed a defamation lawsuit Monday against the athlete, the police department and the watchdog group prosecuting his misconduct case.

Officer James Frascatore said in court papers that city officials didn't support him after video surfaced of the 2015 incident outside a Manhattan hotel. He said Mr. Blake painted him as an "out of control and corrupt officer" in a book he wrote, "Ways of Grace."

The lawsuit is seeking damages of \$75,000.

"Mr. Blake will respond to this attack on his character with the same grace and dignity that has characterized his response to the attack on his person," said Mr. Blake's lawyer, Kevin Marino.

The city's law department said it would review the complaint but couldn't comment while proceedings were pending.

The police watchdog group, the Civilian Complaint Review Board, declined to comment.

—Associated Press

9/11 MEMORIAL

Annual Light Beams Are Hazard for Birds

To humans, the twin blue light beams shining upward from lower Manhattan each Sept. 11 evoke solemn memories of the

2001 terrorist attacks. But to migrating birds, they are a potentially fatal attraction, according to a study published Monday in the Proceedings of the National Academy of Sciences.

During the seven-year study at the National September 11 Memorial and Museum, researchers noticed thousands of birds were drawn to the annual light display, causing them to waste precious energy circling and calling, and risk collisions with buildings or capture by predators.

—Associated Press

CONNECTICUT

Man Gets Four Years For Insurance Scam

A Haitian man who federal prosecutors say was the ring-leader of an auto insurance scam involving as many as 50 staged car crashes was sentenced Monday to four years in prison and ordered to pay \$207,000 in restitution.

Mackenzy Noze, 33 years old, a legal permanent U.S. resident who lived in Norwich, and more than 15 other people staged the crashes in several towns in and around New London County between 2011 and 2014, authorities said.

They fraudulently collected \$6,500 to \$30,000 in insurance payouts per crash, bilking insurance companies out of an estimated total of \$600,000, according to court documents.

—Associated Press

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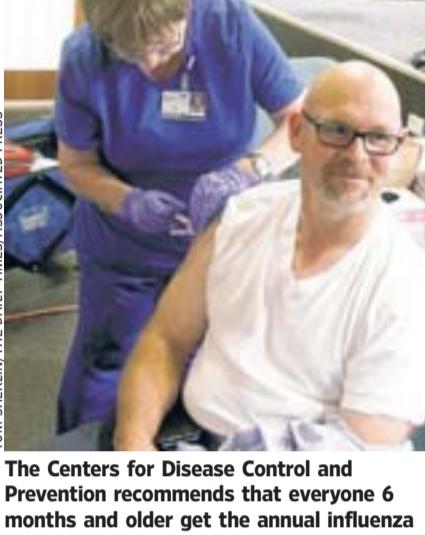
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LIFE & ARTS

YOUR HEALTH

By Sumathi Reddy

Prepare for A Rocky Flu Season



The Centers for Disease Control and Prevention recommends that everyone 6 months and older get the annual influenza vaccination by the end of October.

IT'S BEEN AN ugly flu season in Australia.

That's why some experts are bracing for more of the same in the U.S., which has already started seeing scattered outbreaks at college campuses and nursing homes.

The Southern Hemisphere's experience with the influenza virus during its winter, from June to the end of August, tends to be a good predictor of how hard it hits the Northern Hemisphere later the same year, says Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, part of the federal National Institutes of Health.

But there are several things notably different between the U.S. and Australia. In Australia it's only recommended that high-risk groups like children and the elderly get the annual flu shot. In the U.S., the Centers for Disease Control and Prevention recommends that everyone over 6 months old gets vaccinated.

How widely influenza spreads also depends on the background immunity of the population, Dr. Fauci says. If we've been exposed to a similar strain of the virus in the previous season, it might lessen the burden this year.

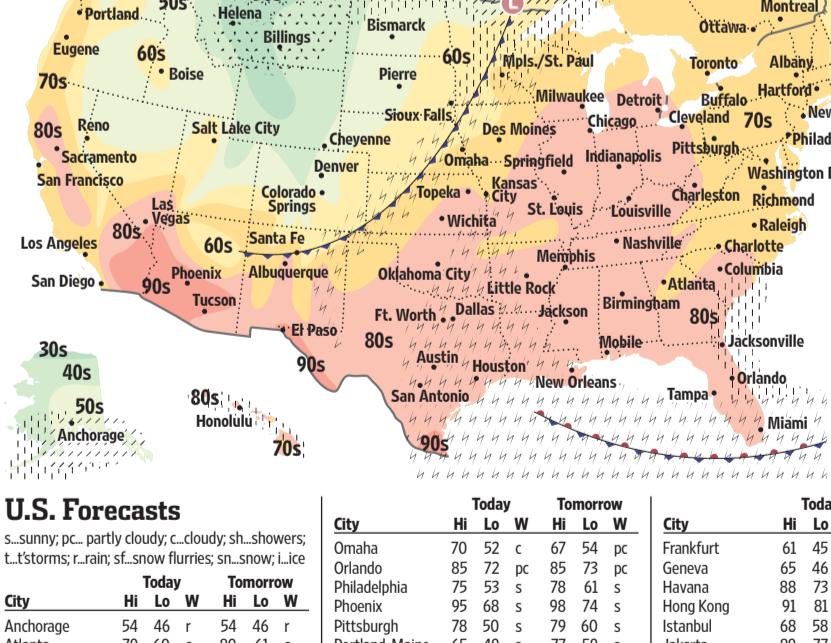
Dr. Fauci says it appears that this year's flu vaccine is pretty well-matched to the virus that experts expect to circulate. However, this could change.

Making the flu vaccine is an imprecise science that includes some guesswork. Scientists must predict months ahead of time which strains will circulate the following flu season. It's a moving target: The flu virus can and does mutate or change quickly.

There are three main types of the flu virus—A, B and C—though humans are

Please see FLU page A14

Weather



U.S. Forecasts

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

City Today Hi Lo W Tomorrow Hi Lo W

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Anchorage	54	46	r	54	46	r		
Atlanta	79	60	s	80	61	s		
Austin	86	75	t	86	71	c		
Baltimore	75	51	s	78	56	s		
Boise	62	39	s	60	42	pc		
Boston	66	53	s	75	62	pc		
Burlington	74	53	s	75	57	s		
Charlotte	78	53	s	80	55	s		
Chicago	84	68	c	73	56	r		
Cleveland	84	62	s	84	62	pc		
Dallas	86	73	t	86	71	c		
Denver	59	40	s	66	48	pc		
Detroit	80	66	pc	79	56	t		
Honolulu	87	77	pc	87	77	pc		
Houston	86	74	t	88	70	pc		
Indianapolis	83	64	pc	82	64	t		
Kansas City	78	63	t	71	61	t		
Las Vegas	82	61	s	84	61	s		
Little Rock	81	66	pc	84	64	pc		
Los Angeles	75	59	pc	76	57	pc		
Miami	87	79	t	85	77	t		
Milwaukee	80	62	c	72	52	sh		
Minneapolis	70	48	r	63	48	pc		
Nashville	84	58	s	84	58	s		
New Orleans	85	75	c	86	72	s		
New York City	72	58	s	77	62	s		
Oklahoma City	80	68	c	77	65	t		
Edinburgh	56	48	c	55	43	r		

International

City Today Hi Lo W Tomorrow Hi Lo W

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Amsterdam	61	54	sh	60	52	c		
Athens	73	69	s	76	60	s		
Baghdad	97	69	s	97	67	s		
Bangkok	85	75	t	84	75	t		
Beijing	69	46	pc	72	46	c		
Berlin	59	48	pc	56	48	c		
Brussels	59	48	pc	59	50	pc		
Buenos Aires	70	52	pc	77	57	pc		
Dubai	100	84	s	100	84	s		
Dublin	56	47	c	57	44	r		
Zurich	61	41	r	63	43	pc		

OBITUARY | Tom Petty 1950-2017

A Rock Everyman Was True to His Roots

BY JOHN JURGENSEN
AND ANNE STEELE

Tom Petty, who elevated plain-spoken lyrics about relationships and life choices with powerful musical hooks to create sing-along hits like "American Girl," "Refugee" and "I Won't Back Down," has died at age 66.

Mr. Petty suffered cardiac arrest at his home in Malibu, Calif., early Monday and was taken to UCLA Medical Center but couldn't be revived, according to longtime manager Tony Dimitriades. He died Monday night surrounded by family, his bandmates and friends.

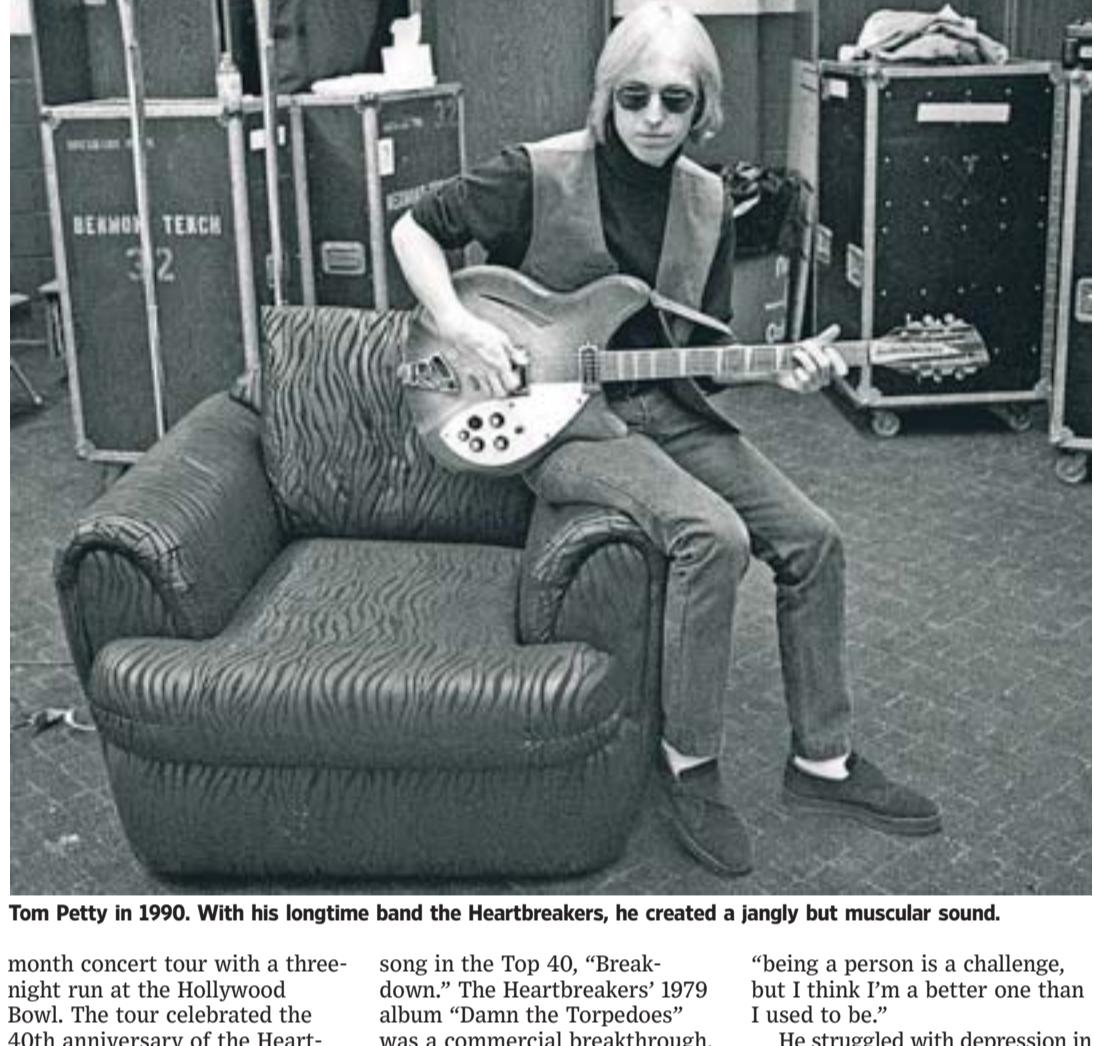
Like many rockers of his generation, Mr. Petty set out on his career path after seeing the Beatles perform on television. With his longtime band the Heartbreakers, he remained true to the roots of rock 'n' roll with a jangly but muscular sound and stories about middle-class American characters. That set his music apart from the disco and high-concept rock of the 1970s. His embrace of music videos in the 1980s helped cement his stardom in the MTV era.

A member of the Rock and Roll Hall of Fame, Mr. Petty sold tens of millions of albums, earned three Grammy Awards and his songs such as "Runnin' Down a Dream" and "Free Fallin'" were staples of classic rock radio. He also won three MTV Video Music Awards. He refused to allow his music in advertisements and political campaigns and in 1981 clashed with his record label over its decision to raise the price of his latest album.

Fans embraced him as a sort of rock everyman who shunned the spotlight offstage. For years, he practiced with the Heartbreakers in the band's garagelike headquarters in an industrial neighborhood of Los Angeles.

"My vision of a rock and roll band wasn't one that cuddled up to politicians, or went down the red carpet. That kind of thing you see so much of today," Mr. Petty said in a 2009 interview with The Wall Street Journal. "I feel like once that stuff starts happening your audience doesn't know whether to trust you or not."

Late last month, the singer-songwriter wrapped up a five-



Tom Petty in 1990. With his longtime band the Heartbreakers, he created a jangly but muscular sound.

month concert tour with a three-night run at the Hollywood Bowl. The tour celebrated the 40th anniversary of the Heartbreakers, who released their self-titled debut album in 1976 after Mr. Petty's first band founded.

Thomas Earl Petty was born on Oct. 20, 1950, in Gainesville, Fla. He dropped out of high school at age 17 and formed a band called Mudcrutch that featured future members of the Heartbreakers, including guitarist Mike Campbell and keyboardist Benmont Tench. The group moved to Los Angeles in 1974 and signed a recording contract, but broke up after its debut single flopped.

His next band, the Heartbreakers, initially met with indifference, but the band's debut album found popularity in the U.K. That opened the door to U.S. airplay and Mr. Petty's first

song in the Top 40, "Breakdown." The Heartbreakers' 1979 album "Damn the Torpedoes" was a commercial breakthrough, spawning rock staples such as "Don't Do Me Like That," "Here Comes My Girl" and "Even the Losers." That album also won over some critics who previously dismissed Mr. Petty in favor of another earthy rock troubadour, Bruce Springsteen.

Despite his success, there was trouble behind the scenes. After shouldering the costs of recording "Damn the Torpedoes," he declared bankruptcy in 1979 to escape his recording contract, which had been transferred to a new label, MCA. The strategy worked, and MCA released Mr. Petty from the contract—then re-signed him to a new \$3 million contract.

In another interview with The Wall Street Journal last year, Mr. Petty said that while the musical side of his life has gone well,

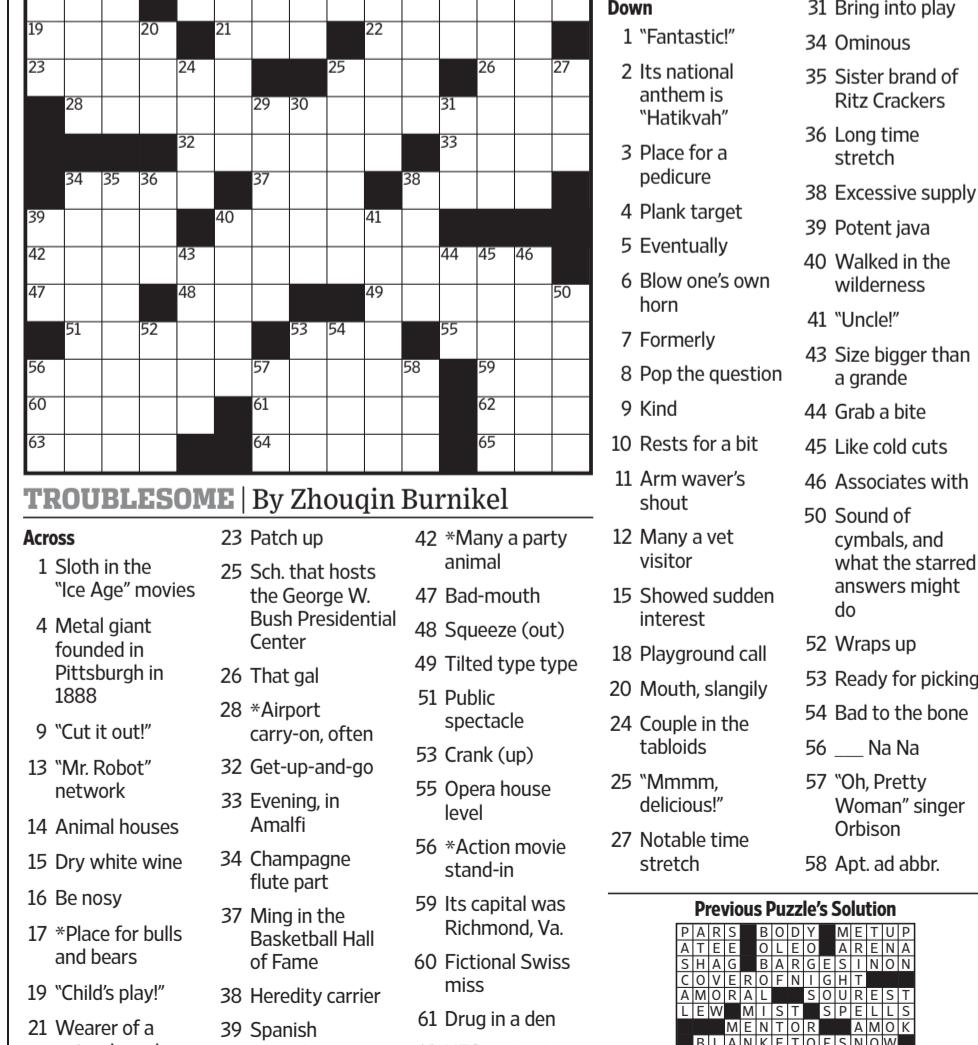
"being a person is a challenge, but I think I'm a better one than I used to be."

He struggled with depression in the mid-1990s after divorcing his first wife and again in 2001, following the death of Beatles member and close friend George Harrison. Messrs. Petty and Harrison were two parts of the folk and country-rock supergroup Traveling Wilburys, along with Bob Dylan, Jeff Lynne and Roy Orbison. The group recorded two albums, released in 1988 and 1990.

Mr. Petty is survived by his wife, Dana York Epperson, and two daughters from his first marriage to Jane Benyo, Adria and AnnaKim Violette.

In the interview last year Mr. Petty said fans often came up to him to thank him for being the soundtrack to their lives. His response: "Well, hope it was good—it's kind of been the soundtrack to my life."

The WSJ Daily Crossword | Edited by Mike Shenk



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

Previous Puzzle's Solution

PARS	BODY	METUP
ATEEE	OLEO	ARENA
SHAG	BARGES	UNION
COVER	OFNIGHT	
AMORAL	SOUREST	
LIEW	MIST	SPELLS
MENTOR	AMOK	
BLANKET	PEARS	
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TREATED	TOF	GGLASS
MOLLEN	LAVAL	ASTI
ONION	ITALIAN	ICON
BEERS	SELL	MOPS

LIFE & ARTS



ISTOCK (8)

TURNING POINTS | By Clare Ansberry

When Did You First Feel Old?

It can hit us at any age, but just feeling young at key turning points helps us live longer and happier lives

"I FEEL OLD."

Those three little words pop into just about everyone's head, often at random moments. Your back gives out after a workout. Walking by a store window, you catch a glimpse of yourself that looks like your dad. You're at a concert, can't wait for it to end and dreading traffic.

Even the young feel old. Matt McDermit, who just turned 31, recently bought a coffee at Starbucks on the campus of **Duquesne University** in Pittsburgh where he works as a social media manager. The barista called him "Sir," which is what his mother taught him to call older people when he was little. It was around the time a student jokingly said Mr. McDermit, who has a beard and shaved head, could pass as her dad and get a free guest meal pass.

He's not particularly fond of his birthday either, because each one distances himself further from the innocence of childhood. He still remembers his uncle telling him on his 10th birthday that it was the end of his single-digit years. "I was like 'What? What do you mean?'"

Usually, when someone says they feel old, it's not a good thing because the word "old" is applied widely and disparagingly. An old car means a wreck. An old dress means don't be seen in it.

"There is almost no way of saying 'I feel old,' to mean 'I feel great,'" says Laura Carstensen, a **Stanford University** psychology professor and founding director of the Stanford Center on Longevity.

She says people come to feel old for two reasons, one physical and one social. On the physical side, the doctor prescribes heart medication for the first time. Hairlines recede. The social "you're old" cue often comes from others, either directly—the "You're too old to wear that" comment from a friend while



'Subjective age predicts how long you live,' says Laura Carstensen, founding director of the Stanford University Center on Longevity. People don't mind feeling old when it signals capability.

shopping—or indirectly by comparing ourselves with others or our previous faster and leaner selves.

Feeling old matters, says Dr. Carstensen, 63. If you feel young, regardless of age, you tend to live longer than if you feel old, as in sick and tired. "Subjective age predicts how long you live," she says.

People don't mind feeling older when it's in the context of being more capable and competent, says Bill Thomas, an author and geriatrician.

He distinctly remembers the day horsing around with his youngest son, then about 15, and realizing his son was stronger than he was. "I was no longer the dad who was stronger," says Mr. Thomas, who describes himself as a big person who has always taken a lot of pride in his physical strength. "That time is gone from me and it's not coming back." He had to shift his ego center, away from physical strength, to emotional and intellectual strength.

"Feeling old isn't bad. But it is

really complicated," he says.

Professional athletes and those who labor physically for a living might feel older before others. An NBA team with an average age of 28 might be considered old to some. Women tend to feel old more often because they pay close attention to their bodies and notice sagging arms.

The barista called him 'Sir,' which is what his mother taught him to call older people.

Carolyn Black Becker, a professor of psychology at Trinity University in San Antonio, surveyed more than 900 women between the ages of 18 and 87 and found that more than half of 18- to 29-year-olds worried about looking old. She blames, in part, the proliferation of antiaging products and



10 to 19 years younger. Rev. Beatrice Lamonte, who turns 101 in October, continues to preach at the small church she founded North Versailles, Pa. She traveled to Africa when she was 97 and recently passed her driver's test. This summer, she made her national TV debut on the 700 Club. She says people who spend their time talking about being old and sick feel old and sick, so she avoids it. "I haven't seen my doctor for about a year now, and the only reason I go to see him is because I like him and I have good insurance," she says.

Age hit Jon Banuelos, a musician, when he was about 35 and moved from flat Texas to hilly Pittsburgh and went for a long bike ride. "I came home and passed out for like five hours. I thought, 'What is wrong with me?'" says Mr. Banuelos, now 40. A friend recently asked him to play tennis. "I can't, man. My knees are hurting," he recalls saying. But the birth of his son six months ago has made him feel young and determined to stay fit. "I need to be ready for when he's 2 and 3 and running around," he says.

Awareness of age isn't necessarily a bad thing, says Ellen Langer, a **Harvard** psychologist and author. Appreciating that time isn't endless helps set priorities.

She believes people feel and act old because they are expected to once they reach a certain age, in part because of cultural markers, like senior discounts. If anyone over 50 is sore after gardening, they blame age, rather than spending 45 minutes in an awkward position, says Dr. Langer, who was recently reminded of her age after scrolling down an inordinate number of years on her computer to log in her 1947 birth date.

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FLU

Continued from page A13
infected mainly by the A and B viruses. The A viruses are more serious, and include H1N1 and H3N2.

The **CDC** recommends getting the influenza vaccine by October's end.

It usually takes about two weeks to be protected from the vaccine, and flu season typically starts in November and peaks in February, says Dan Jernigan, head of the CDC's influenza division. Dr. Jernigan says the vaccine can

last up to a year in younger, healthy adults, though it is more likely to wear off more quickly for the elderly.

He says Australia was hit with the H3N2 virus during their winter, similar to what happened in the U.S. last winter. "It's possible that they may be seeing what we saw last year since, the viruses are relatively the same," he says.

H3N2 typically causes more deaths and hospitalizations than H1N1 and causes more illnesses in the elderly especially, Dr. Jernigan says.

This year manufacturers are predicting that 75% of the U.S. vaccine supply will be "quadrivalent," meaning the shot will provide protection against two influenza A viruses and two influenza B viruses. The trivalent shot protects against the A viruses and one B virus.

Influenza B usually shows up later in the flu season, about a month after influenza A. It's not as severe for most



Quadrivalent vaccines protect against four strains of the flu.

PATRICK SISON/ASSOCIATED PRESS

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LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

Beck Gives Bright '60s Rock an Update

WITH "COLORS" (Capitol), Beck Hansen steps away from the sumptuous orchestral-folk of his 2014 disc, "Morning Phase," which won three Grammys—including album of the year—and settles into an environment shaped in large part by the tight, bright rock and pop of the mid-'60s. He does so without abandoning his anything-goes attitude and sense of adventure. Thus "Colors" is a well-made blast of serious music-making that doesn't take itself all that seriously.

Out next Friday, "Colors" was slow to arrive. Recording began in 2013. One track, "Dreams," was issued in June 2015; another, "Wow," came out a year later. The album was scheduled to be released last October.

The delay, Beck told me by phone late last week, was caused by the unexpected success of "Morning Phase." "A wave came and we rode it," he said from Los Angeles, where he was visiting the Capitol Records Building. He added that he might have spoken too soon in announcing "Colors" before it was complete, but it was a pre-emptive maneuver. Even as "Morning Phase" was expanding his audience, he said he didn't want to be defined by it or any particular form of music.

Given that two hit singles preceded the album's release by at least a year, a cynic might think "Colors" is akin to those early-1960s LPs that comprised a few hits and a lot of filler. But there isn't any filler here. The tracks are played with focus and fire mostly by Beck and Greg Kurstin, who co-produced and co-wrote most of the record's smart, luminescent songs. A former member of Beck's band, Mr. Kurstin is now best known as a songwriter and award-winning producer of Adele, Kelly Clarkson and Sia, among others. He also produced the new "Concrete and Gold" by Foo Fighters, illustrating that his capabilities extend beyond radio-friendly pop.

On "Colors," Beck and Mr. Kurstin's highly effective marriage of yesterday and today places the guitars in the center and adds pleasing luster with long-ago keyboards like the Clavinet, electric piano and Mellotron. Via kits and synths, drums boom with bigger-than-big beats. The final tracks are the result

of years of experimenting: not so much fine-tuning but reworking songs in their entirety to get a superior result. Beck and Mr. Kurstin would write and record, and then Beck would go off for a while to tour. When he returned, they would resume the "Colors" sessions with what he called an approach that was "reckless and free-wheeling."

"You know the theory that first thought is best thought? What if you had a lot of first thoughts?" he asked rhetorically. "Some ideas stay, some ideas go away. We're not very precious about each song."

Updating the rock side of mid-'60s pop, the album's "Dear Life" and "Square One" are built around a piano that sounds quite like the upright Paul McCartney played on "Lady Madonna." Silvery raindrops on keyboards give way to resounding drums and bass on "Seventh Heaven," which is sweetened by high vocal harmonies.

But Beck hasn't discarded his hip-hop and rock hybrid he introduced to a mass audience in 1993 with "Loser." Riding in on a rounded bass, "I'm So Free" finds Beck singing to a rock backbeat, but his rap chorus ushers in a noisy setting before the track circles back to its origins.

As guitars chug in "Up All Night," Beck shifts between rapping and melodic singing. Written and recorded with Cole M.G.N., a member of Beck's in-studio team, "Wow" rises slowly from something like a pan flute until Beck begins to rap over glitchy percussion; later in the tune, piano chords are the platform for a rock chorus.

As is often the case with Beck, much is going on in recordings made with great care and maximum invention. Few artists delight in their own work as does the boyish 47-year-old Beck—rightfully so, and his joy is ours too. Hooky and instantly memorable, late in arriving and yet so alive now that it's here, "Colors" is yet another milestone in his fascinating and unpredictable career.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.



Grammy-winning musician Beck, whose new album, 'Colors,' is out next Friday.

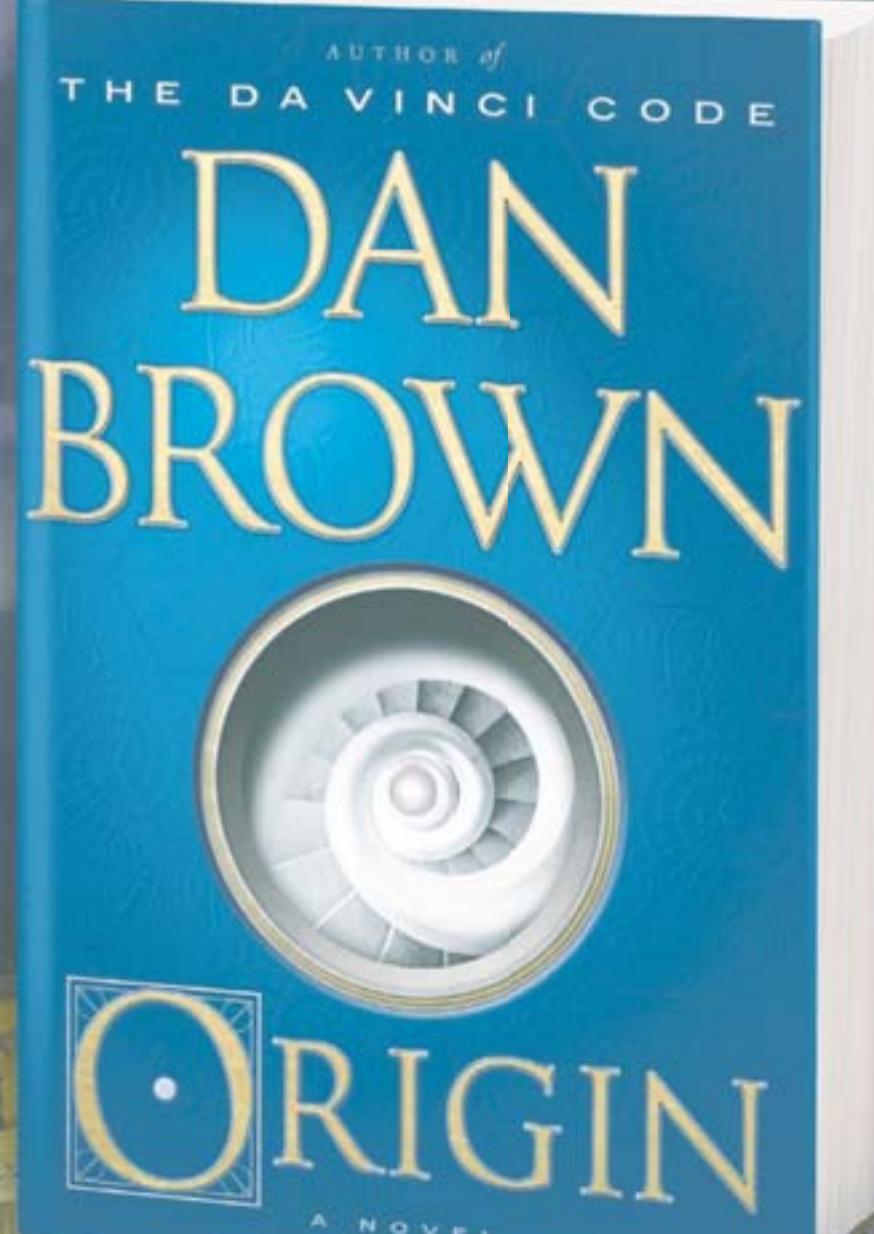
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SPORTS

MLB

Twins Aim to Break 'Yankees Hex'

Since 2002, Minnesota has been on the wrong side of the most one-sided rivalry in baseball, winning only 33 of 123 games

BY JARED DIAMOND

New York

A LOT HAS CHANGED for the Minnesota Twins since 2002. During that span, they have cycled through 301 different players, employed two managers and endured the death of an owner. They survived the league's one-time plan to eliminate them from existence, moved into a new ballpark and went from perennial contenders to bottom-feeders and back again.

But in spite of all that, one thing hasn't changed: They still can't figure out the New York Yankees.

The Twins have posted an almost unfathomably horrendous record of 33-90 against the Yankees over the past 15 years, easily the worst mark for any team against a single opponent in the major leagues. This includes the postseason, where the Yankees have dispatched the Twins on four separate occasions.

These Twins, though, are familiar with long odds. They stand a victory away from advancing to the American League division series for the first time since 2010, a remarkable turnaround for a club that went 59-103 in 2016. Until these Twins, no team in baseball history had ever reached the playoffs after losing at least 100 games the year before.

That one win, however, must come in the pressure cooker of Tuesday night's do-or-die wild card game, in hostile territory, against a seemingly unconquerable nemesis.

"It's the same organizations, but it's different players," said Glen Perkins, a Twins pitcher since 2006. "So I don't like to think we can't come in here and beat them because we're the Twins and they're the Yankees."

The idea of one franchise so thoroughly dominating another for such a long period of time is almost incomprehensible, especially in a sport where the worst teams routinely beat the best throughout the year. In baseball, these trends tend to even out eventually.

So naturally, the Twins can't avoid questions about the topic. One Minnesota scout said Monday he has heard longtime Twins employees, such as clubhouse attendants and other support staff, expressing dread about returning to New York for such an important game. Those people remember all



Total Domination

The best records by one opponent against another since 2002 (min. 25 games, including postseason)

TEAM	OPPONENT	RECORD
Yankees	Twins	90-33 (.732)
Red Sox	Phillies	32-15 (.681)
Indians	Astros	25-12 (.676)
Yankees	Royals	76-38 (.667)
Angels	Tigers	84-45 (.651)

Source: Stats LLC

WSJ

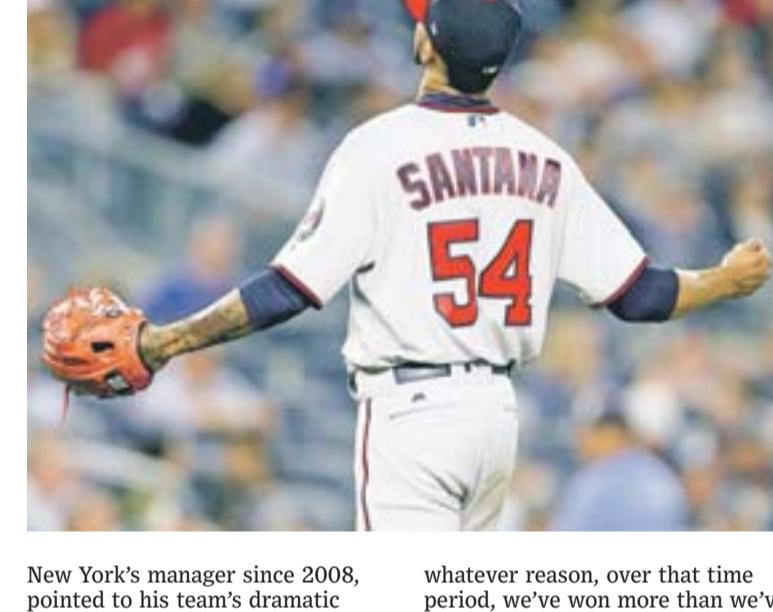
Top, Jacoby Ellsbury, left, and Aaron Judge celebrate after a victory over the Twins. Right, Ervin Santana lost to the Yankees on Sept. 18.

too well how that usually ends.

But the players tried to downplay the significance of the "Yankees hex."

"It doesn't mean a whole lot," said first baseman Joe Mauer, the lone player on the roster to appear in a prior postseason game against the Yankees as a member of the Twins. "I'm probably the only one that it means a little bit more, maybe. It's a different team, and they've got a different team."

For the most part, the Yankees echoed that sentiment. Joe Girardi,



Top: ADAM HUNTER, CHRISTOPHER PASATERI (GETTY IMAGES)

New York's manager since 2008, pointed to his team's dramatic turnover since it last saw the Twins in October seven years ago. For the Yankees, only starter CC Sabathia, reliever David Robertson and outfielder Brett Gardner remain from the 2010 ALDS.

"They've been extremely competitive games," Girardi said. "For

whatever reason, over that time period, we've won more than we've lost, but, again, the faces have changed completely."

Mauer and Girardi overlook one key fact: The current Yankees have generally owned the current Twins, too. This season, the Yankees won four of their six contests against the Twins, highlighted by a three-

game sweep in the Bronx last month in which New York outscored Minnesota, 18-6.

Meanwhile, the Twins starter, 34-year-old Ervin Santana, has a disastrous résumé against the Yankees. In 20 career starts against them, Santana has put up an unsightly 5.66 ERA. In six outings at this iteration of Yankee Stadium, the number balloons to 6.43, a statistic not lost on the Yankees.

"It's nice to be facing a guy who you've had a little bit of success off of," Gardner said.

The Yankees led MLB in home runs, finished second in runs scored and ranked third in on-base-plus-slugging percentage. Powered by the resurgence of MVP candidate Aaron Judge, they have gone 20-9 since Sept. 1 and will send their ace, Luis Severino, to the mound. Severino, 23, compiled a 2.98 ERA this season, third-best in the AL.

The Twins barely qualified for the postseason, sneaking in with a roster largely anonymous to anyone besides Minnesota diehards. At 85-77, the Twins posted the worst regular-season record for any team ever to claim a wild-card spot. Manager Paul Molitor said that Miguel Sano, perhaps the Twins' most fearsome slugger, will likely start Tuesday's game on the bench as he recovers from a leg injury.

Santana appears to understand the challenge, posting a message on Twitter on Monday that read, "Anyone who doesn't believe in miracles is not a realist." He said later that he sent the tweet in an effort "to be positive and just create good things for me and our team."

Of course, none this matters much heading into the wild card game, an anything-can-happen event that distills a 162-game marathon into a nine-inning sprint. The Twins very well could win.

And if they don't, they will blame themselves for failing to deliver their best performance. They will not attribute it to any sort of Yankees curse—a phenomenon they chalk up largely to bad luck and random variance.

"I don't know what else it would be," Perkins said. "I've played here enough to know that the dimensions are the same. They don't move in the fences, the bases aren't shorter, the mound isn't any different. Everything's the same. We've just got to go out there and prove it."

THE COUNT

WHAT'S WRONG WITH THE PATRIOTS?

Bend It Like Belichick

Since 2001, how the New England Patriots defense has ranked in yards allowed per points allowed.

YEAR	YEARS/POINT (RANK)	YEAR	YEARS/POINT (RANK)
2001	19.68 (3)	2010	18.73 (4)
2002	15.54 (14)	2011	19.23 (2)
2003	19.61 (1)	2012	18.04 (4)
2004	19.12 (2)	2013	17.66 (5)
2005	15.63 (15)	2014	17.59 (5)
2006	19.87 (2)	2015	17.24 (6)
2007	16.84 (6)	2016	20.89 (1)
2008	16.00 (10)	2017	14.27 (22)
2009	17.98 (4)	2001-16 AVG.	18.10 (5)

Source: Stats LLC

OWNERS CLASHED IN PRIVATE

BY MATTHEW FUTTERMAN

THE NATIONAL Football League's more muted approach in recent days to responding to attacks from President Donald Trump followed a tense meeting last week in which several owners argued the league's combative stance was unproductive, according to three people familiar with the meeting.

Those owners argued that taking on a sitting president over whether players should be required to stand for the national anthem was bad for business, while others thought the league should continue to stand up to the criticism, these people said.

The disagreement is a contrast to the message of unity that NFL owners and players have tried to project over the previous eight days, as Trump took on the league over the protests and repeatedly disparaged the state of the game.

There were various demonstrations among players on Sunday but they were fewer in number and generally more subdued than they had been the previous week. League officials also dialed down their criticism of the president in the days leading up to the weekend's games, even as Trump continued tweeting about the issue.

"We made our point," said NFL spokesman Joe Lockhart. "There was no point in responding to every tweet or every statement."

The debate came at a previously scheduled meeting in New York. It wasn't clear how many owners argued the league should be less assertive, or which ones.

After Trump reigned the debate over the protests, at a Sept. 22 speech in which the president called an NFL player a "son of a bitch" and ripped into owners for not punishing those who demonstrated, the league responded quickly. NFL Commissioner Roger Goodell the next day issued a



Malcolm Jenkins, left, and Rodney McLeod raise a fist during the anthem.

statement supporting the players and Lockhart on Sept. 25 said the league "fundamentally could not disagree more" with Trump. He said the response from players, owners and coaches, many of whom linked arms with kneeling players on the first game day after Trump's remarks, represented the result of thoughtful discussion and "real locker-room talk."

Regarding Trump's comments that safety rules had softened the game, Lockhart said last Monday, "These remarks represent someone who is out of touch."

However, multiple owners at the meeting said they needed to avoid the likely repercussions of a lingering feud with the president over an issue that resonated with many fans. While the league didn't issue a directive and there were no reports of owners forbidding players from protesting, several clubs took steps to reduce tensions in the days that followed. Lions players said owner Martha Ford asked them not to kneel for the anthem, saying she would support causes

related to racial injustice in return.

Trump has received significant support from NFL owners in the past. Shahid Khan (Jaguars), Dan Snyder (Redskins), Bob McNair (Texans), Robert Kraft (Patriots), Woody Johnson (Jets) and Stan Kroenke (Rams) each donated \$1 million to his inaugural committee, as did a company Cowboys owner Jerry Jones controls. Ed Glazer, chairman of the Buccaneers, gave \$250,000.

Ahead of Sunday's games, Lockhart said the league had made its point that it was unified against the attacks on its personnel. He said no one can question its viability, as well as its value to the country and in local communities.

With strong feelings on both sides about how best to deal with Trump, the league decided players could be far more effective in carrying the message forward.

"On Saturday, Sunday and Monday we made clear what our position was," Lockhart said. "I don't see need to validate it Tuesday, Wednesday or Thursday."



JEFF SINKER/TNS/ZUMA PRESS

Kelvin Benjamin runs during the Panthers' 33-30 win over the Patriots.

OPINION

The Morality of Charles Koch

MAIN STREET
By William McGurn

For those who regard capitalism and Christianity as mortal enemies, few villains loom as large as Charles Koch, whose name in some quarters has become a synonym for a system based on greed and exploitation. By his own admission, the libertarian-leaning billionaire is not religious. So why would such a man choose the Catholic University of America for a \$10 million gift to help relaunch its business school?

The answer explodes many clichés, not only about Mr. Koch but about the morality he encourages with his philanthropy. Turns out the chairman and chief executive officer of Koch Industries finds two aspects of the Washington-based business school highly attractive: at the personal level, its emphasis on character and virtue; at the social level, its message that the right way to get ahead and contribute to your community is by creating wealth and opportunity for others.

It might come as a surprise that, at least for his own hires, Mr. Koch ranks virtue higher than talent. "We believe that talented people with bad values can do far more damage than virtuous people with lesser talents," he says.

His gift to Catholic University came out of a business

relationship with the man for whom the new business school is now named: Tim Busch. The two are partners in a golf course in California, and the more Mr. Busch heard Mr. Koch talk, the more Mr. Busch said he recognized a congruence between the principles of the Wichita-born industrialist and the university on whose board of trustees he served for 12 years.

"Tim always said, 'You're a Catholic but just don't know it,'" says Mr. Koch. While he wouldn't go that far, he will say he is attracted to Catholic University's effort to put the human person at the heart of business life.

For many on the Catholic left, and increasingly on the Catholic right, the idea that free markets might advance Catholic social teaching is anathema. Indeed, when Mr. Koch's foundation made its first million-dollar donation to Catholic University in 2013 (to promote research into "principled entrepreneurship"), the gift generated protest and outrage.

This columnist knows the program firsthand, having for years led classroom case studies about business ethics at what is now the Tim and Steph Busch School of Business and Economics. But this Thursday, Mr. Koch will himself appear at the university to participate in a conference whose title speaks to his own core message: "Good Profit: How Profitable Business Can Be a Force for Good."

"One can be in business

and pursue bad profit," Mr. Koch explains. "That is, by practicing cronyism—rigging the system to undermine competition, innovation and opportunity, making others worse off. Good profit should lead you to improve your ability to help others improve their lives. But that's not how

A libertarian billionaire embraces a Catholic business school for its ethics.

many businesses act today." For Mr. Koch, everything from protectionist restrictions on goods and services to subsidies for preferred industries to arbitrary licensing requirements promote bad profit by unfairly limiting competition.

This distinction between good and bad profit illuminates the fundamental difference between how Mr. Koch regards the market and how his critics do. In the view of the critics, free markets treat working men and women as commodities to be bought and sold, and only through strong government intervention can workers hope for a decent standard of living. In Mr. Koch's view, the most important capital is human, and the truly free market is vital because it's the only place where the little guy can use his or her own unique talents to offer better a product or service

without being unfairly blocked from competing.

Ditto for workers, whose greatest protection is possible only in a dynamic, growing economy: The ability to tell the boss to "take this job and shove it"—secure in the knowledge that there is a good job available somewhere else.

This points to a key economic reality religious people tend to overlook: The opposite of market competition is not cooperation, as is often assumed. It's *collusion*—and almost always the kind that benefits the haves over the have-nots. Which explains why the moral threat to capitalism these days comes not from socialism but from cronyism and corporate welfare.

Asked the biggest misimpression people have of him, Mr. Koch says it's that he's trying to "manipulate the system so that I can make more money." At 81, he points out, he hardly needs more millions. What he wants to encourage, he says, is an economic system open enough so that ordinary people who work hard and have their own unique abilities can build lives of dignity and hope for their families.

Pope Francis has written that business can be a "noble vocation." Mr. Koch is supporting the effort by Catholic University's business school to produce more men and women who regard their careers this way. In this sense, could it be that Mr. Koch is doing the Lord's work? *Write to mcgurn@wsj.com.*

gradual move to rebuild its military and become what Mr. Abe defines as a "normal country."

But in deeply conservative Japan, change is often a strategy to preserve the status quo. From one point of view, Ms. Koike is a revolutionary figure who has achieved unprecedented power and visibility for a Japanese woman and has staged a successful rebellion against her old party and her old patron. Yet on foreign policy, she aligns closely with Mr. Abe's nationalist positions. Having served as his defense minister at an earlier stage in the current government, she has a well-earned reputation as a hard-liner. She regularly visits the controversial Yasukuni Shrine, which includes notorious war criminals among the souls of Japan's World War II dead honored there. She also supports the movement to airbrush atrocities in Japan's wartime history from textbooks.

Far from being the end of politics as usual, Ms. Koike's rapid rise may solidify the basic political model that has dominated Japanese politics for decades. During most of the past 60 years, Japan has been a de facto one-party state, in which the competition between rival parties with clear political agendas has been less important than factional struggles within the ruling LDP. These factions

have been tied together by powerful personalities and political bosses, and what divides them is not so much abstract political ideals as the interests of rival industrial and political lobbies.

Ms. Koike's "rebellion" in Tokyo was quietly supported by many senior LDP power brokers. Her new "Party of Hope" looks less like a Western opposition party than a traditional faction within the LDP. The struggle between her followers and Mr. Abe's in the coming election arguably represents the LDP's ultimate triumph. The last significant opposition party has dissolved into one more faction that could very well be at home in the LDP.

Mr. Abe faces a tougher electoral battle this fall than he expected, but it's a measure of his success that his strongest rival shares many of his views. As Japan confronts sharp competition with China and dangerous threats from North Korea, in an era when American security guarantees are less reassuring than they used to be, the world should expect Tokyo's national strategy and military posture to evolve rapidly—no matter who emerges as prime minister.

Mr. Mead is a fellow at the Hudson Institute and a professor of foreign affairs at Bard College.

Prime Minister Abe and his most serious rival are in agreement on many key issues.

thinks she should retain. Either way she faces criticism. Yukio Edano of the Democratic Party is launching an alternative new party to attract liberals who find Ms. Koike too conservative. Early polls continue to point toward a win for Mr. Abe, though his party and its coalition partner could lose their two-thirds majority in the lower house.

That matters because a supermajority is required to achieve one of Mr. Abe's principal goals: amending the 1948 constitution, which bans Japan from participating in war. This provision, which the U.S. pushed in the wake of World War II, acts as a brake on the country's

died, and the final vote was a 4-4 tie. Which brings us back to the current case, *Janus v. AFSCME*. Now that Scalia has been replaced by the like-minded Justice Neil Gorsuch, at least some unions are preparing to lose. Consider Education Minnesota, my home state's National Education Association affiliate.

The Supreme Court may soon ban so-called fair-share fees.

As teachers settle into a new school year, they will be shown a video featuring Education Minnesota's president, Denise Specht, asking them to sign a "membership renewal" card. The union has already filled out cards for all of the state's 86,000 teachers, who are asked merely to add their signatures. One union representative told me the renewal form is being distributed in anticipation of *Janus*.

I've reviewed a copy of the form, which says the union is authorized to deduct dues from the teachers' paychecks. It also includes the following fine print: "This authorization shall remain in effect and shall be automatically renewed from year to year, irrespective of my membership in the union, unless I revoke it by submitting written notice to both my employer and the local union during the seven-day period that begins on September 24 and ends on September 30."

The cynical bet is that most teachers will sign the card, if they haven't already, without reading it or understanding what it means. The lack of transparency is jarring: Recently I spoke to a group of teachers who said they didn't even know how much they paid in dues. When teachers start working they sign an authorization card, and then the money is automatically deducted, like taxes. Teachers never see the money.

Ms. Crockett is vice president and general counsel at the Center of the American Experiment.

BOOKSHELF | By William Easterly

How to Solve Global Poverty

A World of Three Zeros

By Muhammad Yunus
(PublicAffairs, 288 pages, \$28)

Muhammad Yunus has big goals: zero world poverty, zero unemployment and zero net carbon emissions. But he believes he can get us there because "we live in an age unlike any other in history . . . Never before have representatives of the entire planet joined forces to address the problems facing the whole human species." Claims of new "unprecedented" opportunities "unlike any other in history" actually do have many precedents. In 1919, Woodrow Wilson wrote: "For the first time in history the counsels of mankind are to be drawn together and concerted for the purpose of defending the rights and improving the conditions of working people—men, women, and children—all over the world." Harry S. Truman, during his 1949 inaugural address, noted that "for the first time in history, humanity possesses the knowledge and the

skill to relieve the suffering of these people." More recently, Jeffrey Sachs has remarked: "For the first time in history . . . [due to] scientific technological progress . . . [we are] within reach of eliminating extreme poverty." The disappointment that followed each "new" plan suggests caution on Mr. Yunus's claim of new utopian opportunities.

To be fair to Mr. Yunus, perhaps such utopian rhetoric is meant to motivate support for the more feasible programs he has in mind. His favored solution to making global progress against poverty, unemployment and carbon emissions is social entrepreneurship, the creation of "self-sustaining" businesses that operate with "freedom from profit pressures and from the demands of profit-seeking investors," making "social businesses viable even in circumstances where current capitalist markets fail." It's the same principle behind Grameen Bank, which Mr. Yunus founded to offer small loans to the poor, and for which he won the Nobel Peace Prize in 2006.

Mr. Yunus has long been a hero of mine for his innovative faith in the resourcefulness of low-income people. In the book he writes about St. George Valley Organic Farm, a social business near Tirana, Albania, that rents land to 60 local farmers and educates them on producing marketable herbal essences, "a much higher-margin business than most forms of agriculture." It helps that "this business is environmentally friendly as well." Other examples include the car company Renault's sponsorship of several hundred auto-repair shops across France to offer repair services to the poor at a discount; a waste-recycling business in Japan that employs 26 people; Grameen America's providing its 86,000 members with low-cost loans to start or upgrade their own small businesses.

Social-entrepreneurship programs have lent a much-needed lifeline to the world's poor. But are they a viable alternative to capitalism?

If you want to motivate support for social enterprise, a utopian promise of "A World of Three Zeros" makes for a better book title than "Helping 60 Albanian Farmers Grow Herbs." And Mr. Yunus's paean to entrepreneurship does indeed deliver inspiration about the power of human creativity. But problematic arguments remain, especially his imprecise criticisms of the current economic system and the implausibility of replacing the whole system with social entrepreneurship.

A major problem is one of scale. Mr. Yunus's many social-enterprise examples are all on the same micro level as the 60 Albanian herb farmers. And while there's nothing wrong with making a large number of small-scale efforts to help a great many people, it doesn't qualify as a whole new system for the \$76 trillion global economy. Mr. Yunus doesn't confront the scaling problem. He could have noted, for instance, that successful social entrepreneurs, unlike successful private entrepreneurs, by definition don't get the high profits to reinvest in scaling up successes.

Mr. Yunus prefers to criticize the market system—and mainstream economics—for its celebration of selfish greed as the basis of everything. This is a common misunderstanding of Adam Smith's invisible hand, which privileges individual choice, not individual selfishness. If consumers choose to buy products with social benefits, or refuse to buy those that inflict social harms, nothing about the capitalist system prevents them from doing so. If investors want to accept lower returns in exchange for investing in socially conscious businesses, they are free to do that too. And both are already happening on a modest scale, fair-trade programs being one example.

Mr. Yunus also overlooks the benefits of markets in alleviating poverty. He attributes much of the progress so far to the efforts of foreign-aid donors and social enterprises such as the United Nations' Millennium Development Goals, which supposedly helped concentrate the efforts of world nations toward eradicating poverty and improving health and education. Yet progress against poverty began long before the MDGs were established at the turn of the century, and it has happened most in regions that received little MDG aid. In East Asia, for example, poverty was reduced to 16% of the population in 2013 from 91% in 1981. For this region, the global market has been more of a cure than a disease.

Mr. Yunus does offer some criticisms of the market that are correct: The deceptive promotion of complex derivatives, for instance, did contribute to the 2008 financial crisis. But he doesn't distinguish his criticisms from his more general condemnation of capitalism. Market failures happen when private and social returns diverge. Cheaters profit by causing harm to others. The answer isn't to replace the market system with social enterprises, but to target the market failures and enforce laws or regulations against deception in financial markets. Mr. Yunus's call to scrap a system that works, however imperfectly, for a vaguely defined and unproven system that relies mainly on social entrepreneurship, is a far too risky project.

Mr. Easterly, a professor at New York University and visiting professor at the University of California, Berkeley, is the author of "The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor."

OPINION

A Line the High Court Shouldn't Cross

By John Ryder

Lawyers are notoriously bad at math, so when a case involves mathematical formulas, it tends to baffle and confuse advocates and judges alike. Such a case goes before the U.S. Supreme Court Tuesday—*Gill v. Whitford*, a political redistricting case from Wisconsin.

The plaintiffs will present a series of equations giving the illusion of precision and, they hope, masking their underlying political motivation. If the justices accept the plaintiffs' argument, or any of its variations, it would put the courts deep into what Justice Felix Frankfurter called the "political thicket" of drawing political maps. More important, it would undermine a bedrock principle of American politics—that we elect representatives based on electoral districts, not proportionally as in many European countries.

Plaintiffs ask the justices to impose proportional representation, European-style, across the U.S.

The idea that judges have any say in the mapping of political districts is relatively novel. Until *Baker v. Carr* in 1962, the Supreme Court had routinely held that redistricting was a "political question," beyond judicial review. *Baker* presented the court with an egregious case of abuse. The Tennessee Constitution required the General Assembly to redraw district lines every decade, after the census. State lawmakers had ignored that mandate since the turn of the century. Between 1900 and 1950, large numbers of people moved from the country to the cities, producing



"More than 61 percent of voters cast ballots in counties that gave either Clinton or Trump at least 60 percent of the major-party vote last November. That's up from 50 percent of voters who lived in such counties in 2012 and 39 percent in 1992."

What this means for redistricting is Democrats tend to live in one part of a state, or a county, and Republicans in another. In Florida in 2000, Al Gore won 80% or more of the vote in some 800 precincts, while George W. Bush won 80% or more in about 80 precincts. When compact districts are drawn in the Democrat-leaning areas of Florida, they result in districts that vote 70% or 80% for the Democrat. If you draw natural, compact, contiguous districts, you will tend to have concentrated districts of one persuasion or the other. The only way to avoid that is to draw elongated districts that splinter communities and are gerrymandered to achieve a judicially determined political result.

This leads to the most pernicious effect of the argument. It changes the basis of representation from district-based to proportional. Instead of representing a community that is mostly compact and cohesive, the lawmaker would be selected according to a statewide partisan balance determined by the court. Such an approach can only heighten the already intense partisanship of contemporary politics.

In *Gill v. Whitford*, the Supreme Court has an opportunity to put an end to this nonsense by finding that the lower court ignored precedent and misapplied the law. It should do so in order to preserve our democracy.

Mr. Ryder is co-chairman of the Republican National Lawyers Association and a former general counsel of the Republican National Committee. He practices law in Memphis, Tenn., and is an adjunct professor at Vanderbilt University.

In Hurricane Relief, 2 out of 3 Ain't Good

By Tevi Troy

The federal government deserved the rave reviews it earned for its responses to back-to-back hurricanes in Texas and Florida. The Federal Emergency Management Agency worked well with state and local officials and pre-deployed key resources and personnel. It seemed as though Washington had learned from its failed response to Hurricane Katrina in 2005. Yet as President Trump visits a Puerto Rico devastated by Hurricane Maria, cheers for FEMA have turned to boos. What went wrong?

First, Puerto Rico is an island. Getting resources in place before landfall was much more difficult than using the Interstate Highway System to move people and supplies. A FEMA official told me that "to say it's logistically challenging is an understatement."

The logistical challenge was compounded by the devastation on the island. The first responders in Puerto Rico were also victims, which meant many were unavailable to help with

the response effort. The result is that FEMA must transport supplies as well as distribute them, which is typically a local responsibility and not FEMA's real expertise.

In addition, it was harder for the residents themselves to evacuate when planes and boats were the only means of escape. We saw the lines of cars on Interstate 95 headed north from Florida before Hurricane Irma.

When it comes to natural disasters, a president is remembered for faltering, not for succeeding.

Such an escape route was not available to Puerto Ricans or Virgin Islanders. At the same time, being cut off from the mainland made it that much harder for Good Samaritans to assist. A Dallas kosher caterer brought badly needed food to servant Jews in Houston who had been subsisting on Chex Mix after Hurricane Harvey.

Dallas is 239 miles from Houston. Puerto Rico is only 110 miles wide, and the Virgin Islands even smaller, limiting the geographic range from which those willing to help could come.

FEMA must learn how to cope with serial disasters. As we saw with Harvey and Irma, post-Katrina reforms in 2006 improved FEMA's "surge capacity"—its ability to handle more than one disaster at a time or in quick succession. But Texas and Florida are two of the best-prepared emergency-response states, which made FEMA's job easier. Puerto Rico is less well-equipped.

Like any government agency, FEMA has limited resources. Its appropriations run out quickly in one disaster, let alone three, requiring a less-than-nimble Congress to vote for disaster funding. And FEMA personnel, who have been doing heroic work, are only human. They are subject to exhaustion when faced with a month of constant deployments and redeployments.

Finally, there is the issue of presidential focus. While Puerto Rico and

the Virgin Islands reel, the president has also engaged in a feud with the National Football League over recent protests—perhaps not the best fight to take on during a series of natural disasters. This was made worse by failing health-care legislation, a new tax-reform effort and the Alabama special election, not to mention continued saber rattling from North Korea. The White House seemed ready for Harvey, but less prepared to cope with a spate of hurricanes for an entire month.

The lesson here is that presidential leadership is about continued effort in the face of ongoing challenges. As George W. Bush learned with Katrina, you can do a great job in dealing with weather disasters for four years, but the one you falter on is the one for which you'll be remembered.

Mr. Troy, a former deputy secretary of health and human services, is author of "Shall We Wake the President? Two Centuries of Disaster Management from the Oval Office" (Lyons Press, 2016).

The SEC Plans to Collect Too Much Information

By Hal Scott
And John Gulliver

Is your personal information safe from the Securities and Exchange Commission? The SEC has mandated that U.S. stock exchanges and the Financial Industry Regulatory Authority establish a database by November 2018 that will store the names, birth dates, Social Security numbers and brokerage accounts of tens of millions of U.S. investors as part of the Consolidated Audit Trail.

Like Equifax and the SEC's database of corporate filings, the CAT will be a prime target for cyberthieves. And a breach of the CAT could be even more consequential. Cybersecurity experts have said hackers could use the personal information it will store to

make direct withdrawals from investors' retirement accounts.

Over the past two weeks, SEC Chairman Walter J. Clayton and representatives of the stock exchanges and FINRA have acknowledged that changes to the CAT may be necessary to further protect against cyber-criminals. But they did not provide any specific recommendations.

The way forward is clear: The SEC should eliminate the collection of sensitive personal information for the CAT, as it is unnecessary to achieve the SEC's policy goals.

The CAT was intended as a response to the 2010 flash crash, when U.S. stocks plunged almost 10% in minutes, then rebounded just as quickly. It took regulators almost six months to identify the cause of the crash, so the

SEC determined that a single resource with comprehensive market data was necessary to respond to future crashes. The SEC has also stated that the CAT would help identify market manipulators and insider traders.

It doesn't need every investor's Social Security number simply to probe stock-market crashes.

The SEC therefore requires that broker-dealers and exchanges report their 58 billion daily orders and trades to the CAT, and that broker-dealers report the personal information of all of their customers. But requiring the collection of personal information, including Social Security numbers and brokerage accounts, was a clear mistake.

Regulators can identify the investor responsible for a market event without a centralized resource of personal information. It can identify the broker behind an order or trade, and then request personal information from the broker. That's how it found the investor behind the 2010 "flash crash."

Bad actors don't typically provide accurate Social Security numbers or names anyhow, so collecting the personal information of all investors is a highly ineffective method of identifying market manipulators. Insider traders also try to obscure their identities by using friends, family, or an alias to place trades.

And why require the collection of personal information from tens of millions of U.S. retail investors who trade only a few times a year? The

SEC already collects the identities of large traders, who are behind major market events and manipulation.

Even if the SEC does not require the collection of highly sensitive personal information, the CAT would still be a target for hackers. It would store all of the orders and trades of each broker-dealer. That's information hackers could use to inappropriate broker-dealer trading strategies worth hundreds of millions of dollars. The CAT would still be a lucrative target.

And a breach could still be catastrophic. Broker-dealers would surely pull back from trading in response to the news that their proprietary trading strategies were no longer secure. The resulting volatility could require an indefinite marketwide shut down. That would deal an irreparable reputational blow to our markets.

Another concern is that the SEC cost-benefit analysis for the CAT did not meaningfully weigh the risk and potential cost of a cybersecurity breach against the benefit from the improved ability to discover the cause of a flash crash or identify a market manipulator. Mr. Clayton should promptly remedy this.

While improvements can surely be made to enhance the accuracy of stock-market data and eliminate duplicative requirements, the SEC already has the tools necessary to police the markets under its jurisdiction. Gathering and storing highly sensitive personal information from tens of millions of Americans is not only dangerous but unnecessary.

Mr. Scott is a professor at Harvard Law School and director of the Committee on Capital Markets Regulation, where Mr. Gulliver is the research director.

First, They Came for the Biologists

By Heather Heying

Who would have guessed that when America cleaved, the left would get the National Football League and the right would get uncontested custody of science?

The revolution on college campuses, which seeks to eradicate individuals and ideas that are considered unsavory, constitutes a hostile takeover by fringe elements on the extreme left. Last spring at the Evergreen State College, where I was a professor for 15 years, the revolution was televised—proudly and intentionally—by the radicals. Opinions not fitting with the currently accepted dogma—that all white people are racist, that questioning policy changes aimed at achieving "equity" is itself an act of white supremacy—would not be tolerated, and those who disagreed were shouted down, hunted, assaulted, even battered. Similar eruptions have happened all over the country.

The postmodernist left on campus is intolerant not only of opposing views, but of science itself.

What may not be obvious from outside academia is that this revolution is an attack on Enlightenment values: reason, inquiry and dissent. Extremists on the left are going after science. Why? Because science seeks truth, and truth isn't always convenient.

The left has long pointed to deniers of climate change and evolution to demonstrate that over here, science is a core value. But increasingly, that's patently not true.

The battle on our campuses—and ever more, in K-12 schools, in cubicles and in meetings, and on the streets—is being framed as a battle for equity, but that's a false front. True, there are real grievances. Gaps between populations exist, for historical and modern reasons that are neither honorable nor acceptable, and they must be addressed. But what is going on at institutions across the country is—yes—a culture war between science and postmodernism. The extreme left has embraced a facile fiction.

Postmodernism, and specifically its offspring, critical race theory, have abandoned rigor and replaced it with "lived experience" as the primary source of knowledge. Little credence is given to the idea of objective reality. Science has long understood that observation can never be perfectly objective, but it also provides the ultimate tool kit with which to distinguish signal from noise—and from bias. Scientists generate complete lists of alternative hypotheses, with testable predictions, and we try to falsify our own cherished ideas.

Science is imperfect: It is slow and methodical, and it makes errors. But it does work. We have microchips, airplanes and streetlights to show for it.

In a meeting with administrators at Evergreen last May, protesters called, on camera, for college president George Bridges to target STEM faculty in particular for "antibias" training, on the theory that scientists are particularly prone to racism. That's obvious to them because scientists persist in using terms like "genetic" and "phenotype" when discussing humans. Mr. Bridges offers: "[What] we are working towards is, bring 'em in, train 'em, and if they don't get it, sanction them."

Despite the benevolent-sounding label, the equity movement is a highly virulent social pathogen, an autoimmune disease of the academy. Diversity offices, the very places that were supposed to address bigotry and harassment, have been weaponized and repurposed to catch and cull all who disagree. And the attack on STEM is no accident. Once scientists are silenced, narratives can be fully unhooked from any expectation that they be put to the test of evidence. Last month, Evergreen made it clear that they wanted two of its scientists gone—my husband, Bret Weinstein, and me, despite our stellar reputations with the students they claimed to be protecting. First, they came for the biologists . . .

Science has sometimes been used to rationalize both atrocity and inaction in its face. But conflating science with its abuse has become a favorite trope of extremists on the left. It's a cheap rhetorical trick, and not, dare I say, very logical.

Science creates space for the free exchange of ideas, for discovery, for progress. What has postmodernism done for you lately?

Ms. Heying is a former biology professor at Evergreen State College in Olympia, Wash.

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BUSINESS & FINANCE

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Tuesday, October 3, 2017 | B1

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Equifax Ex-CEO Lays Out Lapses

Congressional panel to hear of breakdown; credit firm raises total affected by 2.5 million

By ANNAMARIA ANDRIOTS
AND MICHAEL RAPOORT

A widespread breakdown in security safeguards at Equifax Inc. aided hackers as they broke into the company's systems and gained access to personal information of millions of Americans, according to prepared testimony former CEO Richard Smith plans to deliver Tuesday.

The mishaps detailed in Mr. Smith's testimony point to a range of weaknesses in the

measures taken to protect consumer data at one of the largest credit-reporting firms in the U.S. They included staffers not responding properly to a public warning in early March about a vulnerability in software the company was using and a malfunctioning scanning tool that failed to identify the threat.

As a result, Equifax for months was unaware that it was vulnerable and that hackers were ransacking its systems. The company said it didn't detect suspicious activity until July 29.

"The breach occurred because of both human error and technology failures," Mr. Smith is expected to say in testimony Tuesday before a subcommittee

of the House Committee on Energy and Commerce.

Equifax said separately Monday that a review into the hack has now been completed. It increased the number of affected U.S. consumers by 2.5 million to 145.5 million.

Mr. Smith's testimony Tuesday will be the first of at least three scheduled appearances on Capitol Hill this week. He is also due to testify Wednesday before the Senate Banking Committee and on Thursday before the House Financial Services Committee. Mr. Smith last week stepped aside as Equifax's chairman and CEO.

Legislators are expected to press Mr. Smith for more details about the circumstances leading up to the hack and the

company's response to it. Another area of concern: which executives were aware of the breach and when, especially given share sales by three top executives days after the company discovered the hack.

Beyond the security breakdown, the testimony highlights how the company's external declarations about its security were at odds with what was happening inside the company. Mr. Smith and the company made comments in the weeks after the breach was discovered about Equifax's commitment to security. Equifax had notified the Federal Bureau of Investigation of the breach on Aug. 2 and had brought in FireEye Inc.'s cyber-investigations division Mandiant to in-

vestigate the hack.

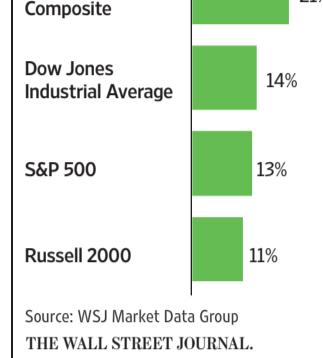
The security breakdowns stem from an early-March warning to Equifax and other companies of the need to patch a vulnerability in software called Apache Struts. A day later, Equifax emailed that notice to its information-technology personnel asking for the software to be upgraded.

Although the company's patching policy required a fix within 48 hours, the vulnerable version of Apache Struts within Equifax wasn't identified or patched in response, according to Mr. Smith's testimony. Later that month, the company's information-security department ran scans that should have found systems

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Up Across The Board

Performance through Monday



Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

Stock indexes are on track for double-digit gains this year. B1

Tesla Misses Goal for Model 3

By TIM HIGGINS

Tesla Inc. badly missed its goal of building 1,500 Model 3 cars in the third quarter, the first sign that the production ramp-up for the new sedan isn't going as smoothly as planned.

The Silicon Valley electric-car maker built 260 of the Model 3s between July and September, the company said Monday in a statement. In August, the auto maker predicted it would build more than 1,500 Model 3s before cranking up production to 5,000 a week by the end of the fourth quarter.

The Model 3, which starts at about \$35,000, represents Chief Executive Elon Musk's bet that he can transform the luxury auto maker into a more mainstream player around the world. Tesla blamed "production bottlenecks" for the weaker production.

"It is important to emphasize that there are no fundamental issues with the Model 3 production or supply chain," Tesla said in a statement. "We understand what needs to be fixed and we are confident of addressing the manufacturing bottleneck issues in the near-term."

When Mr. Musk touted the new cars in a July celebration, he warned the first six months of production could be "manufacturing hell" as its Fremont, Calif., factory learns how to build the new vehicle.

Enthusiasm for the Model 3 and Mr. Musk's vision for transportation technology have helped boost shares more than 50% this year, at times making the 14-year-old, unprofitable company's market value greater than General Motors Co., which sold about 10 million vehicles globally last year and made more than \$9 billion in profit.

GM on Monday said it plans to introduce two more electric vehicles within 18 months in the U.S. and 20 globally within six years.

Tesla on Monday said its total global deliveries—including Model S sedans and Model X sport-utility vehicles—rose 4.5% to 26,150 compared with a year earlier.

That beat the average estimate of 25,900 deliveries by five analysts surveyed by FactSet.

Tesla's third-quarter results were helped by a 36% rise in Model X sales to 11,865 compared with a year ago, while Model S sales fell about 11% to 14,065.

Tesla delivered only 220 Model 3s during the quarter, well below the 1,300 that analysts surveyed by FactSet expected on average. Tesla sold these first Model 3 vehicles in the quarter to employees and investors and expects to begin delivering them to nonemployees in the final three months of the year.

♦ Detroit rolls ahead on electric vehicles..... B3

Japanese Stocks Surge, but Skeptics Abound

By IRA IOSEBASHVILI
AND KOSAKU NARIOKA

Global investors are betting that Japan is on course to pull out of its long economic slump, reflecting hopes that growth is accelerating worldwide and sending stocks to multiyear highs.

Japan's economy, the world's third largest, expanded at its fastest pace in two years in the second quarter and is on its longest growth streak in more than a decade, spurred by its central bank's ultraloose monetary policy and a nascent recovery around the globe. Business and consumer spending have rebounded, a weaker currency has made Japanese exports more competitive abroad and stimulus from the Bank of Japan continues to support markets.

The combination has meant good news for Japanese stocks. The Nikkei Stock Average hit a two-year high Monday. The close was some 2.2% below the 2015 high, which was the highest since 1996.

Yet many investors remain cautious on Japan, where relatively cheap stocks and the promise of a resurgent economy have lured generations of bargain hunters. Rallies in the Nikkei over the past few years have come and gone, but the average has never approached the 1989 high of 38,916, stopped by lackluster growth, low inflation and poor corporate governance. While Japan's stocks have traded at a nearly 40% discount to their global peers, flows from foreign investors have been sporadic, with few willing to buy into Japan for the long term.

Many investors would see a sustained rebound in Japan, where growth has lagged behind Europe and the U.S. for decades, as a sign that the global recovery from the financial crisis is on track.

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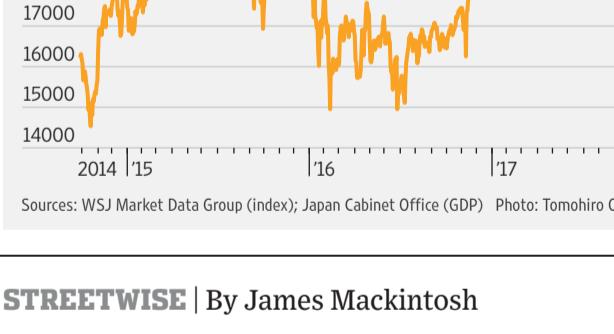


Packaging sushi in Kawashima

Chugging Ahead

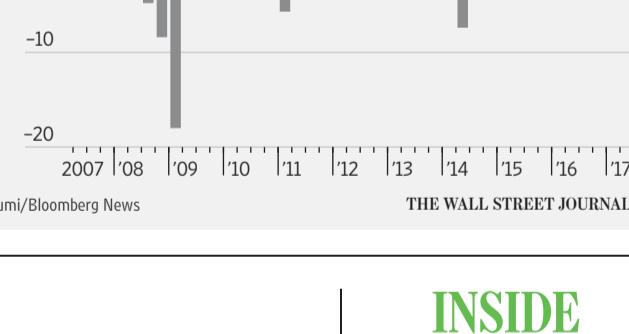
Japan's main stock index is at its highest level in two years and its economy has notched its longest growth streak in more than a decade.

Nikkei Stock Average



Sources: WSJ Market Data Group (index); Japan Cabinet Office (GDP). Photo: Tomohiro Ohsumi/Bloomberg News

Annualized rate of change in Japan's GDP from previous quarter



THE WALL STREET JOURNAL.

Samsung To Benefit If iPhone X Is a Success

By TIMOTHY W. MARTIN
AND TRIPP MICKLE

When the iPhone X goes on sale next month, Apple's Inc.'s rival, Samsung Electronics Co., has good reason to hope it is a roaring success.

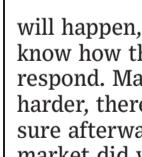
The South Korean company's giant components division stands to make \$110 for each top-of-the-line, \$1,000 iPhone X that Apple sells.

The fact reflects a love-hate dynamic between the phone makers that is one of the more unusual relationships in business. While each company vies to get consumers to buy its gadgets, Samsung's parts operation stands to make billions of dollars supplying screens and memory chips for the new iPhone—parts that Apple relies on for its most important product.

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STREETWISE | By James Mackintosh

Taxing Times for the Markets



Investors always face two big unknowns: They don't know what

will happen, and they don't know how the market will respond. Making it even harder, there is no way to be sure afterward why the market did what it did. And the tales investors tell themselves as a way of explanation are often too simplistic.

The White House tax plan is the big opportunity for investors right now, and many see the risks only about whether it will happen and how big it will be, not in how it will affect the market. It just seems obvious that tax cuts will produce effects similar to the "Trump trade" that gripped the markets after Donald Trump's election last year. Stocks will advance, led by banks, smaller companies, high-tax companies and economically

sensitive cyclical stocks. Bond yields and the dollar will go up, and emerging markets will underperform.

The trouble for investors is that exactly this has already been happening in recent weeks.

If it was all about taxes,

these market trends would suggest there has been a huge reassessment of the prospects of the plan passing Congress. In turn, if tax cuts are already priced in, the market will react less if and when they get passed. We need to know why markets moved to assess just how much is priced in so far, and how

much further they are likely to move in the future.

Unfortunately, explaining the past month's price moves is hard, because there is a lot more going on than just taxes.

The markets appear to have shifted after the first week of September, when Mr. Trump did a deal with Democrats to extend the debt-ceiling deadline for three months.

After that, investors began to price in a greater chance of a Federal Reserve interest-rate increase in December, bond yields and the dollar started their ascent and the Russell 2000 index of smaller companies—already up from its summer low—stormed ahead along with companies with a higher-than-average tax rate.

The moves look in many ways like a classic reflation trade. When investors bet on a stronger economy, they expect interest rates and

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LAPSES

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vulnerable to the Apache Struts issue. The scans failed to do so.

After the company's security staff noticed suspicious traffic on July 29, information about the breach moved slowly between some in senior leadership. Mr. Smith said that the company's then-chief information officer informed him of suspicious activity on July 31. Mr. Smith didn't have an indication of the scope of the attack or know that consumers' personal information had been stolen, according to his testimony.

Mr. Smith's testimony said that he only found out on Aug. 15 that consumers' personal information had "likely" been stolen. Two days later, Mr. Smith gave a roughly 40-minute presentation and took questions at a breakfast meeting at the University of Georgia's Terry College of Business.

During that event, he praised the rapid rate at which the company expanded under his leadership and spoke about the threat of data fraud. That same day, according to Mr. Smith's testimony, he held a senior leadership meeting in which he learned that large volumes of consumer data had been compromised in the breach. The company's board didn't know about the breach at the time. Instead, Mr. Smith says in his testimony that he notified Mark Feidler, the board's lead director, on Aug. 22. Equifax last week named Mr. Feidler the board's nonexecutive

Personal Details Exposed in SEC Hack



SEC Chairman Jay Clayton

Hackers who broke into a U.S. regulatory database that stores market-moving corporate information also accessed personal details about two people, including their names, dates of birth and Social Security numbers.

The Securities and Exchange Commission disclosed the theft of personal information stemming from a 2016 breach of its Edgar system in a statement on Monday. The SEC's analysis of the breach is playing out in real time as the regulator scrambles to understand the scope of damage from the incident.

The disclosure that hackers obtained personal information of individuals who use the

filing system contradicts information that SEC Chairman Jay Clayton provided Sept. 20, when he said the SEC didn't believe the intrusion allowed the intruders to access personally identifiable information.

Mr. Clayton said in the statement Monday that he was told Friday about the personal information being accessed. The people's details were included in a test filing viewed by the hackers, the statement said. The Edgar system receives test filings from companies and individuals that may include market-moving information but isn't intended to be released or viewed publicly. Mr. Clayton told the Senate Banking Committee last week that the agency is examining the software flaw that allowed the hackers to get into Edgar's test filing component.

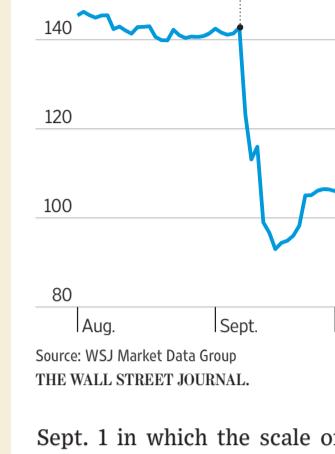
The SEC disclosed in September that Edgar was hacked in 2016. The SEC didn't realize until August that information gleaned from the intrusion may have allowed hackers to trade illegally. Mr. Clayton said last month. He will testify Wednesday before the House Financial Services Committee.

—Dave Michaels

Fallout

Equifax's share price

\$160



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

Sept. 1 in which the scale of the breach and remediation efforts were discussed. Three days later, the investigative team had a list of approximately 143 million consumers whose personal information had likely been stolen.

The challenges didn't end there. As the company was trying to determine the scope of the breach, Mr. Smith's testimony says it was also working to set up a website to help consumers and to increase call-center staff. Those efforts were riddled with problems in the wake of the public breach announcement on Sept. 7. That included a malfunctioning website and confusion over the legal rights of consumers who signed up for free monitoring. Mr. Smith's testimony says the "challenge proved overwhelming, and, regrettably, mistakes were made."

—Andrew Ackerman contributed to this article.

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JAPAN

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nancial crisis is picking up steam.

"The U.S. recovered, and then Europe came on and accelerated, and now it looks like the Japanese data is starting to come along," said Torsten Slok, chief international economist at Deutsche Bank. "Despite the facts staring them in the eyes, people hang on to the old story for too long before they realize a new story has developed."

The Japanese market's long funk has roots in the bursting of the "bubble economy" in the early 1990s. Land and stock prices collapsed, sending Japan's financial system into a tailspin from which it didn't fully recover until the early 2000s. Companies and consumers tried to pare debt, leading to deflation and a sense of stagnation, while political turmoil delayed shareholder-friendly policies.

Through false starts and years of subpar economic performance, many global investors have stayed away, even as Japanese companies have become more profitable.

Return on equity—one measure of profitability—has improved to around 8.4% in 2017 from just above 5% when Prime Minister Shinzo Abe took office in late 2012, according to research by AllianceBernstein Holding LP. Yet Japanese stocks trade on average at 1.5 times book value, or the total value of their assets outside of what they owe—a 36% discount to the developed-market average.

"Investors have left Japan for dead and are only now starting to come back," said Vadim Zlotnikov, chief market strategist at AllianceBernstein.

But "many investors are still skeptical," Mr. Zlotnikov said. "People have been burned over and over."

Even as signs of improvement mount, the Bank of Japan continues to support markets by buying ¥6 trillion (\$53 billion) in exchange-traded stock funds annually. Japanese companies have taken steps to make themselves more attractive to investors, such as adding outside directors to their boards and boosting returns through buybacks.

Areas where Japanese companies are at the forefront include artificial intelligence and robotics. The country's auto-parts makers are poised to benefit from a move to electric vehicles, while cosmetics makers and makers of electric-vehicle parts reap profits from selling to Asia's growing middle class, investors said.

Benjamin Segal, a senior portfolio manager at Neuberger Berman, says he has



Japanese Prime Minister Shinzo Abe. The Nikkei Stock Average hit a two-year high on Monday.

chief John Gamble, sold shares on Aug. 1 and 2. The company has said the executives weren't aware of the breach at the time.

Equifax's full board found out about the breach on Aug. 24 and 25, almost a month after it was first detected. A board meeting took place on

chairman after Mr. Smith stepped down.

Mr. Smith says that on Aug. 22 he also notified his "direct reports" who ran various business units about the problem.

Mr. Smith doesn't state which executives found out about the breach that day. Three of his top deputies, including finance

grown more optimistic on Japan and added select companies to his equity portfolio this year. "I'm emerging from the 'no way' camp into an incrementally more positive view," Mr. Segal said. "There does seem to be change afoot."

Japanese companies "merit more of an inspection today they would have a year or two ago, or even 10 years ago," he said. Among the stocks he owns are chemicals and cosmetics maker Kao Corp. and air-conditioner manufacturer Daikin Industries Ltd.

Still, money managers own too few Japanese equities, and the yen is "grotesquely undervalued," Charles Gave, founder of research firm Gavekal,

wrote in a note to investors. Corporate profits have grown at a faster pace in Japan than in the U.S. for the past five years, he said, while Japanese companies are sitting on around \$4 trillion in cash. "The great beauty of these recommendations is that nobody...is positioned accordingly," he wrote.

Japan's economy remains shaky, especially because wages haven't grown rapidly enough under Mr. Abe to spark solid consumer spending. There is no guarantee of Japan's relative political stability, nor that the uneasy peace among the region's biggest powers will hold for the long term. Some investors are nervous about Mr. Abe's plans to push through a tax increase for 2019. A recession followed a sales-tax increase in 2014.

Others, however, see signs of long-sought change. Masaaki Hosomizu, a Chicago-based portfolio manager at RMB Capital, said investors were watching whether the Japanese government follows through on corporate-governance changes. Mr. Abe last

"The biggest focus in the market is whether the current momentum will continue," he said. "What we're asking ourselves is if this can last for the next five years or 10 years."

—By Daniel Lippmann

With reporting by Daniel Lippmann and David Stuckey

Photo: YOSHIO TSUNDA/ZUMA PRESS

Illustration: DAVID STUCKEY

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BUSINESS NEWS

Detroit Rolls Ahead On Electric Vehicles

BY MIKE COLIAS

Detroit's largest auto makers ramped up plans for electric vehicles in coming years, the latest push from traditional car companies to respond to tougher emissions regulations and the prospect that some markets across the globe could eventually ban internal combustion engines powered with fossil fuels.

General Motors Co. plans to introduce two more electric vehicles in the U.S. over the next 18 months and 20 globally within six years, the nation's largest auto maker by sales said Monday. At the same time, crosstown rival **Ford Motor** Co. said it had formed a new team to help di-

additional charging stations needed to keep vehicles powered and avoid stranded motorists. Investors have bid up shares of Tesla Inc., pressuring traditional car companies, but the Silicon Valley electric-car maker consistently loses money.

Still, countries including China, the U.K., France and India have signaled plans to ban sales of vehicles powered with gasoline or diesel fuels in the coming decades. The head of California's Air Resources Board recently suggested the state could follow suit. That is on top of burgeoning negotiations among California, Trump administration officials and car executives over potentially relaxing tough future emissions standards that require companies to sell vehicles getting better mileage.

The upshot is car executives, even while highlighting challenges with market demand and lobbying for regulatory changes, are increasingly sounding bullish on electric cars and, in some instances, echoing statements from government officials.

"General Motors believes the future is all-electric," said Mark Reuss, GM's product-development chief, at the auto maker's suburban Detroit design center. He said GM's future electric vehicles would be profitable, without further explanation.

GM's lineup will continue to offer hybrids and traditional vehicles reliant on gasoline and diesel fuels during what the company expects to be a prolonged transition to those predominantly running on batteries, Mr. Reuss said.

GM said it would use the underpinnings of the Chevrolet Bolt electric car currently on sale for coming vehicles in the U.S. The auto maker also said it has developed a next-generation battery system that will allow for greater flexibility in electric-vehicle sizes and body styles.

The auto makers are investing billions of dollars in electric vehicles despite challenges in turning a profit on them due to expensive technology costs that increase vehicle prices, and tepid consumer demand. GM and Ford are currently minting profits in the U.S. with fuel-thirsty pickup trucks and sport-utility vehicles that consumers find enticing amid low gasoline prices.

Electric vehicles account for less than 1% of U.S. sales, and a sliver of the nearly 90 million total vehicles sold around the world last year. Infrastructure challenges remain, with

GE Chairman Steps Down

BY THOMAS GRYTA

Jeff Immelt, the longtime leader of **General Electric** Co., is stepping aside as chairman and leaving the board of the industrial giant several months ahead of schedule.

Mr. Immelt, who resigned from the CEO role on Aug. 1 after 16 years at the helm, is handing over the chairman's seat to his successor John Flannery, effective immediately.

The company said Mr. Immelt had determined the CEO transition was proceeding smoothly and that Mr. Flan-

nelly was ready to take over as chairman, according to a regulatory filing made Monday. The filing says the board concurred. The move shrinks the size of GE's board from 19 to 18 directors.

Mr. Immelt decided to step down sooner than expected to give Mr. Flannery full control as he prepares to make some difficult changes at the company, said people familiar with the matter. The move also frees Mr. Immelt to



Jeff Immelt

pursue other opportunities, they added.

Mr. Immelt has been exploring a future after GE. During the summer, he held discussions with **Uber Technologies** Inc. about joining the company as its CEO, but withdrew his candidacy.

GE has been under pressure from activist investor **Trian Fund Management** to slash costs and boost its profit. Trian didn't immediately respond to a request for comment.

Mr. Flannery is conducting a strategic review and has promised to share his plans with investors in November, but meanwhile has been cutting costs, including grounding the company's corporate jets and delaying part of its new headquarters project in Boston.

On Monday, Mr. Immelt also stepped down as chairman of **Baker Hughes**, a position he took earlier this year after he combined GE's oil business with the oil-field services company.

—Joann S. Lublin contributed to this article.

Airline's Collapse Strands 100,000

BY ROBERT WALL

LONDON—Europe's hyper-competitive airline market has claimed another victim, with Britain's **Monarch Airlines** Ltd. declaring bankruptcy, grounding its flights and leaving more than 100,000 passengers stranded overseas.

The British government said it would charter planes to help bring the 110,000 passengers stranded overseas home, with Transport Secretary Chris Grayling describing the effort as "the country's biggest peacetime repatriation."

More than 60 flights were dispatched Monday to bring a first wave of about 12,000 passengers back to the U.K., according to Britain's airline regulator, the Civil Aviation Authority. Similar operations are expected to continue for about two weeks, the CAA said, with no charge to the passengers rescued.

In the U.S., consolidation among carriers has driven the bulk of traffic into the hands of a few airlines. That has helped the group that includes **American Airlines Group** Inc., **Delta Air Lines** Inc., **United Continental Holdings** Inc. and **Southwest Airlines** Co. to deliver handsome profits.



lion in 2018. The collapse in the value of the British currency after the U.K.'s vote to leave the European Union last year also raised some dollar-denominated costs.

Efforts to find a buyer for the airline failed, he said.

Monarch was "subscale" and unit costs weren't competitive, HSBC analyst Andrew Lobbenberg said.

Monarch blamed its demise on a prolonged period of falling ticket prices, especially in markets on flights from the U.K. to Spain and Portugal. Carriers have flooded planes into those two markets after terrorist attacks and political unrest in other tourist destinations, such as Turkey and Tunisia, have driven travelers to the two western European countries viewed as safer.

The string of bankruptcies in Europe could boost those airlines still flying by easing an oversupply of seats for sale that has kept airfares low.

Greybull Capital, which acquired Monarch in 2014, said it was sorry it was unable to turn around the airline.

KPMG LLP, which is running the Monarch bankruptcy process, said the airline's rented planes were being returned to lessors.

Europe's airline sector remains littered with niche competitors that have struggled to earn money.

Monarch Airlines, owned by private-equity firm **Greybull Capital** LLP, was a British tourist airline that tried to remake itself as a budget carrier. Its failure comes after Italian flag carrier **Alitalia** and Germany's No. 2 airline by passengers, **Air Berlin** PLC, ran out of money this year. Competition from budget airlines such as **Ryanair Holdings** PLC, Europe's biggest airline by passengers, and **easyJet** PLC have forced down prices,

hurting the prospects of carriers that can't compete on cost.

These European airline failures have implications as far away as the U.S. Air Berlin, though principally a European carrier, had to close trans-Atlantic routes.

Monarch is a big customer for **Boeing** Co.'s new 737 Max jetliner. The airline had placed orders for 32 of the planes almost three years ago, which have yet to be delivered.

Monarch Chief Executive Andrew Swaffield said the airline was on track to lose £60 million (\$80.4 million) this year and more than £100 mil-

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BUSINESS NEWS

Shire Files Antitrust Lawsuit Against Rival

Drugmaker alleges that Allergan blocked an eye drug from Medicare contracts

BY JONATHAN D. ROCKOFF

Shire PLC filed an antitrust suit against Allergan PLC, alleging Allergan's contracts with Medicare Part D drug plans for its Restasis eye drops effectively blocked access to Shire's rival drug.

The complaint, filed Monday in federal court in Newark, N.J., says Shire offered steep discounts in bids to secure insurance coverage of the company's dry-eye drug Xiidra but the Part D plans refused, due to Allergan's "bundled discounts, exclusive dealing" and

other tactics.

"There was not a level playing field for us to compete" in Part D, John Neely, Shire's head of U.S. pricing and market access, said in an interview. Some 13% of Part D patients have access to Xiidra on their drug formularies, compared with about 88% of commercially insured patients, a Shire spokeswoman says.

Allergan said there is "no merit" to the lawsuit. "In our negotiations with Medicare Part D sponsors, we are competing on value and price, and competition in the chronic dry-eye therapeutic market has driven pricing down for patients and payers in Medicare Part D and commercial plans," Allergan said.

Shire's lawsuit is the second in the past few weeks to

take aim at the closely guarded contracts between drugmakers and health insurers and pharmacy-benefit managers that play an important but hidden role determining which drugs patients can get and will sell well.

In September, Pfizer Inc. filed such a suit alleging Johnson & Johnson used "exclusionary contracts" to shield its arthritis drug Remicade from Pfizer's biosimilar. J&J has said the lawsuit lacked merit and the biosimilar competition was already driving down costs.

The lawsuits reflect just how influential the contracts between drug companies and drug-benefit managers have become in the commercial success of prescription medicines at a time when health plans are trying to control costs.

In the name of limiting spending, drug-benefit managers have been securing steep discounts with one drug company in exchange for restricting access to another company's product. The recent lawsuits are exploring the legality of these increasingly common contracts.

Herbert Hovenkamp, an antitrust specialist at the University of Pennsylvania Law School and Wharton School, said the bundling of products isn't by itself grounds for an antitrust violation. Shire would have to show that Allergan sold Restasis below cost to keep out Xiidra, he said.

"These allegations are very common. They are not easy to prove," Mr. Hovenkamp said.

Shire's suit centers on Restasis, Allergan's second-

bigest selling drug, after Botox, with \$1.4 billion in U.S. sales last year.

The drops treat patients, many of them elderly, whose eyes don't produce tears properly and can result in irritation, blurred vision and other symptoms. Dry-eye disease is a big market, with about a million patients in the U.S. receiving a prescription, according to Shire's lawsuit.

Restasis has dominated the market for dry-eye treatment since its approval in 2002. For years, it was the only Food and Drug Administration-approved treatment.

Now Restasis is under threat on multiple fronts. Generic-drug makers have lawsuits in federal court to invalidate Allergan's patents so they can sell lower-priced copies. In

early September, Allergan sold its Restasis patents to an Indian tribe in a legal maneuver designed to avoid challenges filed at the U.S. Patent and Trademark Office.

In August 2016, Shire began selling its own brand-name drug, called Xiidra. Shire thought it had a competitive advantage because Xiidra was approved for all dry-eye patients, while Restasis was greenlighted for only a subset, according to the lawsuit.

Xiidra has captured about 23% of total dry-eye prescriptions since entering the market, but the bulk of its market share is in commercially insured patients. About three-fifths of dry-eye patients are covered by a commercial health plan, while the rest are insured by Medicare.

BUSINESS WATCH

GAWKER.COM

Blog Website Is Being Shopped

Gawker.com is being shopped more than a year after losing a legal fight brought by retired professional wrestler Hulk Hogan that forced the site into bankruptcy. A new owner would be able to remove old articles from the website, giving individuals an opening to have unwanted articles about themselves or others taken down.

The potential sale creates a situation where financial considerations and the specter of new litigation over old Gawker articles could determine whether the archive of one of the most prominent blogs of the past decade will be preserved or altered. The website ceased publishing new articles last summer.

"The 'Gawker' brand is known for being a pioneer of internet journalism and playing a major role in influencing news organizations across the world to push the boundaries of traditional media," according to a flier sent Friday to prospective buyers, prepared by Dacarba LLC, the firm



BUDHAKA WEERASINGHE/BLOOMBERG NEWS

Nissan vehicles in an inspection area in plant in Japan, where issues over final quality checks have prompted an apology from the CEO.

overseeing the sale process.

Univision Communications Inc. last year bought Gawker's sister sites, among them Jezebel and Gizmodo, out of bankruptcy for \$135 million. It passed, however, on Gawker. U.S. Bankruptcy Judge Stuart Bernstein has said advisers couldn't sell Gawker at the time "because it was toxic."

—Jonathan Randles

BACARDI

Succession Plan Accelerates

Bacardi Ltd. named Chief Executive Michael Dolan's successor six months earlier than previously announced.

Mahesh Madhavan, a 20-year employee who has held multiple

leadership positions, has been named CEO, effective immediately, the company said Monday.

The Bermuda-based maker of Bacardi rum said in March that Mr. Dolan would serve as CEO until April and serve on the board until he retires after the company's annual meeting in 2019. Bacardi didn't disclose a reason for pushing up plans.

Mr. Dolan has served as CEO since 2014.

Mr. Madhavan announced two appointments Monday. John Burke will serve as global chief marketing officer and president of Bacardi Global Brands, and Ignacio del Valle will serve as regional president of Latin America and the Caribbean.

—Cara Lombardo

NISSAN MOTOR Recall in Japan For 1.2 Million Cars

Nissan Motor Co. said it would recall 1.2 million cars in Japan, after regulators said the vehicles received improper quality checks at the factory.

Nissan Chief Executive Hiroto Saikawa said the recall could cost the company more than \$200 million.

Inspectors from Japan's Transport Ministry found that final quality checks on the assembly line weren't conducted by the right employees. The recall covers vehicles produced in all of Nissan's factories in Japan. Nissan cars sold in other countries aren't subject to recalls for this issue, the company said Monday.

Nissan believes that some of the final checks were performed by inspectors who might have been properly trained but hadn't been registered with the ministry, a violation of the country's rules. Mr. Saikawa apologized to customers and sought to reassure them that the vehicles are safe to drive.

—Sean McLain

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NEWS

则新传媒
Caijin

The New York Times

TECHNOLOGY

WSJ.com/Tech

Uber's Board Is Preparing For Battle

BY GREG BENINGER

Uber Technologies Inc.'s board is bracing for a contentious battle over voting control after two investors threatened legal action ahead of a planned vote Tuesday that could upend the board and diminish the power of some of the company's earliest shareholders.

On Monday, two investors sent a letter to several board members—co-founder and former CEO Travis Kalanick, co-founder and Chairman Garrett Camp, and early employee Ryan Graves—urging them to vote against a proposal that would strip certain investors of their so-called supervoting rights, which give them multiple votes per share. The proposal is intended to restrict Mr. Kalanick's grip on the company and create equal voting power among shareholders, among other changes.

"If you vote in favor of Tuesday's proposal, our clients have authorized us to pursue any and all legal recourse including but not limited to actions against you personally," the investors said in the letter, which was reviewed by The Wall Street Journal.

The letter was sent by celebrity attorney Mark Geragos on behalf of investors Shervin Pishevar and Steve Russell, early backers of the company and vocal critics of some of Uber's recent moves. The investors targeted those three

A planned Tuesday vote could diminish the power of some early shareholders.

board members because they all own a substantial amount of supervoting rights.

Messrs. Kalanick, Camp and Graves couldn't immediately be reached for comment.

Uber's board is planning a vote on a series of proposals Tuesday that include giving later-stage investors the ability to vote based on the size of their stake—known as one share, one vote—rather than the current system, which gives early investors an outsized voting power, according to people familiar with the matter.

The proposal also would enforce a two-thirds majority vote for any previous officer to return as CEO, viewed by some as a direct challenge to Mr. Kalanick, and give new CEO Dara Khosrowshahi more power to appoint directors in the future, these people said.

Meanwhile, Uber's manager for Northern Europe, Jo Bertram, said Monday she was quitting, after London's top transport regulator decided to strip the company of its license to operate there. She said she was leaving to pursue a new opportunity.

—Sam Schechner

contributed to this article.

Artificial Discourse

Research illustrates the outsized effect of bots on political tweets during the 2016 race.

A sampling of **20.8M tweets** with election-related hashtags were gathered.*

These tweets were generated by **2,782,418 users**.

20.8M Tweets

About 12.6M of these tweets...

...were generated by the top 50,000 users.

Of these users, 7,183 were determined to be **bots**.

60%

...were generated by the top 50,000 users.

Of these users, 7,183 were determined to be **bots**.

Bots

Humans

Unknown

Extrapolating for the entire sample

About 3.8 million tweets...

19%

...were generated by **400,000 bots**, about 15% of the Twitter population participating in the political discussion.

*Twitter Search API queries at regular intervals of 10 seconds, continuously and without interruptions in three periods between Sept. 16, 2016 and Oct. 21, 2016

Source: 'Social bots distort the 2016 U.S. Presidential election online discussion' by Alessandro Bessi and Emilio Ferrara, USC Information Sciences Institute

THE WALL STREET JOURNAL

Twitter Faces Scrutiny Over Bots

Focus grows on automated accounts that are used to mislead, manipulate

BY GEORGIA WELLS AND ROBERT MCMILLAN

The openness and anonymity of **Twitter** Inc. that rocked the short-messaging service to global fame are now landing it in trouble.

As Congress and others scrutinize Russia's alleged use of social media to influence the U.S. presidential election, one focal point is the prevalence on Twitter of bots, or automated accounts, that can be used to disseminate manipulative information.

Twitter doesn't require its users to provide identifying information, such as a name, mobile number or birthday, when setting up accounts. And Twitter makes it easy for third-party software to interact with its platform, enabling bots. Researchers say malicious actors exploit that anonymity to create legions of bots and flood the platform with an identical hashtag, or retweet of a post, which can artificially boost the popularity of a topic.

In presentations on Thursday to congressional investigators probing alleged Russian meddling in the U.S. election, Twitter said that bots distrib-

uted misleading content about how to vote and attempted to influence the lists of trending topics to make certain ideas appear more popular. Russia has denied meddling in the election.

Nearly all of the 201 accounts Twitter found that were linked to Russian actors recently identified by Facebook Inc. were bots, according to a person close to the matter. Facebook said the accounts ran ads on its platform meant to sow political and social division during the election.

But the problem of hidden influence on Twitter is much greater than what the company identified last week, academics say.

About 19% of the messages viewed by Twitter users during the last month of the presidential campaign were generated by bots, according to a research paper by Emilio Ferrara, an assistant research professor with the University of Southern California. There were 400,000 bots sending political messages during the 2016 presidential election, Mr. Ferrara added.

Twitter says that some bots can be a problem. Since June, Twitter has detected an average of 130,000 accounts a day attempting to manipulate trending topics, and the company says it has taken steps to prevent the impact by identifying and suspending them. Twitter estimates that spam

Facebook Calculates 10 Million Saw Russia-Backed Ads

Facebook Inc. on Monday

said it estimates 10 million people saw ads it has discovered on its platform paid for by Russian entities, but warned that it may not have uncovered all malicious activity that attempted to interfere in the American political process.

The revelation from Face-

book quantifies for the first

time the spread of the known

Russian activity since the social

network said last month it had

identified 470 "inauthentic"

Russian-backed accounts re-

sponsible for \$100,000 in ad-

vertising spending. Facebook on

Monday presented congressio-

nal investigators with data on

3,000 ads bought by the Rus-

sian actors before and after

the U.S. presidential election.

About half the ads were

seen after the election, Face-

book said, and one quarter

were never shown to anyone.

Half the ads cost less than \$3.

"We hope that by cooperat-

ing with Congress, the special

counsel and our industry part-

ners, we will help keep bad ac-

tors off our platform," Face-

book said Monday.

"What should alarm the Ameri-

can people is the brazen expro-

itation and distortion of popu-

lar opinion by a hostile

foreign power, amounting to

really an attack on our democ-

racy, to disrupt our election by

surreptitiously targeting voters

in certain places with certain

backgrounds and views," Sen.

Richard Blumenthal (D, Conn.),

a member of the Senate Judi-

cary Committee, said Monday.

The accounts behind the

5,200 Russian-backed ads rep-

resented both ends of the po-

litical spectrum. Russia has de-

nied interfering in the election.

Also on Monday, Facebook

said it plans to add 1,000 new

workers to review ads, even

though it will count mostly on

users to flag questionable ads.

Facebook declined to say

how many ad reviewers it cur-

rently employs.

—Georgia Wells and Natalie Andrews

as high as 20%.

Researchers say Twitter

doesn't catch all perpetrators.

On Election Day, for example,

suspected Russian bots caused

the hashtag #HillaryDown to

trend, and a group of Twitter

bots posted the hashtag #WarAgainstDemocrats more than 1,700 times, says cybersecurity firm FireEye.

Twitter says researchers "systematically under-represent our enforcement actions" and don't take into account ways that Twitter limits "the visibility of low-quality content."

Mark Warner, a Virginia Democrat and the vice chairman of the Senate Intelligence Committee, criticized Twitter for only presenting a small set of accounts with Russian links and said Twitter hadn't done enough to examine the extent of Russian activity on its platform. Twitter said Russia and other former Soviet countries have been the source of automated and spam accounts for many years.

The abuse wrought on Twitter by malicious accounts is a problem that the company is only beginning to understand, according to sources familiar with the company.

"As long as there are people trying to manipulate Twitter, we will be working hard to stop them," Twitter said in a statement on Thursday.

In many ways Twitter has built the perfect tool for the kind of "influence operations," allegedly directed at U.S. voters during the 2016 election, said Thomas Rid, professor of strategic studies at Johns Hopkins University.

miliar with the matter.

The relationship grew after Apple moved into selling smartphones. Apple's immense demand for parts—it sells more than 200 million iPhones a year—limits the field of possible suppliers. Samsung is one of a handful of semiconductor makers that can make a small chip crammed with extra memory capacity.

And it is the only significant manufacturer of the organic light-emitting diode, or OLED, displays Apple has adopted to create the iPhone X screen.

The relationship took an acrimonious turn in 2011, when Apple sued Samsung over alleged patent infringement, accusing the Galaxy S of ripping off the iPhone's design. Samsung countersued Apple with its own patent-infringement allegations. Steve Jobs called it a "thermonuclear" legal war.

Six years on, the U.S. lawsuit is unresolved.

APPLE

Continued from page B1

"These are two of the largest companies on the planet deeply tied at the hip and directly competitive," said David Yoffie, a professor at Harvard Business School, who has studied Apple and serves on Intel Corp.'s board. "That makes this stand out compared with almost any relationship you can think of."

An analysis conducted by Counterpoint Technology Market Research for The Wall Street Journal finds Samsung is likely to earn roughly \$4 billion more in revenue from iPhone X parts than from compo-

nents made for the Galaxy S8 in the 20 months after the new iPhones go on sale Nov. 3.

The majority of sales for a new smartphone occur in the first 20 months after its debut. Apple and Samsung are expected to be the world's two most-profitable companies in

2017, excluding Chinese banks, according to S&P Global Market Intelligence. And they will depend on each other to get there. Apple needs Samsung's parts to make the iPhones that accounted for two-thirds of the Cupertino, Calif., company's \$215.64 billion in reve-

nue in fiscal 2016.

Samsung needs Apple's or-

ders to fuel a component busi-

ness that delivered about 35%

of the South Korean firm's to-

tal revenue of about \$195 bil-

lion last year and more than

half of its \$25.6 annual operat-

ing profit. Samsung and Apple

declined to comment.

Their close association started more than a decade ago. Lee Jae-yong—the grandson of Samsung's founder—personally negotiated with Apple founder Steve Jobs to provide flash memory for iPods, according to people fa-

milial with the matter.

The relationship grew after Apple moved into selling smartphones. Apple's im-

ense demand for parts—it sells more than 200 million

iPhones a year—limits the field of possible suppliers.

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rimonious turn in 2011, when Apple sued Samsung over al-

leged patent infringement, ac

MUTUAL FUNDS

Explanatory Notes

Data provided by LIPPER

Top 250 mutual funds listed 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. i-Footnotes e and s apply. k-Recalculated by Lipper, using updated data. p-Distribution costs apply. l2b-1 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. z-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.

Monday, October 2, 2017

Fund	Net NAV	Chg %	YTD % Ret	Fund	Net NAV	Chg %	YTD % Ret	Fund	Net NAV	Chg %	YTD % Ret	Fund	Net NAV	Chg %	YTD % Ret	Fund	Net NAV	Chg %	YTD % Ret						
American Century Inv	42.53	-0.03	20.5	CA TF A p	7.44	-0.02	4.8	MFS Funds Class I	31.01	+0.16	6.7	MuHYAdml r	11.37	... 6.3	TgtRe2030	32.99	+0.06	13.0							
Ultra	73.57	+0.35	14.5	Fed TF A p	11.96	-0.03	8.0	Value	40.44	+0.25	12.9	N Horiz	54.64	+0.21	26.2	MulnAdml	14.19	... 4.3	TgtRe2035	20.24	+0.04	14.1			
American Funds Cl A	31.29	+0.13	24.1	IncomeA p	2.39	... 8.0	8.0	MFS Funds Instl	9.51	... 3.5	3.5	MuLTAdml	11.65	... 5.2	TgtRe2040	34.82	+0.09	15.3							
AmcAp A p	31.01	+0.11	15.6	RisDv A p	59.10	+0.12	13.2	IntEq	NA	... NA	OverS SF r	R2020	22.95	+0.04	12.4	MuLTDAdml	10.98	-0.01	TgtRe2045	21.82	+0.06	15.7			
AMutIA p	40.82	+0.18	12.4	Income C t	2.42	... 7.9	7.9	FrankTemp/Franklin C	GldDiscA	32.76	+0.13	8.9	R2025	17.67	+0.04	14.0	PrmcpAdml r	131.88	+0.43	21.2	TgtRetInc	13.47	+0.01	6.4	
BalA p	27.05	+0.08	10.7	IntEq	12.30	+0.03	4.6	GldDiscB	33.43	+0.13	9.1	R2030	25.99	+0.07	15.4	REITAdml r	11.75	-0.21	3.3	TotBdXlnx	10.89	... 1.2			
BondA p	12.97	... 3.3	8.0	Growth A p	27.00	+0.06	14.6	EqtIncr	33.60	+0.19	10.5	R2040	27.24	+0.09	17.4	SmCapAdml	68.33	+0.63	11.6	Welltn	42.20	+0.11	10.0		
CapIBA p	62.74	... 11.5	11.5	US TdgVal	25.25	+0.27	6.0	Mark	83.25	+0.40	14.9	Value	37.98	+0.23	12.9	STBndAdml	10.45	-0.01	1.4	Wndrsl	38.59	+0.21	10.9		
CapWGR A	51.20	-0.02	18.6	USLgVa	38.51	+0.22	11.3	Oakmark	NA	... NA	PRIMECAP Odyssey Fds	TRBdAdml	10.78	... 3.1	VANGUARD INDEX FDS	500	... 0.90	14.6							
EupacA p	55.47	+0.01	25.5	ContraK	12.46	+0.27	24.2	Old Westbury Fds	34.97	+0.33	22.1	TotBdAdml r	21.77	... 1.2		ExtndlstPl	202.39	+1.88	13.8						
FdmvA p	61.95	+0.14	15.9	Cpncr	10.26	+0.02	9.9	Oppenheimer Y	NA	... NA	Prudential CI Z & I	TotBdAdml r	NA	... NA	SrvAdml	55.45	+0.56	8.0							
Gwtha p	49.68	+0.08	18.2	Dodge & Cox	11.67	+0.02	9.1	IntGrowth	42.47	+0.02	22.5	Principa Investors	NA	... NA		TotBdAdml r	NA	... NA							
H TrA p	10.48	... 6.3	6.3	DivIntl	40.67	-0.01	22.1	Parnassus Fds	39.46	+0.15	14.6	Prudential CI Z & I	NA	... NA		TotBdAdml r	NA	... NA							
ICAA p	40.54	+0.15	13.2	BlackRock Funds Inst	10.90	... 3.7	7.8	TIAA/CREF Funds	39.66	+0.09	7.1	Prudential CI Z & I	NA	... NA		TotBdAdml r	NA	... NA							
IncA p	23.29	+0.08	9.8	BlackRock Funds Inst	36.55	+0.44	8.8	PIMCO Fds Instl	64.66	+0.09	7.1	VANGUARD INSTL FDS	33.68	+0.10	9.8										
IN PerA p	43.64	+0.10	23.5	BalBdInst	11.25	... 4.1	8.0	John Hancock Class 1	75.67	+0.67	28.4	VANGUARD INSTL FDS	Ballnst	... 13.9											
IN EcoA p	45.81	+0.03	27.4	BalBdInst	20.24	... 10.9	8.0	John Hancock Class 1	175.61	+0.67	28.5	VANGUARD INSTL FDS	Welltn	... 21.1											
IN WrlrdA p	64.76	+0.11	25.9	BalBdInst	7.85	... 7.2	8.0	John Hancock Instl	17.90	+0.03	11.8	VANGUARD INSTL FDS	DevMktlnx	... 21.0											
IN SmpCpA p	55.78	+0.18	21.3	BalBdInst	13.82	+0.01	3.9	John Hancock Instl	11.30	-0.01	3.8	VANGUARD INSTL FDS	Extdnlst	... 20.7											
IN FPA Funds	55.47	+0.01	25.5	BalBdInst	46.69	+0.03	22.5	John Hancock Instl	12.00	+0.01	3.8	VANGUARD INSTL FDS	Extndlst	... 20.1											
IN Bridge Builder Trust	55.47	+0.01	25.5	BalBdInst	20.11	-0.01	10.6	JP Morgan R Class	52.12	+0.26	12.7	VANGUARD INSTL FDS	Extndlst	... 20.0											
IN CorpAdv A p	55.47	+0.01	25.5	BalBdInst	38.51	+0.22	11.3	JP Morgan R Class	23.79	+0.17	10.8	VANGUARD INSTL FDS	Extndlst	... 20.0											
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IN CorpAdv F p	55.47	+0.01	25.5	BalBdInst	20.11	-0.01	10.6	JP Morgan R Class	34.75	+0.17	7.8	VANGUARD INSTL FDS	Extndlst	... 20.0											
IN CorpAdv G p	55.47	+0.01	25.5	BalBdInst	20.11	-0.01	10.6	JP Morgan R Class	34.75	+0.17	7.8	VANGUARD INSTL FDS	Extndlst	... 20.0											
IN CorpAdv H p	55.47	+0.01	25.5	BalBdInst	20.11	-0.01	10.6	JP Morgan R Class	34.75	+0.17	7.8	VANGUARD INSTL FDS	Extndlst	... 20.0											
IN CorpAdv I p	55.47	+0.01	25.5	BalBdInst	20.11	-0.01	10.6	JP Morgan R Class	34.75	+0.17	7.8	VANGUARD INSTL FDS	Extndlst	... 20.0											
IN CorpAdv J p	55.47	+0.01	25.5	BalBdInst	20.11	-0.01	10.6	JP Morgan R Class	34.75	+0.17	7.8	VANGUARD INSTL FDS	Extndlst	... 20.0											
IN CorpAdv K p	55.47	+0.01	25.5	BalBdInst	20.11	-0.01	10.6	JP Morgan R Class	34.75	+0.17	7.8	VANGUARD INSTL FDS	Extndlst	... 20.0											
IN CorpAdv L p	55.47	+0.01	25.5	BalBdInst	20.11	-0.01	10.6	JP Morgan R Class	34.75	+0.17	7.8	VANGUARD INSTL FDS	Extndlst	... 20.0											
IN CorpAdv M p	55.47	+0.01	25.5	BalBdInst	20.11	-0.01	10.6	JP Morgan R Class	34.75	+0.17															

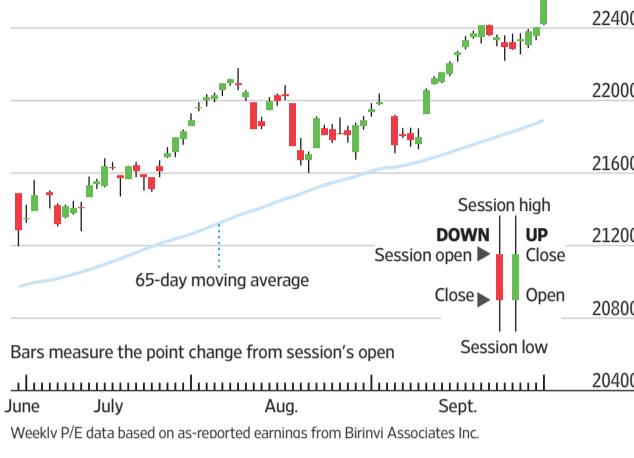
MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

22557.60 ▲152.51, or 0.68%
High, low, open and close for each trading day of the past three months.

Current divisor 0.14523396877348



Bars measure the point change from session's open
Last P/E ratio 20.66 20.24
P/E estimate * 18.89 17.66
Dividend yield 2.27 2.57
All-time high 22557.60, 10/02/17

Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

S&P 500 Index

2529.12 ▲9.76, or 0.39%
High, low, open and close for each trading day of the past three months.



Last P/E ratio 24.22 24.45
P/E estimate * 19.19 18.52
Dividend yield 1.98 2.13
All-time high: 2529.12, 10/02/17

Nasdaq Composite Index

6516.72 ▲20.76, or 0.32%
High, low, open and close for each trading day of the past three months.



Last P/E ratio 25.69 24.32
P/E estimate * 21.32 20.18
Dividend yield 1.10 1.20
All-time high: 6516.72, 10/02/17

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										
Industrial Average	22559.38	22416.00	22557.60	152.51	▲0.68	22557.60	17888.28	23.6	14.1	10.3
Transportation Avg	9930.74	9842.02	9907.83	-6.52	-0.07	9914.35	7967.02	22.3	9.6	6.1
Utility Average	728.42	722.70	725.47	1.87	▲0.26	754.80	625.44	10.0	10.0	9.5
Total Stock Market	26275.63	26159.40	26274.91	126.37	▲0.48	26274.91	21514.15	17.3	12.9	9.2
Barron's 400	684.29	678.27	684.25	5.98	▲0.88	684.25	521.59	24.4	13.7	10.3

Nasdaq Stock Market

Nasdaq Composite	6527.22	6484.14	6516.72	20.76	▲0.32
Nasdaq 100	6005.20	5955.83	5981.92	2.62	▲0.04

Standard & Poor's

500 Index	2529.23	2520.40	2529.12	9.76	▲0.39
MidCap 400	1811.04	1795.73	1811.01	15.07	▲0.84
SmallCap 600	916.99	903.63	916.99	13.01	▲1.44

Other Indexes

Russell 2000	1509.48	1491.05	1509.47	18.61	▲1.25
NYSE Composite	12265.39	12200.13	12264.66	55.50	▲0.45
Value Line	543.54	539.05	543.54	4.23	▲0.78
NYSE Arca Biotech	4282.71	4214.43	4282.21	78.89	▲1.88
NYSE Arca Pharma	550.94	545.81	550.87	5.97	▲1.10
KBW Bank	99.82	98.85	99.81	0.55	▲0.55
PHLX® Gold/Silver	85.41	84.08	85.03	0.37	▲0.44
PHLX® Oil Service	140.63	138.85	140.33	-1.84	-1.29
PHLX® Semiconductor	1184.07	1170.74	1178.75	7.02	▲0.60
CBOE Volatility	10.04	9.37	9.45	-0.06	-0.63

\$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
Altaba	AABA	16,704.4	66.68	0.17	0.26	66.68	66.42	
Energy Transfer Partners	ETP	15,628.0	18.48	0.14	0.76	18.50	18.34	
SPDR S&P 500	SPY	12,953.5	252.31	-0.01	-0.004	252.44	251.29	
Energy Transfer Equity	ETE	11,500.2	17.20	...		17.20	17.07	
Aegon ADR	AEG	10,650.0	5.71	-0.05	-0.87	5.71	5.70	
Enterprise Pdts Partners	EPD	7,573.7	26.08	...		26.11	26.05	
MPLX	MPLX	5,866.1	34.02	-1.43	-4.03	35.45	34.02	
Van Eck Vectors Gold Miner	GDX	5,559.8	23.05	...		23.06	22.99	

Percentage gainers...

Endocyte	ECYT	2,331.8	4.35	0.72	19.83	4.59	3.65
Dentsply Sirona	XRAY	36.5	59.81	3.48	6.18	59.81	56.33
NantHealth	NH	6.0	4.96	0.25	5.31	4.98	4.71
AcelRx Pharmaceuticals	ACRX	31.4	5.75	0.25	4.55	5.75	5.50
DHX Media Var Voting	DHXM	13.6	4.65	0.19	4.29	4.65	4.50

...And losers

Tile Shop Holdings	TTS	54.0	10.15	-3.05	-23.11	13.20	9.80
Cloud Peak Energy	CLD	9.6	3.32	-0.49	-12.86	3.81	3.32
Potash Corp	POT	216.1	17.50	-1.67	-8.		

BANKING & FINANCE



U.S. property and casualty insurers and global reinsurers entered the hurricane season with a record \$1.3 trillion in claims-paying capacity.

Tab Adds Up for Insurers

Spate of natural disasters is likely to result in large-scale losses for companies

By NICOLE FRIEDMAN
AND LESLIE SCISM

One of the most expensive years for natural disasters on record is expected to cause widespread losses for insurance firms in quarterly earnings and shrink their capital cushions.

The confluence of three major Atlantic hurricanes—Harvey, Irma and Maria—and two Mexican earthquakes in recent weeks could cost the global insurance industry more than \$100 billion, according to estimates by catastrophe modeling firms. Of that natural-disaster damage bill, a large amount is expected to be borne by reinsurance companies, which provide insurance to insurers.

But in the long term, the string of natural disasters could help insurers on one front if the damage costs run that high. After years of falling prices, executives say reinsurers and commercial insurers could charge customers more the next time their property policies come up for renewal.

"You can't suffer over \$100 billion of loss and not have an effect" on pricing, said Jean-Paul Conoscente, chief executive of reinsurer Scor U.S.

Corp., a division of **Scor SE**, at an industry conference on Thursday. The reinsurance industry collects roughly \$150 billion in premiums a year, he said, and faces the prospect of losing that full amount.

The extent of damage is still unclear, especially in Puerto Rico, which was devastated by Hurricane Maria last month. Two of the island's largest insurers, **Universal Group Inc.** and **Mapfre SA**, said they are helping employees obtain such things as batteries, generators

come after damage from hailstorms and tornadoes in the first half of the year.

U.S. property and casualty insurers and global reinsurers entered the 2017 hurricane season with a record \$1.3 trillion in claims-paying capacity.

Reinsurance firms have lowered property-catastrophe prices by about 50% in the past five years, according to **Morgan Stanley**. Pension funds and others have entered the industry, increasing the supply of available capital. At the same time, the lack of major natural disasters in the U.S. reduced property-insurance payouts.

Some Wall Street analysts have said that losses of \$100 billion or more would be needed to rid the industry of excess capital and stop reinsurance prices from falling further.

The global insurance and reinsurance industry's worst year ever was 2011, when companies paid out \$137 billion in inflation-adjusted dollars following a tsunami in Japan, earthquakes in New Zealand, floods in Thailand and tornadoes in the U.S., according to **Barclays PLC**.

Even if this year's insured damage isn't enough to break a record, 2017 will go in the history books, industry executives said. The clustering of the events within about a month means that insurance adjusters can't always get where they are needed quickly, exacerbating the damage.

\$100B

Estimated cost to global insurers of recent storms and earthquakes

and even food, while also handling incoming claims.

Millions of Puerto Ricans lack basic necessities, including electricity and cellphone connectivity, to file insurance claims.

Early estimates put Maria's insured losses within a wide range, between \$15 billion and \$85 billion. Harvey, which hit Texas in August, is expected to cost at least \$10 billion for private-sector insurers, and Irma's destruction in Florida and the Caribbean is estimated to cost at least \$32 billion.

The two Mexican earthquakes could cost more than \$1 billion each. These losses

age in some cases. And the extent of destruction in Puerto Rico surprised many insurers, executives said.

A significant insurance payout is expected to come from "alternative capital," or pension funds and other investors that have entered the reinsurance industry in recent years. This new capital represents about \$90 billion of the reinsurance industry's \$605 billion in capital, according to investment bank **Aon Securities**.

If those investors face a large loss, they might pull out of the market or demand higher returns on new transactions, pushing prices up, analysts say.

"A lot of alternative capital providers are going to take big losses," said Larry Greenberg, analyst at **Janney Montgomery Scott LLC**. "How much pain they feel...will become a really big driver in what ultimately happens in the reinsurance space and even the primary space."

Demand for reinsurance could also rise as insurers try to limit future losses.

"Everyone's going to take a look at, 'What if Irma was a [Category] 5 through Miami [instead of making landfall in western Florida]?' Would we have showed up the next day and turned the lights on?'" said Kathleen Reardon, chief executive of reinsurer Hamilton Re, at Thursday's industry event.

"Maybe it's a little scary, but everybody is thinking that."

Wells Fargo CEO's Testimony: Five Things to Know

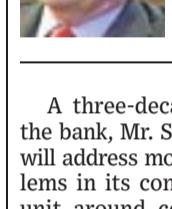
By EMILY GLAZER

Wells Fargo & Co. Chief Executive Timothy Sloan has a lot riding on Tuesday morning.

A couple of weeks shy of his first anniversary in the job, Mr. Sloan is set to testify for the first time as CEO in front of the Senate Banking Committee Tuesday at 10 a.m. ET.

The last time the bank's chief did that, he was grilled over the bank's sales-practices scandal and resigned less than a month later.

Mr. Sloan, who filled that void last October when former CEO John Stumpf left the bank, is expected to answer questions related to the scandal, especially updated information that the bank potentially opened 3.5 million customer accounts without the customers' knowledge, up from the initial estimate of up to 2.1 million accounts.



Timothy Sloan is expected to face difficult questions about Wells Fargo's sales practices.

A three-decade veteran of the bank, Mr. Sloan also likely will address more recent problems in its consumer-lending unit around certain auto-insurance charges and mortgage products.

In recent weeks, the San Francisco lender has already released details about those issues, so the focus probably will be more on how Mr. Sloan reacts to the difficult questions expected from the likes of Sen. Elizabeth Warren (D, Mass.).

Wells Fargo spokeswoman Jennifer Dunn said the bank welcomes the opportunity to update the committee on steps it has taken to fix problems. But it won't be easy, as Wells Fargo has yet to shake free from the sales issues or more recent problems.

Here are five key things to keep in mind before Mr. Sloan has his moment in the lights.

Sharing the stage
Mr. Sloan is the only Wells Fargo banker slated to testify Tuesday, but he is sched-

uled to appear at the same time as another highly anticipated congressional hearing, that of former Equifax CEO Richard Smith in front of the House Energy and Commerce Committee.

Wells Fargo's prep

In April, Wells Fargo named longtime executive David Moskowitz as its new head of government relations and public policy. The Washington-based executive hired a new law firm—Sidley Austin LLP—to advise the bank on the congressional hearing. Mr. Moskowitz and other Wells Fargo executives have met with congressional members and staff, but not Ms. Warren, according to people familiar with the matter. She is expected to press Mr. Sloan on positions she has already publicized, including her call to replace more directors on Wells Fargo's board due to the sales-practices scandal.

Transparency matters

Executives said they expect Mr. Sloan will be questioned more on accountability and is preparing to be as transparent as possible about what the bank has done in relation to its sales practices scandal and other consumer-lending problems. "The day will be won or lost based on Tim's ability to articulate what we've done," one bank executive said.

Rallying the troops

One important constituency watching the hearing will be Wells Fargo's own employees. In late September, Mr. Sloan hosted an off-site for the bank's management committee, about top 100 executives, in Henderson, Nev. Mr. Sloan sought to get the top executives together in part to make sure they are aligned on overall strategy before the hearing, executives said.

Follow the money

Based on OpenSecrets.org, Wells Fargo spent just \$1.7 million on lobbying in 2017 so far. That is low compared with the \$4.71 million in 2016 and \$6.39 million in 2015. The bank spokeswoman, Ms. Dunn, said the figure reflects two reported quarters for 2017 and it is difficult to estimate what the bank's year-end total will be.

International Paper Shifts Pension Liability

BY CARA LOMBARDO
AND TATYANA SHUMSKY

International Paper Co. agreed to transfer \$1.3 billion in pension liabilities to a unit of **Prudential Financial** Inc. in a maneuver used by companies with pension plans to limit their exposure to volatility in markets and interest rates.

The Memphis, Tenn., paper company on Monday said it would buy a group annuity contract from Prudential Insurance, which will assume responsibility for pension benefits and annuity administration for about 45,000 former International Paper employees and beneficiaries.

The move will reduce International Paper's \$14 billion in U.S. qualified pension-plan liabilities by about 9%. The company expects the transaction to close this week.

"We think there are pieces of our pension plan that ultimately could be carved out and managed by others, reducing our risk, potentially where

it's opportunistic for these insurance companies," International Paper finance chief Glenn Landau said in a recent interview with CFO Journal.

"We have an underfunded pension as many companies at our age have," he said.

The swings in the value of International Paper's pension plan, and therefore the company's obligations to it, can have an effect on the balance sheet and even the company's credit rating, Mr. Landau explained.

Cash Prices | WSJ.com/commodities

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.

	Monday	Monday	Monday
Energy			
Propane,tet,Mont Belvieu-g	0.8805		
Butane,normal,Mont Belvieu-g	1.0223		
NaturalGas,HenryHub-i	2.810		
NaturalGas,TranscoZone3-i	2.730		
NaturalGas,TranscoZone6NY-i	1.870		
NaturalGas,PanhandleEast-i	2.410		
NaturalGas,Opal-i	2.440		
NaturalGas,MarcellusNEPA-i	0.560		
NaturalGas,HaynesvilleNLA-i	2.650		
Coal,C.aplc,12500Btu1.2SO2-r,w	56.250		
Coal,PwdRvrBsn,8800Btu0.8502-r,w	11.550		
Foreign			
Alamos Gold	AGI	0.3	0.01
Banco Sant Brasil ADR	BSBR	0.4223	Nov02/Oct11
Diana Ship 8.875 Pfd B	DSXpB	9.1	55.469
Metals			
Gold,per troy oz	1278.32		
Engelhard industrial	1374.19		
Engelhard fabricated	1273.70		
Handy & Harman fabricated	1413.80		
LBMA Gold Price AM	*1286.95		
LBMA Gold Price PM	*1283.10		
Krugerrand,wholesale-e	1324.23		
Maple Leaf-e	1336.97		
American Eagle-e	1336.97		
Mexican peso-e	1543.22		
Austria crown-e	1251.09		
Austria phil-e	1336.97		
Silver, troy oz			
Engelhard industrial	16.6700		
Engelhard fabricated	20.0040		
Handy & Harman base	16.6550		
Handy & Harman fabricated	20.8190		
LBMA spot price	£12.4600		
Fibers and Textiles			
Burlap,10-oz,40-inch NY vd-n,w	0.6150		
Cotton,1/16 std lw-mdMphs-u	0.6757		
Cotlook A' Index-t	*79.05		
Hides,ny native steers piece fob-u	n.a.		
Wool,64s,staple,Terr del-u,w	n.a.		
Grains and Feeds			
Bran,top-quality Mnpls-u	4.70		
Bran,wheat middlings,KC-u	71		
Corn,No.2 yellow,Cent IL-bp,u	3.1700		
Corn gluten feed,Midwest-u,w	81.5		
Corn gluten meal,Midwest-u,w	474.5		
Cottonseed meal,u,w	225		
Hominy feed,Cent IL-u,w	88		
Meat-bonemeal,50% pro Mnpls-u	280		
Oats,No.2,milling,Mnpls-u	2.9700		
Rice, 5% Broken White,Thailand-l,w	380.00		
Rice, Long Grain Milled,No.2 AR-u,w	24.00		
Sorghum,(Milo) No.2 Gulf-u	7.7500		
Soybean Meal,Cent IL,rail,ton48%-u	314.60		
Fats and Oils			
Corn oil,crude wet/dry mill-u,w	35.5400		
Grease,choice white,Chicago-h	0.3000		
Lard,Chicago-u	n.a.		
Soybean oil,crude,Cent IL-u	0.3115		
Tallow,bleach,Chicago-h	0.3100		
Tallow,edible,Chicago-u	n.a.		

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=livreverindex.com; M=midday; N=nominal; n.a.=not quoted or not available; R=SNL Energy; S=The Steel Index; T=Cotlook Limited; U=USDA; W=weekly; Z=not quoted.

*Data as of 9/29

Source: WSJ Market Data Group

Bonds | WSJ.com/bonds

More Bonds coverage on B6, B7

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
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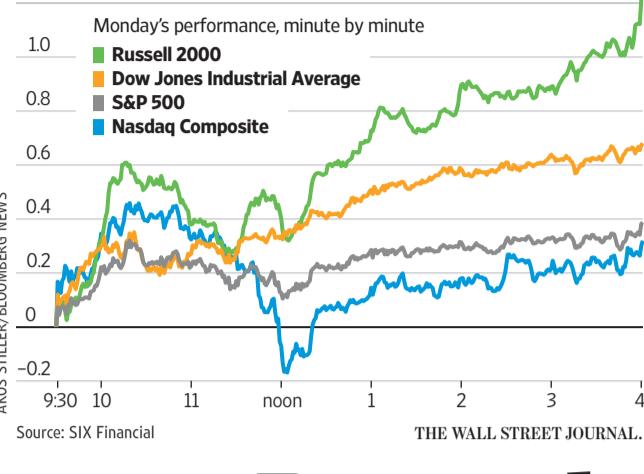
MARKETS



A recent stream of economic data has portrayed a durable and expanding U.S. economy. A General Electric power plant in Hungary.

Quartet of Highs

Four major U.S. stock indexes closed at records on the same day for the first time since July.



THE WALL STREET JOURNAL.

Stocks Start Quarter by Setting Records

Manufacturers gain as September activity reached 13-year high; financials also climb

By MICHAEL WURSTHORN
AND RIVA GOLD

U.S. stocks clinched records Monday, as fresh economic data bolstered investors' beliefs in a resilient economy.

The Dow Jones Industrial Average, S&P 500, Nasdaq Composite and Russell 2000 index of small-capitalization stocks all closed at highs. The last time they accomplished that feat was July 19.

The Dow industrials rose 152.51 points, or 0.7%, to 22557.60, while the S&P 500 added 9.76 points, or 0.4%, to

2529.12. The Nasdaq Composite gained 20.76 points, or 0.3%, to 6516.72, and the Russell 2000 rose 18.61 points, or 1.2%, to 1509.47.

Small stocks in particular have been surging lately. The Russell 2000 outperformed the S&P 500 by 4.16 percentage points in September—its largest monthly beat since November of last year—in part reflecting investors' belief that Republicans' tax overhaul would disproportionately benefit smaller, more domestically focused companies.

On Monday, shares of manufacturers and financial firms helped lead indexes higher.

Analysts and money managers partly attributed the fourth quarter's healthy start to data showing that manufacturing activity in the U.S. reached a 13-year high last month. The Institute for Supply Management's reading on

Monday exceeded economists' expectations and suggests the factory sector was enduring the impact of recent major storms.

"We fully expected there to be a little bit of divot here, a slowdown in terms of [hurricanes] Harvey, Irma and now Maria," said Diane Jaffee, a senior portfolio manager of the TCW Relative Value Large Cap fund. "The September ISM manufacturing report surprised me."

A recent stream of economic data has portrayed a durable and expanding U.S. economy, helping investors brush off a range of geopolitical risks this year. The S&P rose 4% last quarter—its eighth consecutive quarter of gains. Stocks have more room to advance, analysts say, with an unusually high number of S&P 500 companies issuing positive revenue guidance for

the third quarter, according to FactSet.

Shares of 3M rose \$2.86, or 1.4%, to \$212.76, making it one of the biggest contributors to the Dow industrials' gain. General Electric added 39 cents, or 1.6%, to 24.57, while Stanley Black & Decker gained 3.56, or 2.4%, to 154.53.

Shares of financial firms advanced, with Goldman Sachs Group adding 3.46, or 1.5%, to 240.65. The Wall Street Journal reported the bank is weighing a new trading operation dedicated to bitcoin and other digital currencies. Citigroup rose 1.06, or 1.5%, to 73.80.

Health-care stocks moved higher, gaining 1% in the S&P 500. Regeneron Pharmaceutical added 15.12, or 3.4%, to 462.24, and Gilead Sciences rose 2.50, or 3.1%, to 83.52.

Still, some investors remained wary of the market's

continuing grind higher. Trading activity has been lighter than usual over the past month, and with little risk currently priced into the market, things could snowball quickly if anything goes wrong, some money managers said.

"We're hitting these records on light volume. That means a couple of bad news items or some bad earnings could cause a selloff," said Larry Peruzzi, managing director of international equity trading at Mischler Financial.

Shares of hospitality and entertainment companies fell after a shooting on the Las Vegas Strip. Shares of MGM Resorts International declined 1.82, or 5.6%, to 30.77. MGM operates the Mandalay Bay Hotel and Casino, where police said the gunman was located, and the company said its resorts in the vicinity were on lockdown.

Escalating tensions in Cata-

lonia dented the euro and Spanish assets after voters overwhelmingly backed independence in a referendum Sunday that was boycotted by opponents and marred by violence as Madrid sent in thousands of extra security forces.

The Stoxx Europe 600 rose 0.5% amid support from a weakening euro and British pound—despite a 1.2% drop in Spain's IBEX 35 index. The euro fell 0.7% to \$1.1734.

Asia-Pacific stocks were mostly higher Monday, benefiting from gains in the dollar. The WSJ Dollar Index, which tracks the greenback against a basket of 16 currencies, climbed 0.4%.

Early Tuesday, Australia's S&P/ASX 200 was down 0.4%, Japan's Nikkei Stock Average was up 0.4% and Hong Kong's Hang Seng Index was up 0.9%. Markets in China and South Korea will be shut all week.

Crude Oil Declines as Rally Runs Into a Wall

By NEANDA SALVATERRA
AND ALISON SIDER

Oil prices pulled back, weighed down by a strong dollar and data pointing to rising global production.

Prices have been on the rise but gave up recent gains Monday as the rally ran out of steam.

U.S. crude for November delivery dropped \$1.09, or 2.1%, to \$50.58 a barrel on the New York Mercantile Exchange, its lowest settlement since Sept. 21. Brent oil for December delivery fell 67 cents, or 1.2%, to \$56.12 a barrel on ICE Futures Europe.

"There were definitely naysayers on the rally. Clearly, you can point to some things" said Michael Hiley, a trader at LPS Futures, noting rising production figures. "People are responding to breaks out of a narrow range, piling on."

A recent Reuters poll showed output among the Organization of the Petroleum Exporting Countries rose by 50,000 barrels a day in September as the group's overall compliance with its supply-cut deal fell to 86%.

"It would definitely suggest there's slippage in the agreement as far as adherence is concerned," said Donald Morton, senior vice president at Herbert J. Sims & Co., who oversees an energy trading desk. Mr. Morton said the OPEC figures came as techni-



A pump jack in California. Drillers put more rigs to work last week for the first time in over a month.

cal factors were already suggesting the market could be prone to a downward slide.

Several countries such as Saudi Arabia and Angola bore the brunt of the cuts, while other countries such as United Arab Emirates, Ecuador and Iraq complied with only 30% of their output targets, say analysts.

"Weak production discipline within OPEC and the cut exemptions for Libya and Nigeria should mean in our view that closely observed OECD stocks will not fall quite as

quickly as expected," said Commerzbank AG analysts in a recent report.

A resurgent dollar also took a toll. The Wall Street Journal Dollar Index, which tracks the dollar against a basket of other currencies, rose 0.4% on Monday. As oil is priced in dollars, it becomes more expensive for holders of other currencies as the greenback strengthens.

It is not surprising to see some investors taking the chips off the table especially given the stronger dollar and

possible higher U.S. oil production going forward and definitely OPEC's production increases as well," said Eugen Weinberg, head of commodities research at Commerzbank.

Oil had gained recently based on newfound optimism about OPEC's effort to rebalance the market and eliminate about 2% of global supply with the help of external producers such as Russia.

But the December contract for Brent is now trading about \$3 below the two-year high it achieved last Monday when it

hit its highest settlement since July 2015 and closed at \$59.02 a barrel.

Some analysts don't foresee that recent political tensions and possible supply disruptions brought about by the independence vote in the Kurdish region of Iraq will be enough to offset the new stream of oil coming online.

And U.S. output is still on the rise.

"At this point in time it would be rather odd to talk about disappointing shale production," said analysts for JBC Energy in a recent note. "We are looking at implied annual production increases of somewhere between [600,000 and 900,000 barrels a day] if the recent pace is sustained."

Crude's recent rising fortunes were driven by speculation, as the number of bets that U.S. oil would climb increased by 52,000 contracts, or 25%, in the week ended Sept. 26, analysts said.

But oil prices might slip below the \$50 mark toward the end of the year as investors that were betting on prices rising change their minds.

"Oil prices are therefore currently vulnerable to further profit-taking and price corrections," said Commerzbank analysts.

Gasoline futures fell 3.57 cents, or 2.2%, to \$1.5553 a gallon. Diesel futures declined 4.35 cents, or 2.4%, to \$1.7665 a gallon.

Conflicting Winds Hit Treasuries

By DANIEL KRUGER

U.S. government bonds fell as investors weighed the impact of turmoil in Europe and a mass shooting in Las Vegas against strong economic data and prospects for a tax overhaul.

The yield on the 10-year Treasury note fluctuated throughout the day before rising to 2.337% from 2.328% Friday.

CREDIT MARKETS which rises as bond prices fall, has lost ground only twice in the last 16 trading days.

Yields rose after the Institute for Supply Management reported that manufacturing activity in the U.S. reached a 13-year high in September, as strong demand and order growth rode out a severe hurricane season.

Some investors also sold bonds on speculation that President Donald Trump may soon name a successor to Federal Reserve Chairwoman Janet Yellen, who could guide the Fed to remove stimulus and raise interest rates more quickly than called for under current plans.

Any new Fed leader considered by Mr. Trump "is probably going to be viewed as somewhat hawkish compared with Yellen," said Thomas di Galoma, head of Treasury trading at Seaport Global Holdings.

Yields had risen as high as 2.371% in overseas trading on momentum stemming from the Republican tax plan, which could stimulate growth and lead to bigger budget deficits, though some investors continue to harbor doubts about the likelihood of a tax overhaul passing.

Politics outside the U.S. spurred demand. Voters in the Spanish province of Catalonia voted by an overwhelming majority to secede in a referendum the central government had outlawed.

AUCTION RESULTS

Here are the results of Monday'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	\$121,493,296,800	\$108,934,596,400
Accepted bids	\$42,000,056,800	\$36,000,286,400
"noncomp	\$525,026,400	\$453,724,400
"foreign noncomp	\$0	\$400,000,000
Auction price (rate)	99.734583	99.398389
(L050%)	1.067%	1.214%
Coupon equivalent	1.067%	1.214%
Bids at clearing yield accepted	71,279,61C1	71,279,61C1
Cusip number	912796NY1	912796NY1

Both issues are dated Oct. 5, 2017. The 13-week bills mature on Jan. 4, 2018; the 26-week bills mature on April 5, 2018.

By AMRITH RAMKUMAR

Gold prices fell to a nearly two-month low Monday, weighed down by a stronger dollar.

Gold for December delivery edged down 0.7% to \$1,275.80 a troy ounce.

COMMODITIES on the Comex division of the

New York Mercantile Exchange—the most actively traded gold contract's lowest close since Aug. 8. Prices have fallen in four of the past five sessions and in three consecutive weeks since hitting their

highest level in more than a year, with concerns about interest-rate increases and a stronger dollar hurting the precious metal.

Investors have also largely shaken off recent geopolitical risks, weakening demand for gold and other haven assets that typically rise during times of political turbulence. Gold

prices fell Monday even after voters in Catalonia backed independence from Spain in a referendum that was boycotted by opponents and marred by violence, and after President Donald Trump rejected dialogue with North Korea.

Analysts have recently said that the conflict between the U.S. and North Korea would need to escalate with actions to induce fear among investors. Some said Secretary of State Rex Tillerson's recent statement that the U.S. is in direct contact with the North Korean government was a bearish sign for gold.

"The fact that we have some back channels established now is good for the world, it's not so good for the gold bulls," said Edward Meir, an analyst at INTL FCStone. "For now, the path of least resistance is lower" for gold prices, he said.

Investors will also be monitoring central-bank signals, as the Federal Reserve's reitera-

tion that its plans to raise interest rates one more time this year and three times in 2018 has recently pushed gold prices down. Gold struggles to compete with yield-bearing assets like Treasuries when interest rates rise.

The Fed's latest comments have supported the dollar, which has recovered since hitting multiyear lows last month. A stronger dollar makes gold more expensive for foreign buyers.

Monday's declines for gold



A stronger dollar makes gold more expensive for foreign buyers.

came after the latest Commodity Futures Trading Commission data Friday showed that net bets on higher prices fell for the second straight week.

Among base metals, copper for December delivery closed up less than 0.1% at \$2.9555 a pound. Prices were little changed even after data were released showing that a measure of manufacturing activity in China, the world's largest copper consumer, rose to a five-year high in September.

Some analysts attributed the muted market reaction to Chinese markets being closed for a public holiday this week.

Many investors are waiting to see whether Chinese metals demand remains strong through year-end, with a Communist Party leadership transition scheduled for later this month.

Copper prices fell 4.6% in September after hitting their highest level in nearly three years early in the month.

MARKETS

Euro Is Rattled as Political Risk Returns

Currency falls 0.7% against the dollar as vote in Spain dents investors' optimism

By CHERYL DULANEY

Renewed political tension in Europe is pressuring the euro, threatening to unwind some of the common currency's big gains this year while bolstering a nascent recovery of the U.S. dollar.

The euro fell 0.7% Monday to \$1.1734, starting October weaker after notching its third straight quarter of gains last week. The euro's weakness helped propel the WSJ Dollar Index, which measures the U.S. currency against 16 others, up 0.4% to its highest closing value since July 25.

The euro's latest dive came after the Catalan region of Spain appeared to overwhelmingly vote in favor of independence in a referendum over the weekend that the central government had declared illegal. Catalan leaders said Monday that any declaration of separation from Spain won't come for several days, putting pressure on Madrid to resolve the standoff that has put the country on the brink of a political and constitutional crisis.

"There is no doubt that the outcome of the events in Spain are contributing to an unwind in political optimism," said Alvaro Marino, a currency strategist at Credit Suisse.

The turmoil in Spain comes a week after the euro was rattled by German Chancellor Angela Merkel's conservative alliance losing ground in that country's election. Austria's legislative election in October and Italian elections expected to be held by May 2018 could also raise risks for the euro, analysts said.

The votes have brought political risk back to the forefront for European investors after months of relative calm

in the wake of May's French presidential election. Investors' concerns about the spread of nationalist sentiment in Europe eased after centrist candidate Emmanuel Macron defeated far-right candidate Marine Le Pen in that vote.

"Perceptions about the European political landscape—arguably too rosy since the French election—seem to be resetting lower," said Goldman Sachs analysts in a note to clients.

Goldman is forecasting the euro will fall another 2% by the end of the year, to \$1.15.

The euro has been the best-performing developed-market currency this year and remains up nearly 12% against the dollar despite its recent slide.

Mr. Marino sees further gains for the euro as growth in the region accelerates.

"Politically, there are some challenges, but we think the European momentum story remains more constructive than in the U.S.," said Mr. Marino. The European Central Bank in September boosted its growth forecasts for the eurozone, projecting 2.2% growth in gross domestic product this year, the strongest rate in a decade.

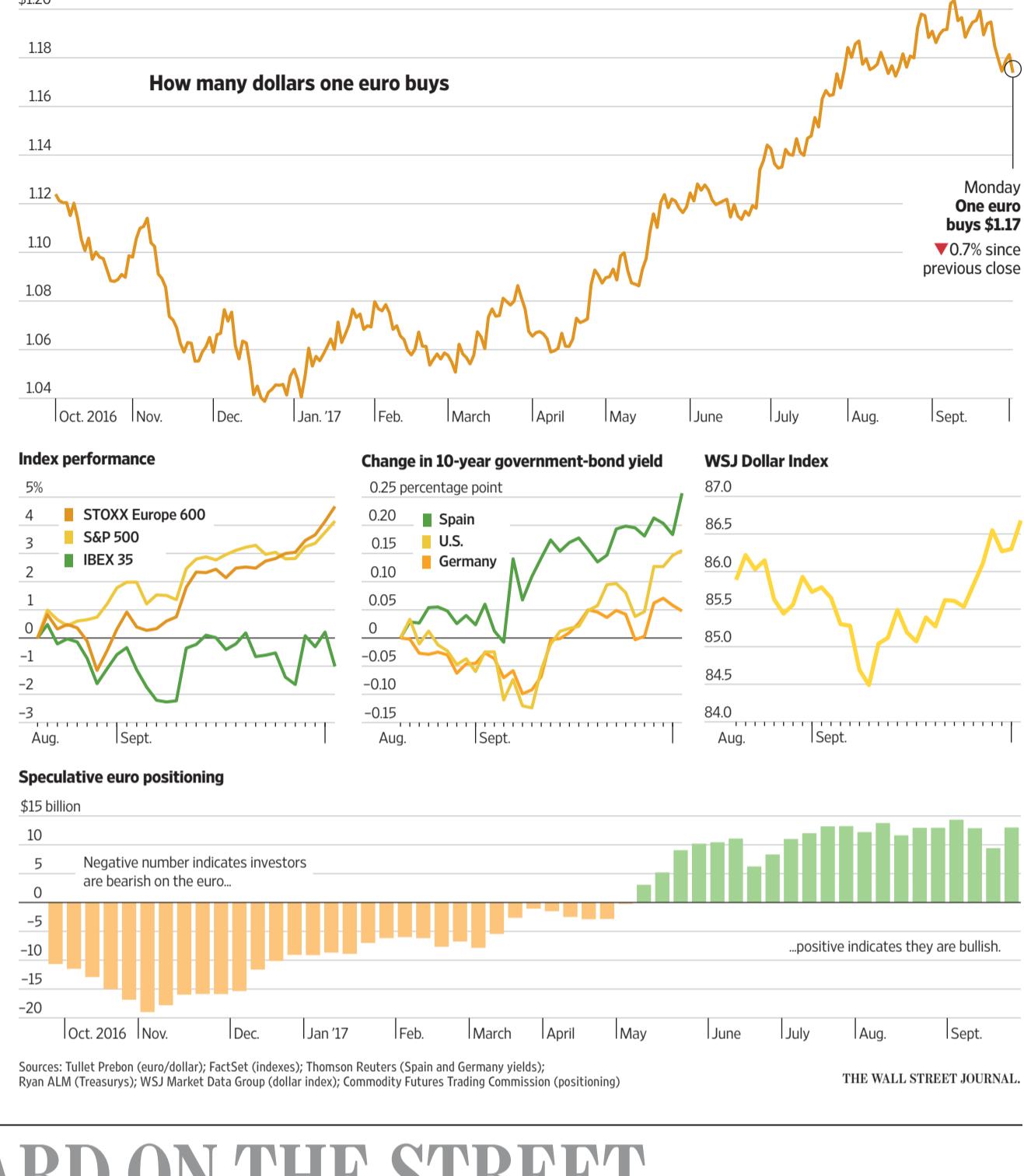
For now, the euro's weakness is helping to bolster the recovery in the U.S. dollar. The WSJ Dollar Index rebounded 0.7% in September, snapping a six-month losing streak that had been its longest in a decade. Weakness in the euro was responsible for roughly a third of the index's gain, according to WSJ Market Data Group.

The dollar also is getting a boost from a more optimistic outlook for U.S. interest-rate increases and prospects for fiscal stimulus from Washington.

Markets late Monday priced in a 73% chance that rates will rise again this year, up from 44% a month ago, according to CME Group data. Expectations that U.S. rates will rise help support the dollar by making U.S. assets more attractive to yield-seeking investors.

Shaken

European elections have jarred markets in recent sessions, driving down the euro and Spanish stocks while pushing bond yields and the dollar higher. At the same time, investors are still positioned for gains in the euro.



Sources: Tullet Prebon (euro/dollar); FactSet (indexes); Thomson Reuters (Spain and Germany yields); Ryan ALM (Treasuries); WSJ Market Data Group (dollar index); Commodity Futures Trading Commission (positioning)

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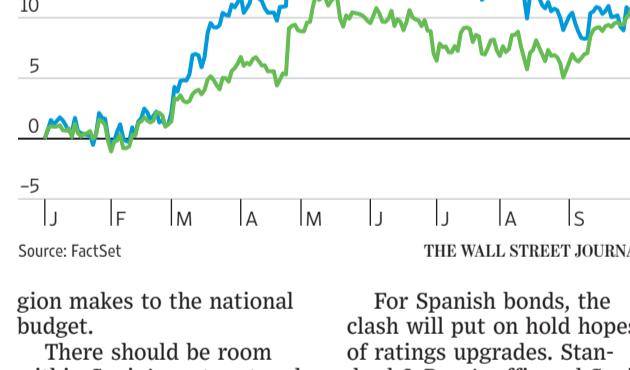
FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Catalonia: A Headache for Spain

Ceding the High Ground

Stock index performance



Source: FactSet

centage points, isn't anywhere near an alarming level.

Spanish stocks, one of Heard on the Street's summer stock picks, face headwinds. Catalonia accounts for close to one-fifth of Spain's gross domestic product and persistent trouble could dim one of Spain's attractions—growth running at 3% annualized.

The IBEX 35 index eked out a small gain in September, rising 0.8%, but underperformed the Euro Stoxx index, which rose 4.5%. Spanish stocks fell 1.2% Monday. If the situation were to calm down, which will take time, there is clearly room for Spain to catch up, benefiting from the recent softening in the euro.

The clashes in Catalonia don't mean investors should pull back from Europe as a whole. But the government in Madrid needs to find a way to open the road to a political solution. Without that, Spanish markets will be preoccupied with Catalonia.

—Richard Barley

OVERHEARD

Just sit back, relax and close your eyes—you'll hardly feel a thing.

Shareholders of dental products maker **Dentsply Sirona** have heard it before. The company's shares dropped 5.8% Monday.

Dentsply's chief executive officer, chief operating officer and executive chairman had all resigned, according to a company announcement. The surprise resignations came just several weeks after revealing the Securities and Exchange Commission was investigating Dentsply's accounting and disclosures, but the company said the departures "were not related to any issues or disagreements regarding the company's financial disclosures, accounting policies or practices."

That may be the case, but the company also didn't give an alternative reason for the C-suite exodus. Even if the accounting woes are minor, the actual reason could be more serious—sort of like going in for a filling and finding out you need a root canal.

Nordstrom's Woe Exposes A Bargain

Nordstrom started out the year by displeasing the self-proclaimed "king of debt," and also the most powerful man in the world, about how it had treated his daughter Ivanka.

Those who held on for just a few weeks through the end of February were well rewarded with a total gain of nearly 10%. The company's own difficulties with the debt market may provide a similar buying opportunity in its shares.

The upscale department-store chain saw its shares tumble by over 6% Monday following media reports the Nordstrom family's plan to take the company private with the assistance of private-equity firm **Leonard Green & Partners** is faltering. Lenders may be nervous about backing a retailer in the wake of the rapid demise of Toys "R" Us, which filed for bankruptcy protection.

But, even if a deal fails to materialize, Nordstrom looks like a gem in a mostly troubled industry. Unlike **Macy's**, **Dillard's**, **Kohl's** or **J.C. Penney**, analyst forecasts for earnings in the current fiscal year are basically unchanged from a year earlier.

Nordstrom looks like a relative bargain. It trades at a 15% discount on forward earnings and a 60% discount on a multiple of enterprise value to revenue compared with the average of TJX and Ross Stores.

Meanwhile, a successful buyout, even if the premium is more modest, would be a nice bonus with the stock trading just 8% above its level on June 7, right before deal talk turned serious.

Whatever happens, this sale probably won't last long.

—Spencer Jakab

China Throws Life Preserver to Its Sinking Private Sector

It isn't easy being an entrepreneur in China.

A high-level document published last week by China's cabinet emphasized that entrepreneurs are important contributors to growth, but also that they need to be more patriotic and approach their role with the mind-set of serving society. Little wonder private investment has been weak for years.

This weekend's move by China's central bank—offering banks that plow at least 1.5% of their total loans into small enterprises and agriculture a 0.5 percentage point cut to the amount of cash they have to hold in re-

the state under President Xi Jinping.

But it does show that policy makers are getting worried that squeezing the main source of jobs and income growth too hard just ahead of China's twice-a-decade leadership reshuffle in mid-October may not be politically expedient, particularly with July and August data showing clear signs of the economy slowing after a year of reviving higher.

Two of Beijing's recent campaigns are threatening to make matters even worse. Forced closures of factories this year in the name of curbing "overcapacity" have fallen disproportionately on

private firms in steel and aluminum. Plans to expand the campaign to other sectors mean the squeeze will intensify.

China's crackdown this spring on dodgy "wealth management products" peddled by banks has also probably had the perverse effect of raising borrowing costs for some cash-strapped private companies who have trouble accessing formal bank finance, unlike many well-connected state firms. As a result, reliance on even more expensive forms of lightly regulated nonbank finance—like trust loans and bankers' acceptances—have rebounded sharply in the first

half of 2017.

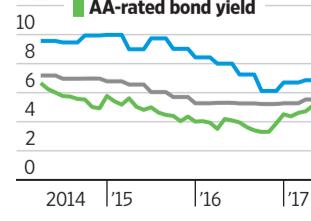
With growth downshifting again and private capital under assault on multiple fronts, China's central bank is right to extend a helping hand, and the amounts involved aren't insignificant: The cut should inject an extra 300 billion to 400 billion yuan (\$45 billion to \$60 billion) into the banking system in 2018, according to OCBC Bank.

But fiddling around the edges of the banking system is unlikely to goose private investment when the overall policy signal remains so clear: The East is still red, and the tint is deepening.

—Nathaniel Taplin

Back in Black

Chinese borrowing costs



Sources: CEIC; Wind Info; CNBenefit