THE WALL STREET JOURNAL.

DOW JONES | News Corp ****** MONDAY, OCTOBER 23, 2017 ~ VOL. CCLXX NO. 96 WSJ.com ★★★★ $4.00

Last week: **DJIA** 23328.63 ▲ 456.91 2.0% **NASDAQ** 6629.05 ▲ 0.4% **STOXX 600** 390.13 ▼ 0.3% **10-YR. TREASURY** ▼ 28/32, yield 2.381% **OIL** $51.47 ▲ $0.02 **EURO** $1.1783 **YEN** 113.52

What's News

Business & Finance

Fidelity is moving to address problems with workplace conduct following allegations of sexual harassment that led to the ouster of some high-profile employees. **A1**

◆ **Investors are** overcoming skepticism and buying into securities that rely on financial engineering. **A1**

◆ **The ECB is** expected to begin unwinding its monetary stimulus, a process that will drag central banks in its wake. **B1**

◆ **Tesla has** reached an agreement to set up its own manufacturing facility in Shanghai. **B1**

◆ **Potlatch is** nearing an all-stock deal to acquire Deltic Timber. Together, the two lumber manufacturers own nearly 2 million acres of timberland. **B1**

◆ **GM's announcements** about advances in driverless cars brought the company's share price to life, outpacing Ford and Fiat. **B4**

◆ **21st Century** Fox was aware that O'Reilly reached a settlement for sexual harassment when it renewed the star Fox News host's contract. **B4**

◆ **Two-thirds of** large global companies expect to automate some or most of their finance-department tasks over the next two to three years. **B5**

◆ **Trump's proposal** aimed at shoring up coal-fired and nuclear-power plants across the nation is generating opposition from energy and consumer interests. **B3**

World-Wide

◆ **Trump is** siding with GOP Senate incumbents in key re-election races, potentially putting him on a collision course with Bannon. **A1**

◆ **Japan's Abe** won a new mandate from voters in a national election, emboldening him to push for changes to the constitution. **A6**

◆ **Consumer groups** and state officials launched urgent outreach programs to sign people up for health coverage under ACA. **A4**

◆ **Trump is** optimistic Congress will pass a tax plan by year's end that cuts the corporate rate and provides relief for the middle class. **A4**

◆ **The Spanish** government prepared for a critical week in Catalonia's crisis after Rajoy sought to remove the region's secessionist leaders. **A7**

◆ **U.S.-backed** forces said they had captured Syria's largest oil field from Islamic State militants. **A9**

◆ **An agricultural tycoon** in the Czech Republic declared a triumph over the establishment after his party led in a legislative election. **A6**

◆ **After Kenya's** top court annulled an election that handed Kenyatta a second term, the president labeled the jurists crooks. **A8**

◆ **Tillerson pressed** Saudi Arabia to counter Iran's influence in Iraq by deepening ties with Baghdad. **A9**

◆ **Landlords in** Puerto Rico worry they could lose federal subsidies because of hurricane damage. **A3**

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THOMAS PETER/REUTERS

The 19th National Congress of the Chinese Communist Party is under way in Beijing, a gathering at which President Xi Jinping is expected to cement his authority. Above, on Sunday, Chinese paramilitary police officers walk in formation on Tiananmen Square.

China's Pursuit of Critic Roils U.S.

Case of Guo Wengui, pressured by Chinese officials, sparks frantic response; a JFK standoff

By Kate O'Keeffe, Aruna Viswanatha and Cezary Podkul

Guo Wengui, a wealthy Chinese businessman, sat in the sun room of his apartment on the 18th-floor of the Sherry-Netherland Hotel on New York's Fifth Avenue. With him were four officials from China's Ministry of State Security, whom Mr. Guo had agreed to meet.

For many months, Mr. Guo, from his self-imposed exile, had been using Twitter to make allegations of corruption against senior Chinese officials and tycoons. During the hourslong conversation, the officials urged him to quit his activism and return home, after which the government would release assets it had frozen and leave his relatives in peace.

Liu Yanping, the lead official, said he had come on behalf of Beijing "to find a solution," according to Mr. Guo and a partial audio recording Mr. Guo had made of the May encounter and posted online in September.

Mr. Liu's demeanor made clear this wasn't a friendly negotiation, and he hinted at the risks for Mr. Guo. "You can't keep doing this forever," Mr. Liu can be heard telling Mr. Guo on the audio recording, reviewed by The Wall Street Journal. "I'm worried about you, to tell you the truth."

The dramatic meeting sparked an unresolved debate within the Trump administration over the Guo case and laid bare broader divisions over how to handle the U.S.'s top economic and military rival, according to people familiar with the matter. U.S.-China relations have been upset by disagreements over trade, cyberespionage and policy toward North Korea, and Mr. Guo's New York stay is only adding to the tension.

The Chinese officials, who were in the U.S. on visas that didn't allow them to conduct official business, caught the attention of the Federal Bureau of Investigation, which wanted to move against them, according to people familiar with the matter. The bureau's effort ran into friction with other U.S. officials, including those at the

Please see GUO page A10

Fidelity Is Hit by Employee Conduct Problems

By Sarah Krouse And Kirsten Grind

Fidelity Investments is moving to address long-simmering problems with workplace conduct following allegations of sexual harassment and bullying that led to the ouster of some high-profile employees at the mutual-fund giant.

The latest known fallout: Fidelity pushed longtime employee C. Robert Chow, 56 years old, to resign earlier this month, amid allegations that he made inappropriate sexual comments to colleagues, according to people familiar with the matter.

A lawyer for Mr. Chow declined to comment.

Brian Hogan, president of Fidelity's high-profile stock-picking division, held an emergency meeting last Monday afternoon with his staff to stress the firm's "zero tolerance policy" for inappropriate workplace conduct, including sexual harassment, according to people familiar with the meeting.

Fidelity has hired a consulting firm to review employee behavior, including within the stock-picking or equity division, people familiar with the matter said.

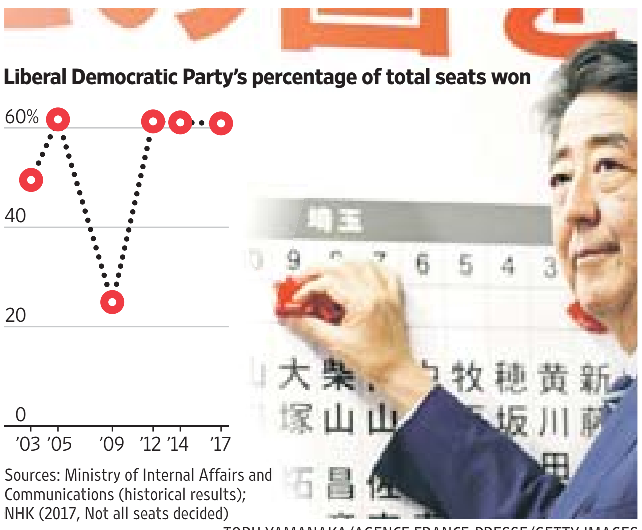
The abrupt exit of Mr. Chow, a former portfolio manager who worked most recently in an advisory unit at Fidelity, follows a report in The Wall Street Journal that Fidelity fired a star tech fund manager accused of sexual harassment.

Fidelity spokesman Vincent Loporchio said company policies "specifically prohibit ha-

Please see FUND page A2

Japan's Abe Notches Election Win

Japan's Prime Minister Shinzo Abe and his Liberal Democratic Party won a new mandate in a national election he framed as a referendum on his handling of the economy and the North Korea threat. A6



Sources: Ministry of Internal Affairs and Communications (historical results); NHK (2017, Not all seats decided)

TORU YAMANAKA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Trump Backs Incumbents, Hinting at Bannon Conflict

By Michael C. Bender And Janet Hook

WASHINGTON—President Donald Trump is siding with Republican Senate incumbents in key re-election races, potentially putting him on a collision course with Steve Bannon, the onetime White House chief strategist who has declared a "season of war" on their party's establishment.

The two men have praised each other and their efforts in public. Behind the scenes, they have been unable to reach agreement on how to proceed in some Senate races, according to people familiar with their conversations. In a speech on Friday, Mr. Bannon described Mr. Trump as "an instrument" in a larger movement, instead of the leader of one.

"If you want to take your state back—if you want to take your country back—you're going to have to roll up your sleeves," Mr. Bannon said during his keynote speech at the California Republicans' fall convention in Anaheim, Calif. "There is no one person—Donald Trump, [U.S. Rep.] Mark Meadows, [U.S. Sen.] Ted Cruz, Laura Ingraham, Steve Bannon—they are not going to get this done."

In Washington, Mr. Trump has shown a willingness to protect sitting senators. He stood with Senate Majority Leader Mitch McConnell in the Rose Garden last week and declared that he and Kentucky's longest-serving U.S. senator are "closer than ever before." Mr. Trump last week phoned at least three incumbents and committed his support: GOP Sens. Roger Wicker of Mississippi, John Barrasso of Wyoming and Deb Fischer of Nebraska.

No challenger has yet surfaced for Mr. Barrasso or Ms.

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◆ **President predicts speedy passage for tax bill.............. A4**

Crisis-Era Securities Regain Investors' Favor

By Christopher Whittall

Investors hungry for returns are piling back into securities once tarnished by the financial crisis.

Complex structured investments developed a bad reputation during the global credit crunch that wreaked havoc a decade ago. Now, investors seeking better yields are overcoming their skepticism and buying into securities that rely on financial engineering to juice returns.

Volumes of CLOs, or collateralized loan obligations, hit a record $247 billion in the first nine months of the year, according to data from J.P. Morgan Chase & Co. Fueled by a wave of refinancings and nearly $100 billion in new deals, that far outpaces their recent full-year high of $151 billion in 2014 and the precrisis peak of $136 billion in 2006.

The CLO boom is the latest sign of the ferocious hunt for yield that is permeating markets. Stellar performance over the past year has made CLOs increasingly hard to ignore for investors like insurance companies and pension funds.

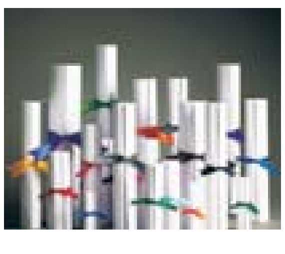
CLOs carve up a portfolio of bank loans to highly indebted companies into slices of securities with different levels of risk. The securities at the bottom of the CLO stack offer the highest potential source of returns, but they are also the first to absorb losses if there are defaults in the underlying loan portfolio. The more senior slices offer lower returns but are more insulated from losses.

CLOs are often lumped together with other alphabet-soup acronyms of the financial crisis, such as more toxic CDOs, or collateralized debt obligations.

But CLOs actually weathered the financial crisis well: Investors who bought at the top of the market in 2007 suffered paper losses, but there

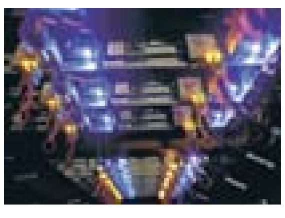
Please see DEBT page A7

INSIDE



THE COLLEGE INVESTMENTS THAT PAY OFF

JOURNAL REPORT, R1



FACEBOOK'S MASTER ALGORITHM

BUSINESS & FINANCE, B1

The One Place Where Man Purses Are Beloved—It's a War Zone

* * *

In Syria, the fashion item is a beacon of practicality in an unpredictable world

By Raja Abdulrahim

One of the most polarizing fashion accessories—the man purse—has found acceptance in an unexpected place.

All it took was six years of war.

Man bags first gained popularity across Syria out of necessity rather than fashion. Fighting has wreaked havoc on the country's infrastructure and economy, which forced residents to carry extra cellphones and power banks, in addition to military ID books and wads of cash. The baggage of war necessitated something larger than an ordinary wallet.

Since then, small square bags, worn cross-shoulder, have become ubiquitous on the streets of the capital Damascus. Some luggage shops sell little else, and some vendors sell knockoffs emblazoned with unauthorized commercial logos such as Nike, Apple, Samsung and Jeep.

A man bag

Syrian men are discovering what women have long known: What is deemed essential to have on hand tends to expand over time.

"A man's purse in Aleppo, I swear to God, carries more stuff than a woman's purse," said Ahmad, a humanitarian worker. "We've now gotten to a point where we keep small bottles of cologne in our purse," he continued. "I know some guys

Please see PURSE page A10

U.S. NEWS

THE OUTLOOK | By Paul Hannon and Nina Adam

Europe's Chances for Wage Boom Slim

European Central Bank officials are watching wage growth as they plot a gradual retreat from the easy money policies employed in recent years to boost the regional economy. But the pickup they're looking for as a signal that Europe is returning to full health might not materialize.

Last month, ECB economists cut their 2017 forecast for regional wage growth to 1.5% from 1.7%, after a paltry 1.2% increase in 2016. Germany is enjoying gains, but its neighbors lag far behind, including wage growth of less than 1% in Spain and Italy.

Hidden economic slack and long-run trends could stymie wages across the whole region in the months ahead.

Workers face competition from lower-cost economies and technological innovations threaten to replace workers with robots. That's holding down wages across a range of developed economies, including the U.S. This is exacerbated in Europe by the shifting nature of wage-bargaining and a focus at labor unions on winning more flexible work hours and job security rather than pay raises.

Eurozone policy makers have promoted a push away from collective wage bargaining. In the name of better worker productivity, they want to nudge the eurozone closer to the model common in the U.S. and the U.K., where pay is set at the level of the company or the individual, rather than across sectors.

The process began in Germany, which was mocked as the "sick man of Europe" in the early 2000s. The country embarked on labor market overhauls that expanded temporary work and reduced labor union coverage.

It has since spread through Spain, Italy and—more recently—France, where President Emmanuel Macron has put an ambitious labor overhaul at the center of his political agenda. It could pay off in the form of lower unemployment and greater productivity in the long run. In the short run, however, the push has made workers reluctant to demand big pay raises.

German workers are reaping some of the benefits of change now, in part because unemployment is so low. German wages were 2.9% higher in the second quarter from a year earlier. Still, even in Germany that's less than the 3.5% gains seen in the 1980s and 1990s.

Official data show many of the new jobs in the eurozone are part-time, leaving many people working fewer hours than they would like. Even in Germany, about 5.4 million people still want a job or wish to work longer hours, Germany's statistics body says.

Slack in the labor market is especially large in Southern Europe, according to the Organization for Economic Cooperation and Development. In Spain, the rate of labor underutilization is close to 30%. The underutilization rate includes those who want to work but haven't recently looked for a job, and those who are working fewer hours than they would like.

Moreover, many eurozone workers are on temporary contracts that economists say typically attract lower pay and smaller pay rises than full-time alternatives.

According Marchel Alexandrovich, an economist at Jefferies International, more than half of the 1.5 million new jobs created in Spain since the start of 2014 are temporary. "In a best-case scenario, these jobs will end up being converted into permanent employment," he said. "It's also possible that they may not, which means that for any given level of employment, job insecurity is higher."

Apart from Germany's export industries, many jobs created in recent years are in low-productivity sectors that tend not to produce much wage growth, like elderly care.

An early indication of the wage outlook comes Thursday—the same day the ECB is expected to say it will scale back its bond-purchase programs—when Germany's powerful IG Metall labor union is due to deliver its final pay claim for 2018.

The union, Europe's largest by membership, is seeking a pay rise of 6% for 12 months for the roughly 3.9 million workers in the metals and electrical industries—the largest increase since 1991. But in past rounds, Germany's metals workers have settled for about half of what they demanded.

This time, IG Metall has priorities that are likely to limit the rise in wages, including safeguarding jobs against threats from globalization and technological change. It also includes a demand that workers be able to temporarily cut their labor time to 28 hours a week for up to two years.

"We want a work schedule that suits workers' way of life," said Jörg Hofmann, who heads the IG Metall union.

That isn't a recipe for a big pay rise.

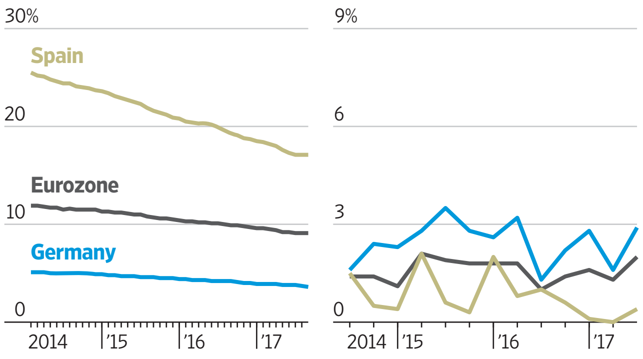
◆ Eurozone isn't only market in ECB spell.......... B1

Conflicting Signals

Unemployment is falling across Europe but wages haven't picked up in response.

Jobless rate, monthly, seasonally adjusted

Wages and salaries, quarterly, change from previous year



Source: Eurostat

THE WALL STREET JOURNAL.

ECONOMIC CALENDAR

WEDNESDAY: The U.K. reports preliminary economic growth figures for the third quarter, while the market looks to see if the Bank of England is getting close to raising interest rates for the first time in a decade. Analysts polled by The Wall Street Journal predict **gross domestic product** continued to expand at the 0.3% quarterly rate seen in the April-June period. The largely domestic-driven economy has slowed this year as consumers, squeezed by accelerating inflation, pared back spending.

FRIDAY: The U.S. Commerce Department releases its advance estimate of third-quarter **gross domestic product**. U.S. economic output grew at a 3.1% annual rate in the second quarter, slightly stronger than previously thought and marking the best growth in two years. Friday's figure will likely be affected by hurricanes Harvey and Irma in categories ranging from construction to consumer spending. Economists forecast GDP rose at a 2.7% seasonally adjusted annual rate in the third quarter.

The University of Michigan releases its final figure for U.S. **consumer sentiment** in October. The University of Michigan said this month its preliminary reading was 101.1 in October, up from 95.1 in September. Consumer sentiment soared following the election of President Donald Trump and has remained high this year in light of a strong labor market and soaring stock prices. Economists expect a final October reading of 100.9.

Trumka Wins Another Term as AFL-CIO President

BY ERIC MORATH

ST. LOUIS—AFL-CIO members on Sunday evening selected Richard Trumka as president of the nation's largest labor federation, retaining a position he has held since 2009.

Mr. Trumka said his goal was for labor unions to emerge with a unified political agenda at a time when the labor movement is split over what approach to take to President Donald Trump.

Following the election, crafting a "Workers' Bill of Rights" will be a primary focus of the event, Mr. Trumka said. The aim is to give politicians a clear view on union priorities, including the need for better wages and rethought trade agreements. It would establish a litmus test to determine if the AFL-CIO will support candidates in the 2018 and 2020 elections, regardless of party.

"People that support that Workers' Bill of Rights will get our support," Mr. Trumka told reporters Sunday. "Those that don't—we're sorry. We're going to use our resources and our power to help people get elected that support the needs of workers."

The idea behind the bill of rights is to establish the AFL-CIO as politically independent, despite its traditional support of Democrats. Voters from union households cast ballots for the 2016 Democratic presidential candidate, Hillary Clinton, at the lowest rate since the 1980 election, according to exit polls. Many of those voters supported Mr. Trump, a Republican.

Mr. Trumka accused Mr. Trump of breaking promises to workers. The union leader pointed to little movement in Washington to increase spending on infrastructure, a Trump plan that drew support from construction and manufacturing unions.

"He's left working people in the lurch," Mr. Trumka said of the president. "Voters are receiving a "sobering education between the hype and promise and the reality." Mr. Trumka said the administration's moves, including on health care and worker-safety standards, have weakened support among union members.

That is a change in tone from earlier this year, when Mr. Trumka said there was room for unions to work with the Trump administration.

A White House spokesman said last week that Mr. Trump had fought to bring jobs back to the U.S. and renegotiate bad trade deals, and was committed to ensuring that American workers are prepared to thrive in a modern economy.

Mr. Trumka, 68 years old, has been in the federation's top leadership for more than two decades, elected secretary-treasurer in 1995.

The federation's No. 2 and No. 3 officials were also reelected to the same posts. None faced a challenging during the formal nominating process Sunday evening, giving the incumbents a win without facing a balloted vote.

The AFL-CIO's No. 2 and No. 3 officials were also re-elected to the same posts.

Secretary-Treasurer Liz Shuler, 47, has held the role since 2009. She was previously a high-ranking official at the International Brotherhood of Electrical Workers.

Tefere Gebre, 49, has served as the AFL-CIO's executive vice president since 2013. He was previously executive director of the Orange County Labor Federation in California.

DREW ANGERER/GETTY IMAGES

Richard Trumka, right, said his goal was for labor unions to emerge with a unified political agenda.

FUND

Continued from Page One

rassment in any form. When allegations of these sorts are brought to our attention, we investigate them immediately and take prompt and appropriate action."

Privately held Fidelity, with more than 40,000 employees, is among the world's largest investment firms.

The issue of workplace conduct has been simmering within Fidelity's stockpicking unit in particular for years. A 2015 internal report warned of cultural problems particularly adverse for women, according to interviews with more than a dozen former Fidelity analysts and portfolio managers.

Multiple employees have complained to superiors and the company's human-resources department about sexual harassment and other abusive behavior by portfolio managers at the equity division, according to people familiar with the matter. Those complaints have alleged disparaging remarks about appearance and sexual innuendo toward women, as well as bullying of both genders. Complaints have led to firings of at least three portfolio managers over the past six years, people familiar with the terminations said.

The Wall Street Journal reported that Fidelity fired tech fund manager Gavin Baker in September for allegedly sexually harassing a junior female employee, according to an attorney for the woman and other people familiar with the matter. Other junior employees also had complained about Mr. Baker, the Journal reported. A spokesman for Mr. Baker said at the time that he "strenuously" denies any "supposed" allegations of sexual harassment and left the company "amicably."

In 2011, Fidelity pushed out then-portfolio manager Andrew Sassine, 53, for his workplace behavior and performance, according to court documents. Mr. Sassine's "terrible and still deteriorating relationships with Fidelity's internal research analysts were well documented and communicated to the plaintiff," according to a Fidelity court filing. Fidelity said in the filing that Mr. Sassine acknowledged that he "had developed a reputation as a bully among the analysts."

Mr. Sassine sued Fidelity for wrongful termination related to a physical disability; the jury at the subsequent trial ruled in Fidelity's favor. In an interview, Mr. Sassine acknowledged being "a very tough portfolio manager." He said, "I was a tough individual but I was fair as well."

In June 2015 report written by a working group of female Fidelity employees was presented to senior staff in the firm's stock-picking unit, according to four people who saw the report or attended a presentation of it. Fidelity Chief Executive Abigail Johnson also received a copy, according to these people. The presentation warned of a male-dominated culture at the equity unit and its detrimental effects on women in particular, according to the people.

"We are not aware of this 2015 report with these conclusions or any presentation to senior leaders," the Fidelity spokesman said.

Called "Culture Review," the report criticized Fidelity's compensation system, which relies in part on portfolio managers' ratings of their subordinates, and said the environment led to "cultural improprieties" for women, the people who saw the report say.

The stock-picking unit, with about 60 portfolio managers and roughly 110 analysts in Boston, manages dozens of mutual funds and other investment products. Analysts are junior to portfolio managers and support their investment picks with research.

Fidelity's approach to rating and compensating analysts has been unpopular inside the stock-picking unit, according to the former employees, who say it has times led to analysts trying to curry favor with portfolio managers.

Under that system, an analyst's bonus is in part driven by his or her ability to successfully pick stocks and part by a subjective measure of how useful portfolio managers find the analyst's research, and what they think of the analyst's communication among other factors, according to people familiar with the matter.

"Fidelity is a meritocracy," the Fidelity spokesman said. "If an analyst or portfolio manager is very good at picking stocks, they will succeed at Fidelity."

Several women complained within the past five years to managers and Fidelity's human-resources department about disparaging comments allegedly made by James Morrow, 45, who manages about $28 billion within the equity unit, former employees said. Two people said Mr. Morrow also bullied well-performing analysts, male and female, whose investing style he didn't agree with, by docking their scores in compensation reviews.

Mr. Morrow denied those allegations through a spokesman. "If analysts ever felt I was difficult, it has been unequivocally gender-blind," he said through the spokesman. Fidelity announced in April that Mr. Morrow was retiring at the end of 2017.

Earlier this year, a portfolio manager focused on midcap stocks, Court Dignan, was pushed to leave the firm after heated confrontations with colleagues, people familiar with the matter said.

"I know nothing about any such allegations. I'm proud of what I accomplished while at Fidelity," Mr. Dignan said in an interview. "I left Fidelity and the investment-management industry in order to change careers and lifestyle."

"Fidelity remains committed to providing all associates with an outstanding work environment and we will always work hard to ensure that we take swift and appropriate action when an individual violates our policies, and more importantly, our values," said Mr. Loporchio, the Fidelity spokesman.

—Jim Oberman and Justin Baer contributed to this article.

BRIAN SNYDER/REUTERS

Fidelity CEO Abigail Johnson

CORRECTIONS & AMPLIFICATIONS

The U.S. economy was in a recession from December 2007 to June 2009. A chart that appeared in some editions with a Page One article on Thursday about changes undertaken by General Electric Co. Chief Executive John Flannery incorrectly indicated the recession was from mid-2008 to mid-2013.

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

THE WALL STREET JOURNAL

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

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, N.Y. 10036

Published daily except Sundays and general legal holidays.
Periodicals postage paid at New York, N.Y., and other mailing offices.

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

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After Wildfires, City Faces Housing Crisis

Santa Rosa residents plan to rebuild, but long road lies ahead to replace 3,000 homes

BY JIM CARLTON AND ALEJANDO LAZO

KENT PORTER/THE PRESS DEMOCRAT/ASSOCIATED PRESS

Sarah Boryszewski and her father, Gerald Peete, dig for belongings in the remains of her home in Santa Rosa, Calif., on Friday.

SANTA ROSA, Calif.—The wildfires still burning in the hills outside this city are largely under control, and the flames that rushed through its neighborhoods are long gone.

But what they have left behind is a disaster unlike any this community has seen.

Mountains of ash and fire debris are piled into gray mounds. Two dozen schools filled with ash and soot are closed through at least Friday; one school burned down. Around 10,000 residents are homeless—among them are 78 schoolteachers and 134 staff members and physicians of the city's biggest hospital.

The Northern California wildfires that ignited two weeks ago have burned more than 200,000 acres in eight counties, destroyed more than 5,000 homes and killed at least 42 people—the deadliest wildfire outbreak in state history.

But it was Santa Rosa that took a direct hit from the firestorm. The city of 175,000 people lost 3,000 homes, or 5% of its housing stock, and 400,000 square feet of commercial space. Of the $3 billion in damage to Sonoma County, $1 billion is in Santa Rosa.

Santa Rosa Mayor Chris Coursey said the loss of so much housing, along with the businesses that burned, will result in lower tax revenue to fund the city budget. "I know it will be big," Mr. Coursey said of the financial hit to the city.

In a tour of the fire-ravaged area last week, Federal Emergency Management Agency Administrator Brock Long assured local officials that his agency would help rebuild damaged communities. According to the agency's website, homeowners will be allowed to file for aid including for uninsured losses.

In the Coffey Park neighborhood, where block after block of houses burned to the ground, residents wearing gloves, boots and masks sifted through the remains of their properties Friday.

"I myself will have one of the first houses built here," said Joe Albano, 57, as he surveyed the rubble of his home.

But before rebuilding can begin, mountains of debris have to be cleared. That is likely to be a monumental job, requiring six to eight months and in many cases involving hazardous materials, said John Bly, executive vice president of the Northern California Engineering Contractors Association.

The Sonoma County Board of Supervisors on Tuesday passed a resolution asking for state assistance to remove the debris.

Meanwhile, local residents are scrambling to find places to live.

At Santa Rosa Memorial Hospital, where 51 doctors and 83 other staff lost their homes, the hospital's president, Todd Salnas, set up a "war room" dedicated to helping them find temporary housing.

So far, those who lost their homes have continued to show up for work. That includes Mr. Salnas, 44, whose four-bedroom house was destroyed in the inferno.

"It's very, very hard to focus on your medical duties if you don't have your own business taken care of at home," said Mr. Salnas, president of St. Joseph Health-Sonoma County, which oversees the 338-bed trauma center.

At the Tuesday meeting, county supervisors were briefed on a proposal to deploy temporary housing such as shipping containers in Santa Rosa and other affected communities.

"We know it's critical to have a large amount of affordable housing to be in place quickly," Dan Blake, a director of the Sonoma County Office of Education, told the board.

Housing experts estimate it could take two to three years to rebuild lost homes. The housing market was already so tight here that a 1% vacancy rate prompted city officials a year ago to declare a housing emergency and ask for state help.

Santa Rosa city officials say they are looking at freeing up hotel rooms and seeking more assistance from the online rental market, such as asking Airbnb landlords to provide long-term housing for some evacuees.

"There is nothing that is off the table at this point," Mayor Coursey said.

Colleges Face High Security Expenses

BY DOUGLAS BELKIN

BRIAN BLANCO/GETTY IMAGES

A man was punched near the site of a speech by white nationalist Richard Spencer in Gainesville, Fla., last week. The University of Florida spent over $500,000 on security for the event. Berkeley, meantime, spent over $2 million this year for security for speeches.

The appearance of white nationalist Richard Spencer on Thursday at the University of Florida prompted the governor to declare a state of emergency. The event ended up generating little more than shouting and a few arrests.

But the preparations for potentially violent civil disobedience came with a hefty price. The school estimates it spent more than $500,000 on security. The cost is part of a growing tab this year as a wave of right-wing speakers faces off against protesters.

That $500,000 covered hundreds of officers from at least 44 agencies, along with command centers, technology, room and board for officers and extra barricades, said University of Florida spokeswoman Janine Sikes. The Gainesville Police Department incurred additional costs, she said.

Among those arrested were three men charged with attempted homicide after they shot at a group of people protesting the speech.

Security for speakers at the University of California at Berkeley has cost the school more than $2 million this calendar year, compared with less than $200,000 annually for security at special events over the past several years, while Mr. Spencer's appearance at Texas A&M University last December cost the school $60,000, according to the schools.

"Public institutions cannot continue to pay this kind of money," said Ms. Sikes.

Experts say the recent speakers—beginning with an appearance in February at Berkeley of the former Breitbart News editor Milo Yiannopoulos that prompted a riot—have changed the dynamic of such campus events.

"What happened at Berkeley was really a watershed moment," said Sue Riseling, executive director of the International Association of Campus Law Enforcement Administrators.

Colleges have struggled to come up with a consistent answer to requests to speak, pitting free-speech ideals against security concerns.

This month, Ohio State University rejected a request by Mr. Spencer to speak. The University of Cincinnati accepted his request. The University of Florida initially rejected an event Mr. Spencer was supposed to hold on campus, then allowed him to speak after a judge reversed Auburn University's rejection of Mr. Spencer.

Some schools are limiting who can invite speakers to those with an affiliation to the university. For instance, Mr. Spencer was invited to speak at Texas A&M last year by a former student with no active affiliation with the school. The university has since limited those who can invite speakers to current students and faculty.

"What has changed is a recognition that some events may be motivated by a desire to incite a reaction that could turn violent," said Peter McDonough, vice president for the American Council on Education, which represents nearly 1,800 college and university presidents.

Berkeley has convened a commission to determine how the school will balance security costs with free speech. "We have a nonnegotiable commitment to provide safety and security for our guests and the public at large and we have an equally unwavering commitment to free speech," said spokesman Dan Mogulof.

Puerto Rico Rental Subsidies at Risk

BY LAURA KUSISTO

JIM WYSS/TNS/ZUMA PRESS

Lack of water and power may cause HUD to cut off payments.

Apartment landlords in Puerto Rico worry they could lose federal subsidies that allow them to operate buildings for senior citizens and lower-income residents because hurricane damage has left them without electricity.

Officials from the U.S. Department of Housing and Urban Development warned property owners on a call Oct. 13 that the department planned to send a letter telling landlords they could lose the subsidies because HUD might not be able to deem properties without 24-hour electricity and running water to be "decent, safe and sanitary" per federal standards.

HUD officials said they are abiding by an interpretation of laws put into practice after Hurricane Katrina that prevents the agency from paying for units that are uninhabitable.

The warning prompted a backlash from property owners, and officials are now weighing options to relax the interpretation of the rule based on individual building assessments.

It remains unlikely HUD will grant a blanket waiver promising to continue subsidies to all buildings on the island, especially since some might not have electricity for months, an official said.

"Due to the ongoing and unique circumstances in Puerto Rico, HUD is currently reviewing options that are available to assist residents during this difficult time," a department spokesman said.

The National Association of Realtors last Wednesday sent a letter to Trump administration officials requesting they keep paying subsidies to properties that lack 24-hour electricity or running water. The Realtors say losing those federal dollars could have devastating consequences.

Hurricane Maria hit Puerto Rico a month ago. Large parts of the island still don't have cellphone service, and access to clean water is limited. Nearly eight in 10 Puerto Ricans still don't have power.

Some 203 Puerto Rico apartment buildings have contracts with HUD's Section 8 subsidy program while roughly 20,000 residents receive the federal rental assistance. Section 8 subsidies typically limit tenants' rents to 30% of their income, a level that is considered financially sustainable.

NAR officials said their members have gone to extraordinary lengths to keep their buildings running, including hiring planes to bring in generators and supplies.

Pamela Monroe, vice president of property management at Columbus, Ohio-based National Church Residences, which owns three apartment complexes with about 250 units for seniors across the island, said she has struggled to get money and supplies to keep her buildings operating.

To preserve fuel and prevent the generators from wearing out, managers now shut off the generators for a few hours during the day and after 10 p.m., and give residents flashlights and solar cubes to set on their window sills. The buildings have running water while the generators are operating.

Ms. Monroe said that without subsidies she couldn't continue operating the buildings and residents would have few options on the isolated island.

"The worst thing that could happen is you close up the building, because those residents have nowhere to go," she said.

Health Advocates Mobilize for Coverage

After Trump cuts open-enrollment spending, activists race to sign up people for ACA plans

By Stephanie Armour And Michelle Hackman

Consumer groups and some state officials, facing new pressure to show the Affordable Care Act remains in place after President Donald Trump declared it dead, have begun launching urgent outreach programs to sign people up for health coverage during the coming open-enrollment period.

The ACA's fifth open-enrollment season, which runs from Nov. 1 through Dec. 15, may be lackluster compared with previous years because the administration has reduced the time period by half and cut about $116 million in funding for outreach and advertising. As a result, advocacy groups are mounting on-the-ground efforts aimed at telling consumers they can still get coverage and subsidies despite recent efforts to undo the law.

Robust sign-ups are essential to keeping consumers' insurance premiums from rising, and insurers from exiting the individual market, where people buy coverage if they don't get it through work. That market especially counts on younger and healthier people to offset the costs of sicker and older consumers.

"We can never make up for what I believe is the government abdicating its responsibility," said Lori Lodes, a spokeswoman for Get America Covered, an advocacy group focused on getting people signed up. "They are doing so little, and there is so much to be done. There is such a high level of confusion out there. Nobody knows when open enrollment starts."

Republicans who have long opposed the ACA and tried to repeal it support the administration's efforts to undermine the law, saying the federal government shouldn't spend money on a law they say is failing.

"This is a win for taxpayers," Levi Russell, a spokesman for Americans for Prosperity, a conservative policy group, said in August when the administration announced the funding cuts.

During the last open-enrollment period, the Centers for Medicare and Medicaid spent more than $100 million on promotional activities—nearly double what was spent in 2015—but saw first-time enrollment decline 42%, CMS said in August.

About 12 million people selected or were re-enrolled in the exchanges last year, while 10.3 million actually paid premiums and had coverage in 2017.

A wild card is the fate of a bill introduced last week by Sens. Lamar Alexander (R., Tenn.) and Patty Murray (D., Wash.) that aims to stabilize the ACA's markets by guaranteeing subsidy payments and restoring most of the outreach funds. But the bill's limited support so far makes it unlikely it could be enacted by Nov. 1.

Open enrollment enables people to obtain coverage on either the federal exchange, HealthCare.gov, or state-run exchanges. Many can also get subsidies that offset premium costs. The plans become effective Jan. 1, and people who already have coverage and don't come back to pick a plan are automatically re-enrolled.

CMS, which oversees the ACA, said it would allow consumers to window-shop online for plans before the open-enrollment period begins. The agency will send out emails as part of its outreach both before and during the sign-up season.

The task of boosting enrollment is most organized in Democratic states, many of which run their own marketplaces and invest significant resources in urging people to sign up. States including Colorado and New York, as well as the District of Columbia, have extended their open-enrollment deadlines past the federal window, and some have doubled the length of the period.

California plans to spend $111 million on marketing and advertising this year over the state's three-month enrollment season, nearly as much as the Obama administration spent across the country last year. The state's health exchange, Covered California, plans to run a statewide bus tour to promote sign-up dates and raise awareness of subsidies available under the ACA.

"The message is, we are here for the long haul," said Peter Lee, executive director of Covered California. "If we don't reinforce that for people, they're less apt to sign up."

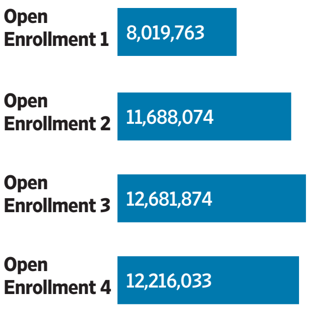
Greater attention has focused on this year's open enrollment period due not only to the Republican push to repeal the ACA, but also executive moves by the Trump administration. Besides halving the open-enrollment period for the federal exchange to 45 days, the administration said in August that it planned to slash spending on advertising by 90%, to $10 million, and to reduce payments to navigators—organizations that help people enroll—by more than 40%.

Officials said the cuts in navigator grants were determined by how successful each group had been in meeting previous enrollment goals.

Leveling Off

Insurance sign-ups under the Affordable Care Act have plateaued.

Plan selections in each open enrollment period



Sources: Department of Health and Human Services (OE1, OE2, OE3); Centers for Medicare and Medicaid services (OE4)
THE WALL STREET JOURNAL.

CAITLIN O'HARA/REUTERS

Navigator Maria Losoya, right, talks to a family in Tucson, Ariz., about health insurance.

Trump Says He Will Allow Release of JFK Assassination Documents

JIM ALTGENS/ASSOCIATED PRESS

WASHINGTON—President Donald Trump said he intends to allow the scheduled release of classified government documents about the assassination of President John F. Kennedy, though he left open the possibility some could still be withheld.

"Subject to the receipt of further information, I will be allowing, as President, the long blocked and classified JFK FILES to be opened," Mr. Trump said Saturday in a message on Twitter.

The statement came five days ahead of an Oct. 26 deadline to release all documents related to the 1963 assassination that remain undisclosed. Congress mandated in 1992 they all be made public within 25 years, unless the president determines that doing so would undermine intelligence, law enforcement, military operations or foreign policy.

There are more than 3,000 documents in the collection that have never been seen by the public.

If Mr. Trump approves the release, the National Archives will post the documents to its website at some point before the Thursday deadline. It is still possible Mr. Trump will decide to block the release of some documents that could reveal CIA practices or identities of officers still working for the agency.

Among insights scholars hope to gain from the documents is why assassin Lee Harvey Oswald went to Mexico City weeks before the killing. The Warren Commission, which investigated the assassination, found Mr. Oswald's visits to the Soviet and Cuban embassies there were attempts to get visas to allow him to enter those countries, but many details about the trip remain unknown.

Despite the Warren Commission's conclusion that Mr. Oswald acted alone, the Kennedy assassination has continued to spawn conspiracy theories.

Roger Stone, a longtime Trump adviser who wrote a book alleging President Lyndon B. Johnson masterminded the assassination, said Thursday in an interview with radio host Alex Jones he had spoken with Mr. Trump a day earlier and urged him to release all the documents.

During the presidential campaign, Mr. Trump claimed that Sen. Ted Cruz's father was involved in the assassination. There is no evidence for such a claim.

—Eli Stokols

President Predicts A Speedy Tax Bill

By Del Quentin Wilber

WASHINGTON—President Donald Trump said Sunday he was optimistic Congress would pass a tax plan he could sign by year's end that reduces the corporate rate while providing tax relief for the middle class.

"I think we're going to get our taxes," the president said in an interview with Fox News. "I think it's going to be, well, hopefully before the end of year but maybe much sooner than that."

Mr. Trump spoke days after the Senate voted almost entirely along party lines for a budget blueprint, clearing a critical hurdle that allows Republicans to push ahead with the first major revision of the tax code since the 1980s. The House is expected to back the same budget and set a schedule for the tax bill's release as soon as this week.

GOP leaders in Congress are aiming for a bill that would lower taxes by allowing up to $1.5 trillion to be added to the federal budget deficit over the next decade, but tough negotiations remain about which popular tax breaks will have to be rescinded.

Mr. Trump told Fox News he wasn't concerned about the plan leading to larger deficits because he believes that cutting taxes and reducing regulations will spur economic growth.

"We have so many things in this plan for that are going to be for growth," Mr. Trump said. "If we pick up one point of GDP, that is $2.5 trillion, it more than pays for everything. I think we pick up much more than one point."

Many economists are skeptical of that claim, and of the general notion that tax cuts lead to economic growth.

The push for a tax cut comes as Mr. Trump and Republicans this year failed to pass a bill to repeal and replace large parts of the Affordable Care Act despite years of GOP promises to dismantle President Obama's signature domestic initiative.

Mr. Trump said he remained hopeful that Congress will eventually pass a replacement plan. He indicated he still didn't support a bipartisan measure being advanced by Sen. Lamar Alexander (R., Tenn.) and Sen. Patty Murray (D., Wash.) that would restore federal payments to insurers for two years while also providing more flexibility to states.

The payments offset insurers' costs for providing subsidies to lower-income consumers, which help with out-of-pocket costs.

Mr. Trump has said he would cut off the payments this month absent legislation authorizing them.

Last week, on Twitter, Mr. Trump said he couldn't support the bipartisan measure because he viewed it as a bailout for the insurance industry, a characterization the sponsors disputed.

Mr. Trump told Fox News that he didn't view the bill as necessary because "pretty much we can do what they are getting" through executive action.

TRUMP

Continued from Page One

Fischer, both members of the McConnell leadership team.

Mississippi State Sen. Chris McDaniel, a Bannon ally who narrowly lost his primary challenge in 2014 to GOP Sen. Thad Cochran, is actively exploring a campaign against Mr. Wicker.

Mr. Wicker's team welcomed the president's support for his re-election. "It will be very helpful," said Justin Braswell, the Wicker campaign manager. "Trump is extremely popular in Mississippi."

By contrast, Mr. Bannon is turning Mr. McConnell's leadership into an intraparty political issue, and continues to court primary challengers across the country. He hasn't been swayed by arguments from Mr. Trump that some incumbents are friendly to the president, or that some of the challengers he is backing may not appeal to moderate independent voters who decide elections in many states, according to people close to Mr. Bannon.

Asked about Mr. Bannon aiming to loosen Mr. McConnell's grip on leadership, the senator said in a television interview Sunday that similar efforts have only hurt the party in previous elections. Amid the wave of Tea Party conservatism early this decade, Senate Republicans failed to win the majority, he noted.

"They cost us five Senate seats in 2010 and 2012 by nominating people who couldn't win in November," he said on CNN.

Mr. Bannon has told supporters that he views himself as a revolutionary, not a political consultant, and is willing to listen to anyone's ideas without concern about his personal win-loss record, according to people familiar with his thinking.

Spokesmen for Messrs. Trump and Bannon declined to comment.

Mr. Bannon has told potential challengers they must support three things to gain his support: An anti-immigration agenda; overturning a longtime Senate rule that seeks broad consensus—instead of a simple majority—before many policy changes; and, most important, removal of Mr. McConnell from his Senate leadership perch.

The differences between the president and Mr. Bannon over future Senate candidates was illustrated in the most recent race for the chamber, in Alabama, where in a special election primary Mr. Trump backed Sen. Luther Strange over former state Supreme Court Judge Roy Moore, who was Mr. Bannon's pick. But just before the election, at a rally for Mr. Strange in Alabama, the president signaled he had second thoughts about Mr. Strange, saying he "might have made a mistake" by endorsing and campaigning with him. Mr. Moore won by 9 percentage points.

In his speech on Friday, Mr. Bannon said "the president got some bad information" about the Alabama race. He said the Moore win motivated Mr. Trump to take a harder stance on immigration negotiations with Congress, to refuse to recertify the Iran nuclear deal, to cancel crucial payments to insurers under the Affordable Care Act, and to pull the country out of the United Nations Educational, Scientific and Cultural Organization.

The White House declined to comment on Mr. Bannon's statements.

Mr. Bannon didn't mention any of the three races where Mr. Trump has pledged support for the incumbents, suggesting that he is narrowing his focus on states where the party is in agreement.

Instead, he noted three nonincumbent Senate candidates viewed favorably by the National Republican Senatorial Committee, Republican officials said.

Trump Digital Chief To Face Congress

WASHINGTON—President Donald Trump's campaign digital director is set to be interviewed Tuesday by the House Intelligence Committee, his first appearance before any of the panels examining Russian interference in the 2016 election.

Brad Parscale confirmed his scheduled appearance.

In a recent interview with the CBS program "60 Minutes," Mr. Parscale said no one from the campaign collaborated with foreign entities.

Mr. Parscale was the Trump campaign's highest-paid vendor. His San Antonio firm, Giles-Parscale, drew nearly $88 million for about 18 months of work, according to Federal Election Commission disclosures.

Mr. Parscale has remained involved with the president's political efforts. He helped start a nonprofit committee called America First Policies and a super political-action committee working alongside it. He also works on Mr. Trump's re-election campaign, which began when the president was inaugurated.

Representatives of **Facebook** Inc., Google and **Twitter** Inc. are all scheduled to testify Nov. 1 on Capitol Hill. Committees in both chambers of Congress are looking into what U.S. intelligence agencies earlier this year described as extensive Russian use of social media to try to influence the presidential election.

The legislative panels also have either spoken with or plan to speak with an array of Trump campaign officials and Trump advisers, including onetime campaign manager Corey Lewandowski and Michael Cohen, one of Mr. Trump's longtime attorneys.

—Julie Bykowicz

Export Food, Not Jobs

Congratulations to the Trump administration and Agriculture Secretary Sonny Perdue (pictured left, at this month's second annual Global Food Forum) for increasing America's food exports by 9 percent in the past 12 months after recent years of decline. This growth includes beef by 25% and dairy by 16%.

We salute the Trump administration's constancy of focus on exports, deregulation and other key drivers of success for farmers and food processors of America.

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WORLD NEWS

Abe Vote Win Heralds Push for Military

Japan's prime minister to seek to amend constitution after lower-house victory

By Alastair Gale

YOSHIO TSUNODA/ZUMA PRESS

Prime Minister Shinzo Abe, third left, and Liberal Democratic Party executive Wataru Takeshita marked a list of candidates in Tokyo.

TOKYO—Japanese Prime Minister Shinzo Abe won a strong new mandate from voters in a national election, a result he indicated would embolden him to push for the first changes to the nation's constitution since it was introduced in 1947.

Mr. Abe's Liberal Democratic Party and its coalition partner retained a two-thirds majority in a lower-house election with almost all results decided on Sunday, television stations said. Final official results will be available on Monday.

After a steep fall in public-approval ratings this year tied to allegations Mr. Abe helped friends in business dealings, the prime minister took advantage of opposition party disarray and a revival in support to call an election more than a year before a legal deadline.

During the 12-day campaign, Mr. Abe framed the vote as a referendum on his handling of the economy and the threat from North Korea. Japan's economy has grown continuously for the past year-and-a-half, the longest stretch for more than a decade, while Mr. Abe has taken a similar hardline approach to North Korea as President Donald Trump.

The victory for Mr. Abe, 63 years old, puts him on course to become the longest-serving Japanese prime minister, a distinction he would achieve if he remains in office through November 2019.

The result lifted the Nikkei Stock Average 1.1% in early Asia trade as the yen declined.

Mr. Abe indicated that following the election victory he would push forward with an effort to revise the constitution, a goal he has held since he first became prime minister in 2006 and revived after winning the job again in 2012.

"We need to gain the understanding of the public," Mr. Abe said in a televised interview.

In May, on the 70th anniversary of the constitution being imposed by occupying American forces, Mr. Abe said increasing security threats, an aging society and the need for economic revival were among reasons lawmakers should discuss potential changes. He set 2020 as a target for the revision.

To alter the constitution, two-thirds of lawmakers must vote in favor of the proposed changes, which must then win majority support in a national referendum. In 2012, the Liberal Democratic Party put forward a proposal for extensive changes to the constitution that was quickly dropped amid political opposition.

Parliamentary approval for a new proposal may also be made easier by a new right-of-center opposition party led by Tokyo Gov. Yuriko Koike that supports the idea.

"We're getting to a place where we can have a solid national discussion" on changing the constitution, Ms. Koike said in a televised interview after the election.

Mr. Abe's personal focus—and the most contentious proposed revision—is to Article 9 of the document, headed "Renunciation of War." The clause says Japan won't maintain armed forces to ensure it will never wage war.

In reality, Japan's military was reformed in the 1950s but tasked with a purely defensive role, including disaster relief, and called the Self-Defense Force. National opinion polls show Japanese are highly supportive of the SDF, one the world's most modern militaries.

Mr. Abe and his party argue that the current wording of the constitution could create a national crisis if the SDF is seen as unconstitutional in a conflict. His opponents say that all previous governments have accepted that the constitution allows for a defensive military, and that Mr. Abe is taking Japan down a path that might entangle it in other nations' wars.

Criticism has also come from some of Japan's neighboring countries. Notable among these is China, which was partially occupied by Japan in the early 20th century and says Tokyo is reverting to militarism. There was no immediate comment from Beijing to Mr. Abe's re-election.

Mr. Abe says Japan should play a larger role internationally, including by having its military participate in United Nations peacekeeping operations and support Tokyo's allies.

In 2014, Mr. Abe's cabinet issued a reinterpretation of the current constitution allowing the SDF to aid allies under attack. Defense Minister Itsunori Onodera argued this year that this change could allow Japan to try to shoot down any North Korean missiles fired at Guam, a threat made by Pyongyang during the continuing crisis over North Korea's nuclear program.

The U.S. administrations of President Barack Obama and Mr. Trump have supported moves that would commit Japan to shouldering a heavier military burden in its alliance with the U.S.

In recognition of the strong opposition to changes to the constitution, Mr. Abe's hope is that the text can simply be supplemented to include a clause acknowledging Japan's right to have a military.

Challenge From Tokyo Governor Falls Far Short

TOKYO—A challenge to Prime Minister Shinzo Abe by Tokyo Gov. Yuriko Koike fell far short, highlighting the often-underestimated political skills of a prime minister poised to extend his five years in office.

Ms. Koike's month-old Party of Hope was likely to win about 50 seats in the 465-seat lower house of Parliament, television stations said, while Mr. Abe's ruling Liberal Democratic Party won a clear majority. Final official results will be available Monday.

Ms. Koike didn't stay in Japan to follow the results, flying to Paris the day before the vote to attend an international gathering of city leaders.

"This is a complete defeat," Ms. Koike told Japanese reporters in Paris. Instead of bringing together critics of Mr. Abe, she said, the Party of Hope itself "became a target of criticism from everyone."

It was the mirror image of the results of local Tokyo elections on July 2, when backers of Ms. Koike swept to majority control of the Tokyo assembly, while Mr. Abe's party suffered its worst performance in a Tokyo assembly election.

In forming the Party of Hope as a nationwide vehicle for her ambitions, Ms. Koike gambled that voters across Japan would follow Tokyo's lead.

She said she shared Mr. Abe's pro-U.S. foreign policy and hawkish stance on North Korea but would bring fresh thinking to domestic issues by postponing a sales-tax increase and phasing out nuclear power.

—Peter Landers

OZAN KOSE/AGENCE FRANCE-PRESSE/GETTY IMAGES (2); MURAD SEZER/REUTERS (LOWER RIGHT)

A rescue vessel, left, is lowered to connect with a Turkish submarine during NATO drills. Right, crew members prepare to practice.

NATO Hones Undersea Rescue Skills

As the number of nations that acquire submarines grows, so does the risk of accidents

By Julian E. Barnes

ABOARD SUBMARINE RESCUE VEHICLE NEMO—In the azure waters of the eastern Mediterranean, a small underwater vehicle dives toward the sea bottom, maneuvering itself over the rescue hatch of a Turkish submarine.

Known as Nemo, the vehicle is part of the NATO Submarine Rescue System jointly developed by the British, French and Norwegian navies and designed to latch onto disabled submarines and bring trapped sailors to the surface.

That task's importance has risen along with submarine activity around the world, and with it the risk of accidents.

With more nations creating submarine fleets, the North Atlantic Treaty Organization is honing its rescue techniques and investing in lifesaving equipment, including a new Turkish rescue ship, Alemdar, beginning operations and two more such Turkish vessels on the way.

Turkey's growing submarine and rescue fleet shares Europe's southern sea with a more active Russian sub fleet, as well as those of other NATO members and other countries including Israel and Iran.

In the Pacific, countries including Indonesia, Vietnam, Thailand and Bangladesh are building sub fleets.

The size of the world's active submarine fleets plunged after the Cold War, when navies operated some 800 of them.

By the turn of the century, only around 420 were in operation, according to the International Institute of Strategic Studies.

With newly undersea-faring nations joining in, it has since climbed back to about 450, many of them significantly more sophisticated and expensive than earlier models.

"There is always that little bit of extra risk when a nation starts its submarine capability," said Bill Orr, the U.S. Navy's director of submarine survivability, escape and rescue.

Rescuing sailors trapped in a submarine at the bottom of the ocean is difficult and often unsuccessful.

But many nations believe it critical for the morale of submariners and their families to have a tested rescue system ready.

"It is a dangerous profession and an unforgiving environment," said U.S. Rear Adm. Andrew Lennon, the commander of NATO submarines. "Since we have been operating submarines we have been making plans to rescue our sailors."

Almost 90% of the world's oceans are too deep for submarine rescue. The NATO Submarine Rescue System, like similar capabilities, can operate to depths of 1,970 feet. Though the average depth of the Mediterranean is 4,900 feet, many submarine accidents have occurred in waters where a rescue could be attempted.

During a recent exercise in the eastern Mediterranean called Dynamic Monarch, NATO nations worked to familiarize themselves with a variety of rescue techniques. Turkish sailors practiced with a new pressure suit—resembling a cross between Iron Man and the Michelin Man—in which a diver can move at depths where a person would normally be crushed to death.

A person wearing the Turkish suit can help disentangle a submarine caught in nets or cables. But getting sailors out of a disabled sub is another problem, one Nemo addresses by latching on to the top of disabled sub, pumping out an exit chamber, and transferring sailors from the sub to decompression chambers on the rescue ship.

Practice is critical, so rescuers and submariners can know what do if disaster strikes.

"It is not something a submarine does every day, opening hatches underwater," said British Navy Cmdr. Ian Duncan, project manager for the NATO Submarine Rescue System. "As a submariner, it doesn't feel right."

Canada Tax Proposal Draws Business Outcry

By Paul Vieira

OTTAWA—As the Trump administration aims to cut taxes for businesses, Canadian Prime Minister Justin Trudeau is taking a starkly different tack by cracking down on loopholes for business it says the wealthy exploit to reduce their tax bill.

Mr. Trudeau, like President Donald Trump, says his push is aimed at helping the middle class. But in a rare and heated backlash against the popular Mr. Trudeau, doctors, financial planners, farmers and small-business owners have united to argue the measures would hurt some of the very middle class the government purports to help.

They have written to lawmakers and directed pointed questions and statements to Finance Minister Bill Morneau at town halls with one message in mind: We're not the rich you are after.

The uproar has been so intense it has forced Messrs. Trudeau and Morneau to backpedal somewhat in a series of moves in recent days.

The proposals were unveiled in July and target nearly two million small to midsize firms and the self-employed that structure their businesses in private corporations.

The proposals aim to crack down on unintended advantages gained by incorporating a business, such as the distribution of business dividends to family members to reduce tax. They would also change tax treatment of profits not paid out in dividends.

There has been a surge in the number of Canadian-controlled private corporations formed over the past 15 years, the government has said, adding it is partly due to the structures' tax advantages.

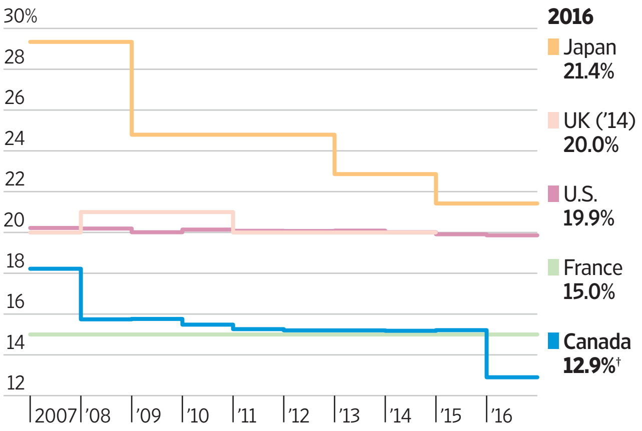
The government doesn't want to "protect the interests of a privileged few," Mr. Trudeau said last week, explaining the proposals in suburban Toronto.

But people like Alexander Kluev, a 48-year-old who owns a small technology business and whose annual income can vary from 200,000 to as low as 70,000 Canadian dollars, or about $158,000 to $56,000, are angered to be considered a part of the Canadian elite.

"I have the same lifestyle, same house and same car as the same people they deem middle class," Mr. Kluev said. "Fairness here is elusive."

Small Relief

Canada cut small-firm tax rate amid uproar on closing certain loopholes.



*Reflects combination of federal and subnational rates small firms pay
†Combined rate to fall to 12.9% after federal cut unveiled Oct. 16

Source: OECD

THE WALL STREET JOURNAL.

Madrid Moves To Curb Catalan Government

By Jeannette Neumann And Giovanni Legorano

BARCELONA—The Spanish government and separatists prepared for a critical week in Catalonia's crisis after Prime Minister Mariano Rajoy sought new powers to remove the region's secessionist leaders.

Spain's foreign minister Sunday tried to clamp down on some criticism from opposition lawmakers that the central government in Madrid was responding too forcefully to halt Catalan authorities' defiant drive for independence.

"All the government is trying to do, and reluctantly, is to reinstate the legal order, to restore the constitution but also the Catalan rules and proceed from there," Foreign Minister Alfonso Dastis told BBC TV.

Leaders in Catalonia's regional parliament, where separatist lawmakers hold a majority, planned a meeting Monday to decide when to hold a parliamentary session, likely this week. Some lawmakers are pressing Carles Puigdemont, the president of Catalonia and leader of the secessionist movement, to formally declare independence from Spain this week. "It will be a week of decisions," Catalan government spokesman Jordi Turull said Sunday. "Not doing anything is not an option."

Mr. Rajoy asked lawmakers Saturday to grant him unprecedented power to remove the leaders of Catalonia and temporarily take control of the region from Madrid. Mr. Rajoy said Spain's central government ministries would administer the region's agencies until new elections are called.

ANDER GILLENEA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Protesters in northern Spain hold Basque and Catalan flags in a show of support for those regions' independence movements.

The prime minister will seek to hold regional elections within six months to bring in new leadership and end Catalan leaders' repeated defiance of the central government.

The prime minister's expanded powers would focus on oversight of security, public order and financial management, the central government said. The powers would also seek to restrict Catalan lawmakers' ability to approve some laws. During the past two months, separatist regional lawmakers approved an unauthorized vote on secession and later signed an independence declaration.

The region enjoys significant autonomy. Catalan officials oversee the region's own police force and health and education systems.

The measures Mr. Rajoy announced were hammered out in recent days with leaders from two of the main opposition parties, said the premier.

Czechs Seat a Tycoon in Upset Poll

By Drew Hinshaw And Philip J. Heijmans

PRAGUE—The Czech Republic's second-richest citizen, who has pledged to upend the country's constitutional order and boost executive authority, won a legislative election, as a breakdown in political consensus sent a record number of parties to parliament.

With 99% of ballots counted, the Ano party led by Andrej Babis—a 63-year-old agricultural tycoon who has promised to abolish the Czech Senate and a rewrite the country's election laws—had 30% of the vote. The ruling Social Democratic Party took just 7%, while support surged for a series of minor parties.

As he voted, Mr. Babis—who has also called for a ban on Muslim immigrants, friendlier ties with Russia and a more-defiant attitude toward the European Union—called his victory a triumph over the establishment. "We want to defeat this clientelistic-corruption system," he said.

Mr. Babis now faces the challenge of assembling a coalition from the most fractured Parliament in Czech history. Nine parties, the most ever, won seats, including the Pirate Party, which believes in internet-based direct democracy and was roughly tied for second at 11% with the center-right Civic Democratic Party.

One of the few points of broad consensus in the legislature is that Mr. Babis shouldn't be prime minister.

Last month, Parliament voted almost unanimously to strip Mr. Babis of his judicial immunity as a fellow member, clearing the way for courts to prosecute him on charges of fraud he denies.

Some members worry about the unprecedented power that voters have given a magnate who already owns several of the country's top media outlets.

"I cannot imagine [the country's center-right Civic Democratic Party] will be in government with Ano, with or without Babis as the prime minister," said the party's shadow speaker for EU affairs, Adela Kadlecova. "I am also of the opinion, that a criminally charged politician should not become a prime minister."

Ano party leader Andrej Babis wants to abolish the Senate, rewrite election laws.

Both the Pirate Party and the fiscal-conservative TOP party, upstart parties that boosted support in the election, ruled out joining a coalition with Mr. Babis.

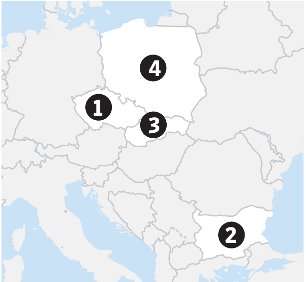
"We will absolutely try to make a coalition of democratic parties against all populists, extremists and oligarchs," said TOP's deputy chairman, Marketa Adamova.

A generation of political leaders in what was once the communist half of Europe, Mr. Babis included, have come to question the value of liberal democracy—with its checks and balances and susceptibility to parliamentary and judicial gridlock.

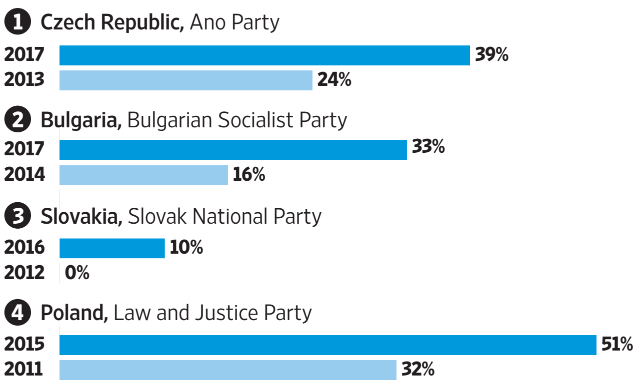
In his book, "What I Dream About When I Happen to Be Sleeping," Mr. Babis proposed abolishing the Senate and many regional-level positions, and turning the election system into a first-past-the-post setup.

A New Nationalism

The biggest gains in recent legislative elections in Europe's ex-Communist half have all gone to parties calling for a reduction of Muslim immigrants, defiance towards the European Union, and, with the exception of Poland's Law and Justice, friendlier ties with Russia.



Share of seats won in last two elections



Sources: Sejm of the Republic of Poland; Bulgarian Central Election Commission; Czech Statistical Office; Statistical Office of the Slovak Republic

THE WALL STREET JOURNAL.

DEBT

Continued from Page One

were no defaults at all for the highest-rated securities.

That track record has helped boost CLOs' appeal for investors with lingering concerns over scooping up more complex investments.

"The demand for things like CLOs....is extraordinary," said Rick Rieder, chief investment officer for global fixed income at BlackRock Inc.

CLOs are one of the largest demand sources for the leveraged loan market, which has also been booming this year. Volumes of leveraged loans, often used by private-equity firms to fund buyouts, are on track to surpass their 2007 record, according to LCD, a unit of S&P Global Market Intelligence.

At the same time, investors have voiced concerns about companies' rising leverage level, and weaker creditor protections.

Within a CLO are different risk profiles: Investors in the most senior, AAA-rated piece of debt get paid first and are the most insulated from losses if defaults rise in the underlying loan portfolio. They also receive the skinniest returns. Slices of debt further down receive higher returns, but will suffer losses if defaults spike. At the bottom sits the equity tranche, the first loss-absorber and last to get paid, but the highest potential source of returns.

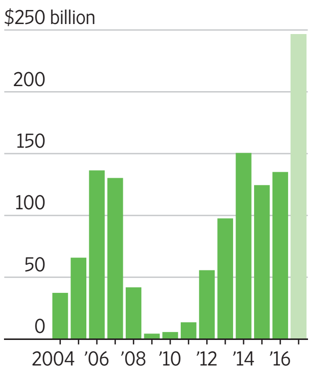
A 2014 report from Standard & Poor's stated that AAA-rated and AA-rated CLO tranches incurred no losses at all between 1994 and 2013. Loss rates for lower-rated tranches, meanwhile, were low—just 1.1% for B-rated securities over that period.

That doesn't prevent some conservative investors from conflating the CLOs with the now-infamous CDOs, many of which were linked to subprime mortgages and spread and amplified losses in the U.S. housing market.

One breed of CDOs are on a comeback path of their own, with more investors returning to them during an aging bull market.

Taking Off

Global CLO volumes



Note: 2017 is through September
Source: J.P. Morgan
THE WALL STREET JOURNAL.

Many people were "burned by these acronyms from the crisis," said Zak Summerscale, head of credit fund management for Europe and Asia Pacific at Intermediate Capital Group. He is currently recommending that clients buy senior CLO tranches over investment-grade bonds.

CLOs, like other types of securitizations, have been subject to greater regulation since the financial crisis. That includes forcing funds that manage a CLO to retain 5% of the securities, in an effort to align incentives with investors.

'CLOs have been an absolute home run,' said J.P. Morgan's Rishad Ahluwalia.

That has "attracted additional capital into the market," said Mike Rosenberg, a principal at alternative investment manager Tetragon.

Assets under management in the "loan participation" sector—a proxy for funds that invest in CLOs—have grown 21% this year to $206 billion, according to Thomson Reuters Lipper.

The pickup in CLOs has been a boon to banks weathering declines in trading revenues in the current low-volatility environment. Revenue from CLO-related activity at the top 12 global investment banks more than doubled over the first half of 2017 from a year earlier to almost $1 billion, according to financial consultancy Coalition.

CLO investors have been handsomely rewarded in recent months. J.P. Morgan strategist Rishad Ahluwalia recommended clients buy CLOs last July as he thought they looked too cheap. Between then and the end of September, BB-rated CLO tranches returned 25.4%, compared with a 25.2% return for the technology-oriented Nasdaq stock index, according to his calculations.

"CLOs have been an absolute home run," said Mr. Ahluwalia, though he added such chunky returns aren't repeatable.

Analysts say CLOs got beaten down last year following a series of troubles in the underlying loan market, including distress in the energy sector. Some analysts think the strong rally in CLO tranches since then should give investors pause; others think the market has further to run.

Renaud Champion, head of credit strategies at Paris-based hedge fund La Française Investment Solutions, likes AAA-rated CLO tranches but with a twist: leverage.

Mr. Champion says he buys senior European CLO tranches and borrows money against them to increase the size of his position between five and 10 times. That can amplify gains—and losses—significantly.

"The difference between now and a year ago is the availability of leverage," he said.

Bankers say only a small proportion of CLO buyers use leverage and emphasize that trades are subject to daily margin calls.

That means investors have to post cash to cover mark-to-market losses on a position, which in turn limits how much they are willing to borrow.

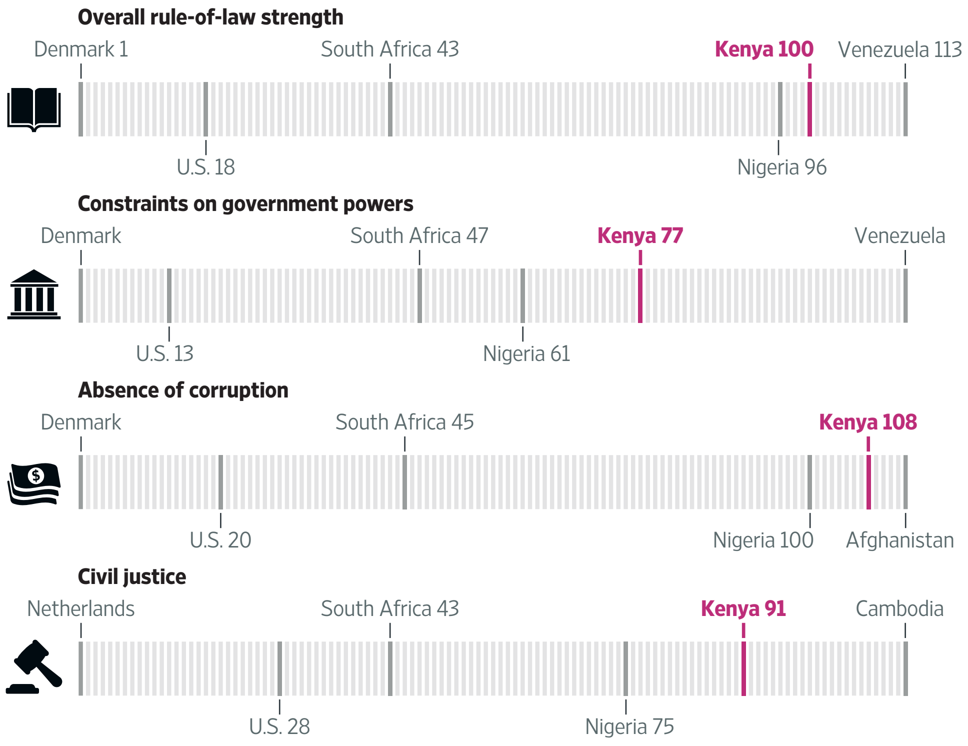
"The leverage in the system today is a fraction compared to precrisis," said J.P. Morgan's Mr. Ahluwalia.

Kenya Judges Face Threats

BY MATINA STEVIS-GRIDNEFF

Legal Matters

Kenya fares relatively poorly on rule-of-law issues despite being one of Africa's leading economies and freest democracies. How the nation ranked world-wide in 2016:



Source: World Justice Project

THE WALL STREET JOURNAL.

NAIROBI, Kenya—Shortly after Kenya's top court made the stunning decision to annul an election that handed incumbent Uhuru Kenyatta a second term, the president labeled the jurists "wakora"—Kiswahili for crooks.

It was the opening salvo of a high-stakes battle between the judiciary and the executive in one of Africa's most advanced democracies, one that could ultimately have greater implications than the result of the presidential rerun.

Kenya's Supreme Court in September became the world's fourth bench to successfully annul an election, upholding claims of voting irregularities from opposition challenger Raila Odinga. Mr. Odinga this month unexpectedly pulled out of the Oct. 26 rerun, alleging the vote would again be illegitimate, a claim the government denies.

In the weeks since the annulment, top judges have faced a barrage of threats that has prompted them to request round-the-clock police protection. Chief Justice David Maraga said his colleagues increasingly fear for their safety and has accused the government of encroaching on their independence for political gain.

"If leaders are tired of having a strong and independent Judiciary, they should call a referendum and abolish it altogether," Mr. Maraga said in a September press conference.

Mr. Kenyatta, who accepted the court's verdict, has claimed in campaign speeches that the justice system has been corrupted and needs "to be fixed." He has warned darkly that the court's verdict was "paid [for] by foreigners and other fools."

His government has rushed a raft of electoral-law amendments through Parliament ahead of the rerun that jurists say are unconstitutional. The clauses, which Mr. Kenyatta hasn't signed into law, stipulate that the Supreme Court will be forced to order a recount if results were disputed, and that the tallying should rely on paper ballots. This is despite the country's payout of hundreds of millions of dollars to switch to electronic balloting. Deputy President William Ruto chastised the judges, saying that if they disagree with the amendments they should reject them in court.

The stakes for the courts are getting higher as doubts grow over an election rerun.

The stakes for the courts are getting higher as institutions tasked with carrying out the fresh elections have been thrown into disarray. This week, a prominent Kenyan electoral official fled the country for the U.S., claiming she feared for her life after publicly opposing next week's rerun date and raising concerns about the vote's credibility.

Her former boss, the head of the electoral commission, said he couldn't guarantee a free and fair election, making it likely that a decision on whether to hold the vote on Oct. 26 as planned would again end up before the courts.

On Tuesday, the courts will rule on whether Mr. Odinga's withdrawal from the race is valid, as well as whether the rerun, whenever it is held, is free and fair. The escalating political standoff is making the courts' role more important still: Ultimately, judges' interpretations of the constitution will likely decide this country's political future as much as voters.

Kenyan commentators say it is unclear whether the threats from Mr. Kenyatta and his government are real or just rhetoric. But the outcome of the legal standoff could have a profound impact on Kenya's democratic institutions and its standing as an African business hub.

Government supporters say the president's calls for judicial overhauls will augment rather judicial independence.

"The president understands that the Supreme Court has the power to do what it has done. He respects the institutions enshrined in the constitution," his spokesman, Manoah Esipisu, said in an interview. "But he has the right to disagree with the decision."

But Elsy Sainna, deputy chief of the Kenyan chapter of the International Commission of Jurists, warned that the rhetoric carried a high risk for Kenya's democracy. One example: "Starving the judiciary of necessary funding to carry out its work."

WORLD WATCH

ARGENTINA

President's Coalition Wins Midterm Vote

President Mauricio Macri won broad backing from Argentines in a key midterm election, paving the way for tax cuts and other pro-business policies.

Mr. Macri's Let's Change coalition won elections in Argentina's five leading congressional districts on Sunday, including the capital and its four most populated provinces—the first time any party has done so since 1985.

With nearly 99% of the votes counted in most provinces, the coalition appeared on track to win 12 of 16 Senate seats up for grabs. Nationwide, Let's Change won about 41% of the vote, something that has happened only twice since the return of democracy in 1983, administration officials said.

Mr. Macri's top Senate candidate in Buenos Aires province, Esteban Bullrich, outpolled former president Cristina Kirchner by about 41% to 37%, hindering her hopes of regaining control over the Peronist political movement. Mrs. Kirchner won one of three Senate seats at play in the province.

—Taos Turner

ZIMBABWE

WHO Pulls Its Offer Of Role for Mugabe

The head of the World Health Organization revoked his appointment of Zimbabwe's President Robert Mugabe as a goodwill ambassador after the choice drew widespread outrage and criticism. Zimbabwe's government said it respected the move.

WHO Director-general Tedros Adhanom Ghebreyesus last week told a conference in Uruguay on noncommunicable diseases that Mr. Mugabe, who was present, had agreed to be an ambassador on the issue.

After the outcry by international leaders and health experts, Dr. Tedros said he had changed his mind.

The 93-year-old Mr. Mugabe, the world's oldest head of state, has long been criticized at home for going overseas for medical treatment as Zimbabwe's once-prosperous economy falls apart and the country's health-care system deteriorates. He also faces U.S. sanctions over his government's alleged human-rights abuses. *—Associated Press*

EGYPT

Sisi Vows Terror Fight After Attack on Police

President Abdel Fattah Al Sisi vowed to fight terrorism, secure the borders and hunt down militants, days after more than a dozen police officers were killed in an ambush about 85 miles southwest of Cairo. The ambush began when security forces acting on intelligence moved against a purported militant hideout. The police contingent drew fire and rocket-propelled grenades, security officials said. No militant group claimed responsibility.

—Associated Press

VALERIE GACHE/AGENCE FRANCE-PRESSE/GETTY IMAGES

ALL IN A ROW: Kayakers paddled through the Corinth Canal between the Peloponnese peninsula and the Greek mainland Sunday.

Special Advertising Feature

HONG KONG, THE SUPER CONNECTOR

An Innovative Business Hub at the Belt and Road Intersection

The sun rises over Hong Kong's iconic cityscape.

By **Mary Devereux**

Hong Kong is a major financial center and in prime position as a financial and commercial enabler of the China-driven Belt and Road Initiative. It's ranked among the top five biggest fintech markets in the world. However, the '852' is more than its banks and technology; it's also a thriving hub for knowledge and creativity.

The Belt and Road Initiative is an ambitious strategy for China to boost trade and stimulate economic growth across more than 60 countries in Asia, Africa, the Middle East and Europe. Ralph Chow, Regional Director, Americas, Hong Kong Trade Development Council (HKTDC) believes the initiative could be a game-changer in accelerating development and revitalizing global trade.

"From initial low awareness and even some skepticism, we've seen concrete action taken by countries to sign policy agreements with China. For example, we've witnessed the collaboration between the Silk Road Fund, Asian Infrastructure Investment Bank, World Bank, Asian Development Bank and the European Reconstruction and Development Bank," said New York-based Mr Chow.

THE WORLD'S CENTRAL BUSINESS DISTRICT

While there are many large public or state-owned organizations involved in the Belt and Road, the infrastructure expectations lead to the key question of who will pay for it, and how?

The private sector is expected to play a key role in raising funds. For this, they can look to Hong Kong as the leading international financial and business center supporting the Initiative, with a dedicated government-run Belt and Road Office.

"Hong Kong can offer deep and knowledgeable equity and debt capital market expertise to help finance new ventures," said Stephen Phillips, Director-General of InvestHK. "Our financial markets are characterized by a high degree of liquidity without foreign exchange controls.

"For international and mainland companies, Hong Kong offers a fantastic base for companies to mastermind and drive their overall engagement along the Belt and Road, all underpinned by Hong Kong's enduring advantages – including the rule of law, low and simple tax system, sound financial and regulatory regime, world-class infrastructure, ease of doing business, and a strong international talent pool."

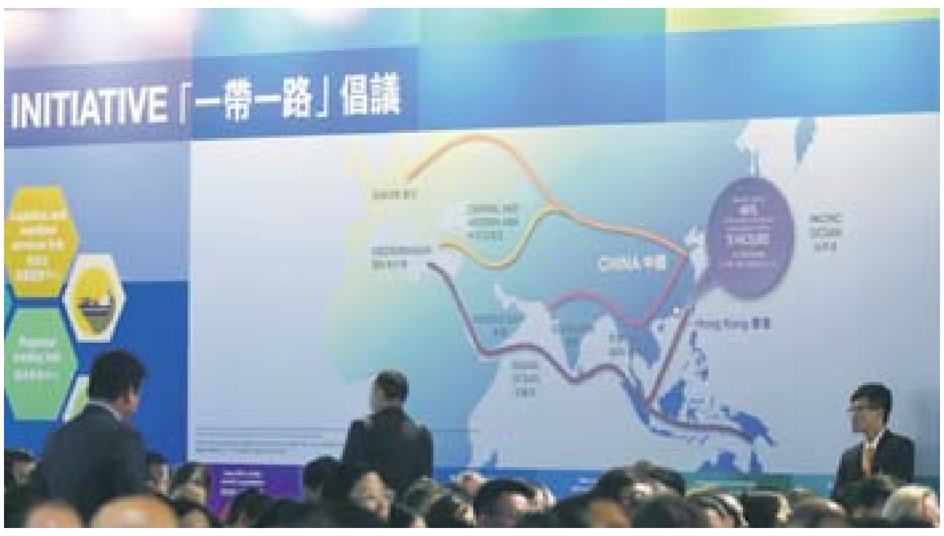
And it works in the opposite direction too.

"Most investors from China consider Hong Kong a springboard for investing overseas," said Mr Chow. "Hong Kong accounts for over 60% of the Chinese mainland's total outward FDI in 2015, with the Mainland's FDI flows to Hong Kong reaching nearly US$90 billion (up 27%, year-on-year). Hong Kong is also well-known as China's top offshore Renminbi trading center."

FINTECH ACTION

Given its commercial and financial strength, it's not surprising that Hong Kong is also attracting attention from the fintech industry.

"We have a unique competitive edge versus other cities as a global and regional fintech hub," said Charles Ng, Associate



Belt and Road Summit 2017 held in Hong Kong on September 11, 2017.

Director-General of InvestHK. "Compared to other locations in the region, Hong Kong has a much bigger stock exchange – it saw 126 companies listed and US$25.1 billion (HK$194.8 billion) raised last year and was ranked the No.1 IPO market globally."

Howard Lee, Senior Executive Director (Development), Hong Kong Monetary Authority, believes the city possesses a host of qualities that make fintech startups thrive.

"Hong Kong has attracted 48 of the top-100 fintech companies to operate in the city. One of the reasons is because there is substantial support from government and various institutions," he said.

Following the success of the inaugural FinTech Week in 2016, InvestHK's flagship event will be held over three consecutive weeks in October and November.

"We've spread out the event because of major demand. In the first week, we look at key themes impacting fintech, such as startup funding, IPOs, blockchain, AI, cybersecurity, regtech, insurtech and wealthtech. The second week is dedicated to fintech in education, and the final week, FinovateAsia, is a fast-paced competitive pitching forum," said Mr Ng.

Hong Kong's role as an access point to China will be central to discussions.

"Mainland fintech firms intending to go global are particularly attracted by our internationally recognised regulatory regime," said Mr Lee. "China has leapfrogged much of the world as a breeding ground for global fintech innovation and adaptation. This presents Hong Kong with an amazing opportunity. We must make the most out of this extraordinary moment in history."

BUILDING A CREATIVE CULTURE

With all the talk of Hong Kong's economic and financial clout, it's important to remember the city is more than its 'hardware.' Its 'software' – the people and their creative spirit - make Hong Kong such a unique place to live and work.

The cultural and creative industries are among Hong Kong's most dynamic businesses. They embrace a wide range of areas including art, performance, film, publishing, museums, architecture, software and design, which all contribute to Hong Kong's economic growth and job creation.

Nearly 214,000 people work in these sectors, which contribute 4.7% of Hong Kong's GDP, according to 2015 figures released this June by the Census and Statistics Department.

"Hong Kong is a very good place to develop creativity or innovation," says Eric Yim, Chairman of the Hong Kong Design Center and Professor of Practice (Product Design) at the PolyU School of Design. "We are right on the doorstep of China, so we enjoy being close to this rich heritage. At the same time, we are well connected to so many countries around the world that we gain from their culture as well. We are really a melting pot. If Hong Kong can develop more designers and innovators who also understand business, this can really help increase the competitiveness of Hong Kong."

One of Hong Kong's largest infrastructure developments is also one of the world's largest creative and cultural projects. Well underway now, the West Kowloon Cultural District project will be a hub for creativity in the region.

Duncan Pescod, Chief Executive Officer of the West Kowloon Cultural District Authority, agrees there is enormous potential for Hong Kong to step up as a creative hub in Asia.

"The government made a strategic decision to build the West Kowloon Cultural District precisely because Hong Kong has so much potential to be a major arts and cultural center in the region.

"One of the most important things the West Kowloon Cultural District Authority can do is promote the local creative community and help support it financially. We will be able to provide venues for artists and performers to gain valuable additional platforms. Free-to-public exhibitions and performances will also provide exposure for up-and-coming artists," says Mr Pescod.

Hong Kong is also well established as an international art community and the city hosts Art Basel; the only one in Asia.

Adeline Ooi, Director Asia, Art Basel, said: "It's a commercially heavyweight city, its mature financial system and the tax-free policy has also made the city a strong location for our Asia edition.

"The arts lovers of Hong Kong are a passionate group. I'd like to think Art Basel's presence here has helped provide a catalyst for the art scene, not only acting as a bridge between the West and the East, but also within Asia."

CREATING A GLOBAL KNOWLEDGE BANK

Being creative is not only for artistes, it's key to business success. Hong Kong has long been an innovation and knowledge center, and a training ground for global corporations and executives.

Hong Kong's MTR Corporation is one of the world's leading railway operators and set up the MTR Academy in 2016. "The skills of our people and our training programs are valuable resources that we want to deploy beyond Hong Kong," said President of the MTR Academy Morris Cheung.

"Our Railway Executive and Railway Professional Programs began earlier this year. We have company presidents, CEOs, station managers and engineers studying at the MTR Academy. They come from railway operators and authorities in 11 countries, including India, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Saudi Arabia and Thailand."

The School of Hotel and Tourism Management (SHTM) of The Hong Kong Polytechnic University is taking knowledge-sharing to an entirely new level. It owns the purpose-built Hotel ICON, the first teaching and research hotel of its kind in the world. More than 2,100 students are enrolled in the SHTM and undergo practical training as they learn about hotel operations, event management, financial administration, entrepreneurship and service quality management.

Working or learning in Hong Kong is still considered a rite of passage for many business people. Hong Kong ranks high in the world's leading surveys on best business cities, economic freedom, competitiveness, opportunity and ease of doing business.

These advantages have drawn several top institutions to Hong Kong, including the Massachusetts Institute of Technology and University of Chicago Booth School of Business in the U.S., Sweden's Karolinska Institutet and the Moscow School of Management SKOLKOVO.

And with Hong Kong serving as a Chief Knowledge Officer for companies doing business in China, its influence will only grow.

Why '852'? It's the international dialing 'code that connects Hong Kong to the world.

Artist's impression of the Xiqu Center (Chinese opera) at the West Kowloon Cultural District (courtesy of West Kowloon Cultural District Authority).

Mary Devereux is a freelance writer and editor based in Hong Kong. ● *Paid for by Information Services Department*

The Wall Street Journal news organization was not involved in the creation of this content

Syrian Rebels Oust ISIS From Oil Field

American-supported fighters seize facility, depriving jihadists of a key source of funds

BY BENOIT FAUCON AND RAJA ABDULRAHIM

U.S.-backed forces said Sunday they had captured Syria's largest oil field from Islamic State militants who had held it since 2014 and used it as a major source of revenue.

The Syrian Democratic Forces seized the al-Omar oil field while regime forces were advancing toward it. Both sides are racing to capture as much territory as possible from Islamic State in the oil-rich eastern province of Deir Ezzour.

The Kurdish and Arab fighters with the SDF attacked the oil field early Sunday with the aim of preventing Islamic State militants from destroying it before withdrawing, the SDF said in a statement.

Anti-Islamic State activists from Deir Ezzour said the militants had planted explosives in the oil field, a common tactic of the militant group.

The activists said clashes continued for hours on Sunday near a housing complex for workers. But by the afternoon, the militants withdrew completely to other parts of the province still under the group's control.

After last week's defeat in its de facto capital of Raqqa, Islamic State is controlling an ever-shrinking pocket of territory in eastern Syria and western Iraq. Deir Ezzour is now the focal point for battle against the radical group. Last month, the SDF seized control of a gas field and plant known in Syria as the Conoco gas plant.

That plant takes its name from the American oil company that once ran it. ConocoPhillips, the company's successor, has had no affiliation with the facility since it was turned over to the Syrian Gas Company in 2005.

BULENT KILIC/AGENCE FRANCE-PRESSE/GETTY IMAGES

Raqqa, Syria, lies in ruins after U.S.-backed forces expelled Islamic State fighters from the city.

The SDF's rapid advance on Islamic State-controlled energy infrastructure gives the group a bargaining chip to negotiate a political deal with the Assad regime, said Nicholas Heras, a fellow at the Center for a New American Security, which advises the U.S. government on Syria.

"Whoever controls the best energy resources will get a tremendous leverage over the future of the country," he said.

The regime of Syrian President Bashar al-Assad in Damascus largely relies on oil-and-gas production in eastern Syria to supply the refineries and power plants under its control in western parts of the country.

Al-Omar pumped close to 10% of Syria's oil output before the war, or about 30,000 barrels a day.

But production declined after Anglo-Dutch oil giant Royal Dutch Shell PLC was forced to abandon the facility in 2011 because of sanctions.

The field has been one of Islamic State's largest sources of revenue, with the militants selling its output to Iraqi traders, middlemen from the Syrian government and businessmen exporting to Turkey, according to former workers at the field and Islamic State defectors.

Syrian oil and gas fields contributed 72% of the $289.5 million that Islamic State generated in natural-resource revenue across its self-proclaimed caliphate over the six months that ended in late February 2015, according to files found by U.S. Special Forces on the laptop of slain Islamic State oil minister Abu Sayyaf.

Among them, crude from al-Omar was the most lucrative, selling for $50 to $70 a barrel around that time—nearly double the amount from other fields. And 500 trucks waited at any time at the facility to be loaded, according to Abu Sayyaf documents seized after he was killed in a raid by U.S. Special Forces in early 2015.

That raid temporarily disrupted the smuggling of oil from al-Omar. One Islamic State oil official, Abu Hafs al-Jazrawi, said his fighters in Deir Ezzour had to rely on donations from wealthy Saudis to make up for the loss.

Ever since, revenue from al-Omar and other eastern Syrian oil facilities has declined steadily, while the group has also lost its oil fields in Iraq.

Bombings by the U.S.-led coalition and Russian aircraft have damaged the oil field as well as other Islamic State facilities and fuel trucks, according to defectors from the group and Western security officials.

U.S. Seeks to Curb Iran's Influence in Iraq

Secretary of State Rex Tillerson pressed Saudi Arabia to counter Iran's influence in Iraq by deepening ties with Baghdad

By Paul Sonne in Doha and Margherita Stancati in Riyadh

as Iraq looks to rebuild itself after a three-year war against Islamic State.

The top U.S. diplomat met Saudi Arabia's King Salman and Iraqi Prime Minister Haider al-Abadi on Sunday in Riyadh, Saudi Arabia, where the three leaders held the first session of a new Saudi-Iraq Coordination Council aimed at counterbalancing Iran's sway in Iraq.

Mr. Tillerson ended the visit by calling for Iranian-backed militias that have been operating in Iraq to go home, but he appeared to conflate Iranian militias with Iranian-backed Iraqi militias.

"Certainly Iranian militias that are in Iraq, now that the fight against Daesh and ISIS is coming to a close, those militias need to go home," Mr. Tillerson said, using two other names for Islamic State. "Any foreign fighters in Iraq need to go home and allow the Iraqi people to regain control of areas that had been overtaken."

A senior U.S. official later clarified that Mr. Tillerson meant to say Iranian-backed Iraqi Shiite militias, known as Popular Mobilization Forces, needed to become part of a single Iraqi military.

The official said that when Mr. Tillerson said foreign fighters needed to go home, the secretary of state was referring to the Quds Force, the foreign arm of Iran's powerful Islamic Revolutionary Guard Corps, which has been operating in Iraq against Islamic State.

Despite the clarification, Iranian Foreign Minister Javad Zarif hit out at Mr. Tillerson in a message on Twitter, suggesting that he meant to say Iraqi Shiites in the militias should "go home" to Iran.

"Exactly what country is it that Iraqis who rose up to defend their homes against ISIS return to?" Mr. Zarif wrote. He called U.S. foreign policy "shameful" and "dictated by petrodollars."

The U.S. has about 5,000 troops on the ground in Iraq, where they have been helping both Iraq's national military and Iraqi Kurdish troops known as Peshmerga in the fight against Islamic State.

ALEX BRANDON/PRESS POOL

Rex Tillerson embraces Iraqi Prime Minister Haider al-Abadi.

GUO

Continued from Page One

State Department, who have tended to favor a less-confrontational approach, according to the people.

Some U.S. national security officials view Mr. Guo, who claims to have potentially valuable information on top Chinese officials and business magnates and on North Korea, as a useful bargaining chip to use with Beijing, the people said.

The episode took a twist when President Donald Trump received a letter from the Chinese government, hand-delivered by Steve Wynn, a Las Vegas casino magnate with interests in the Chinese gambling enclave of Macau. Mr. Trump initially expressed interest in helping the Chinese government by deporting Mr. Guo, but other senior officials worked to block any such move, according to people familiar with the matter.

The Chinese Embassy in Washington declined to comment.

Wynn Resorts Ltd. Chief Marketing Officer Michael Weaver said in a written statement to the Journal: "[T]hat report regarding Mr. Wynn is false. Beyond that, he doesn't have any comment."

Mr. Guo, who built a real-estate empire in Beijing, has said he fled China in 2014 after hearing that a state security official to whom he was close would soon be arrested. Beijing has said it is investigating Mr. Guo in at least 19 major criminal cases that involve bribery, kidnapping, fraud, money laundering and rape, allegations that Mr. Guo denies.

Beijing has branded Mr. Guo as an attention-seeking criminal. Beginning this year, his near daily broadcasts on Twitter alleging official corruption have attracted many followers in China, who find ways to bypass China's internet firewall.

Mr. Guo's application for asylum in the U.S. is pending. He settled at the Sherry-Netherland in 2015, paying $67.5 million for the apartment overlooking Central Park.

The account of Mr. Guo's interactions with U.S. and Chinese officials is based on a review of audio and video recordings he said he made of some conversations, discussions with Mr. Guo and with U.S. officials familiar with the matter.

The recent chapter in China's pursuit of Mr. Guo began May 24, when Mr. Liu, a top official in charge of discipline at the security ministry—China's equivalent of the **Central Intelligence Agency**—went with his colleagues to the fugitive's New York home. They entered the U.S. on transit visas, which allow foreign government officials only to travel through the U.S. for a short period en route to another destination.

Mr. Guo said he had agreed to meet the officials because Mr. Liu had permitted Mr. Guo's wife to leave China and join him in the U.S.

The Chinese officials spoke to Mr. Guo at length, touching on subjects including employees and family members who had been detained in China. Mr. Guo said the officials told him the government would treat him favorably only if he would stop inciting anti-Communist Party sentiment. Mr. Guo didn't agree to the officials' demands.

Later that afternoon, at the beginning of rush hour around 5 p.m., agents from the FBI confronted the Chinese officials at New York's Pennsylvania Station, according to people familiar with the incident.

At first, the Chinese said they were cultural affairs diplomats. Then they admitted to being security agents. The FBI agents instructed them to leave the country, saying they were in violation of their visas and weren't to speak to Mr. Guo again.

The Chinese got on the train to Washington. The FBI assumed they would be gone in 24 hours.

Two days later, on May 26, Mr. Liu and the other Chinese officials returned to Mr. Guo's apartment ahead of a planned flight back to China in the late afternoon.

U.S. law-enforcement authorities, whom Mr. Guo had told about the impending visit, decided it was time to act. The U.S. Attorney's office in Brooklyn prepared charges alleging visa fraud and extortion, according to people familiar with the matter. FBI agents raced to John F. Kennedy International airport ahead of the officials' scheduled 4:50 p.m. Air China flight.

Meanwhile, the Chinese officials dined on dumplings prepared by Mr. Guo's wife, who was still grateful to Mr. Liu for letting her leave China, according to her husband. Mr. Guo said he again declined the officials' offer of clemency in exchange for silence, and walked the group out of the building.

Prosecutors were still scrambling to secure final signoff from Washington to go ahead with the planned arrests at the airport.

With the flight preparing to board and FBI agents taking positions on the jet bridge, White House national security officials convened a conference call with participants from the State and **Justice Departments**, the **Pentagon** and the intelligence community.

State Department officials, worried about collateral consequences for U.S. personnel in China, hesitated to approve the Justice Department's plan to make arrests.

An alternative was presented: Subject the Chinese officials to additional screening, which would cause them to miss their flight and buy some time, people familiar with the call said.

U.S. officials couldn't fashion a consensus to approve either plan, and the FBI agents were permitted only to confiscate the Chinese officials' phones before the plane took off.

A State Department representative said in a written statement: "Decisions on these kinds of matters are based on interagency consensus."

In a written statement about the events provided to the Journal, a Justice Department spokesman said: "It is a criminal offense for an individual, other than a diplomatic or consular officer or attaché, to act in the United States as an agent of a foreign power without prior notification to the Attorney General."

The spokesman added that the U.S. is "committed to continuing cooperation with China" on fugitive cases, and that the U.S. "is not a safe haven for fugitives from any nation."

The U.S. and China have no extradition treaty, a recurring point of tension. Since 2014, China has escalated its global efforts to capture Chinese fugitives accused of corruption, including those who have fled to the U.S. The initiative, dubbed "Operation Fox Hunt," often involves pressuring relatives in China, confiscating the target's assets and sending agents to deliver personal threats.

Beijing officials tell their American counterparts they are justified in engaging in such activities because the U.S. carries out similar operations on foreign soil as well, U.S. law-enforcement officials say.

In June, U.S. officials revisited the JFK incident during a policy coordination meeting that grew heated.

Ezra Cohen-Watnick, then senior director for intelligence programs at the **National Security Council**, confronted Susan Thornton, an East Asia expert who serves as Acting Assistant Secretary of State, charging her agency was improperly hindering law-enforcement efforts to address China's repeated violations of U.S. sovereignty and law, according to people familiar with the discussion.

State department officials criticized the FBI for not seeking permission from them before initially engaging the Chinese officials, the people said.

State Department official Laura Stone said she was already facing retaliation from Beijing, saying Chinese officials had allegedly confiscated her notebook as she was trying to leave the country, the people said.

The FBI's assistant director of the counterintelligence division, Bill Priestap, deadpanned in response: "Was it because you had been trying to kidnap and extort someone in China?"

Separately, at a June meeting in the Oval Office, counterintelligence officials briefed President Trump on Beijing's alleged efforts to steal cutting-edge research from labs and trade secrets from U.S. companies, according to people familiar with the meeting.

The president, surrounded by his top aides, including Vice President Mike Pence, his son-in-law Jared Kushner, his former chief strategist Steve Bannon and other national security and economic advisers, asked to see policy options in 90 days. In the meantime, he said he knew of at least one "Chinese criminal" the U.S. needed to immediately deport, according to the people.

"Where's the letter that Steve brought?" Mr. Trump called to his secretary. "We need to get this criminal out of the country," Mr. Trump said, according to the people. Aides assumed the letter, which was brought into the Oval Office, might reference a Chinese national in trouble with U.S. law enforcement, the people said.

The letter, in fact, was from the Chinese government, urging the U.S. to return Mr. Guo to China.

The document had been presented to Mr. Trump at a recent private dinner at the White House, the people said. It was hand-delivered to the president by Mr. Wynn, the **Republican National Committee** finance chairman, whose Macau casino empire cannot operate without a license from the Chinese territory.

A White House spokesman declined to comment.

Some aides tried to shut the topic of conversation down, including by noting Mr. Guo is a member of the president's Mar-a-Lago club in Palm Beach, Fla., according to the people familiar with the meeting. The aides later worked to prevent any possible attempts to deport Mr. Guo, an action they believed would deprive the U.S. of a key point of leverage to use against Beijing, the people said.

In early September, Deputy Assistant Attorney General Bruce Swartz, who supervises the international affairs office at the Justice Department, traveled to China for an anticorruption conference and lodged a protest with Chinese law-enforcement authorities about China's aggressive efforts to force alleged fugitives to return from the U.S., people familiar with the matter said.

While he was there, Beijing attempted to force another Chinese national to return from the U.S., the people said, without providing details.

On Oct. 4, Mr. Guo was scheduled to speak at the Hudson Institute, a prominent Washington think tank, the same day China's Public Security Minister Guo Shengkun was scheduled to meet with Attorney General Jeff Sessions and others for high-level talks on law enforcement and cybersecurity.

In the days leading up to the speech, the Hudson Institute detected a Shanghai-based attack aimed at shutting down access to its website, according to a spokesman. The Chinese Embassy also called Hudson personnel warning them not to give Mr. Guo the opportunity to speak, according to several people who received such calls.

The institute canceled the event. Kenneth Weinstein, the Institute's president, said Beijing "sought to dissuade" it from holding the event but said the change of plans was caused by poor planning, not Chinese pressure.

Mr. Guo continued to antagonize the Chinese in the run-up to the Communist Party's twice-a-decade Congress, which began Wednesday. President Xi Jinping is seeking to solidify his position as the country's strongest leader in decades during the weeklong event.

Earlier this month at an event in Washington, Mr. Guo released copies of an alleged Chinese government document purporting to authorize a group of spies to be dispatched to the U.S. to stop him and other targets. Beijing has said the document is a forgery.

He also met with lawmakers and Mr. Bannon, the former White House chief strategist who continues to advocate that the U.S. take a hard line on economic negotiations with China. Mr. Guo posted photos of himself with Mr. Bannon on a new English-language Twitter account he recently launched.

—Nicole Hong and Michael C. Bender contributed to this article.

MICHAEL BUCHER/THE WALL STREET JOURNAL

Chinese businessman Guo Wengui at the Sherry-Netherland hotel in Manhattan, where he says he was visited by Chinese security officials.

Guo's Highlights

WHO Guo Wengui, a wealthy Chinese businessman who fled China in 2014 and entered the U.S. the following year.

WHY HE MATTERS Mr. Guo launched an aggressive campaign to expose alleged corruption among China's business and political elites, which has elicited sharp rebukes from the Chinese government. Beijing's alleged efforts to remove him from the U.S. and bring him back to China have become a flashpoint in the U.S.-China relationship.

TARGETS Among others, Mr. Guo is taking aim at Wang Qishan, the Communist Party's top anti-corruption official and a close ally of Chinese President Xi Jinping. Mr. Guo claims the Wang family owns a large interest in HNA Group, one of the country's largest and most acquisitive conglomerates. HNA has denied the charge and sued Mr. Guo for defamation.

ALLEGATIONS China is investigating Mr. Guo in at least 19 major criminal cases that involve bribery, kidnapping, fraud, money laundering and rape. Mr. Guo has denied the allegations and said they are part of a misinformation campaign against him by China.

LEGAL STATUS Mr. Guo applied for asylum in the U.S. in September and his application is pending. Beijing has declared him a criminal suspect and has requested an Interpol arrest notice against him.

PURSE

Continued from Page One

who put a small bottle of hair gel so they can do their hair before going out at night."

Convenience has transcended borders between the various warring parties.

"From the beginning, no one thought it was effeminate," said Ahmad, who boasted of having just returned from a trip abroad with newly purchased man bags—much to the envy of his friends. In Syria, where men think nothing of greeting each other with a kiss on each cheek or walking down the street hand-in-hand, he says he and his friends adopted the trend with no hesitation. "It was like the idea that everyone was waiting for," he said.

In Europe and parts of Asia, the man bag is more or less accepted. In America, some men who tote purses might adopt a line from Jerry Seinfeld's 1990s sitcom: It's a European carryall!!

Ahmad's work takes him across the city of Aleppo—including the eastern half which was held for years by the opposition rebels and largely destroyed in fighting. He carries in his purse two cellphones—one for each of Syria's mobile phone carriers.

Years of airstrikes damaged many mobile phone towers so there are large dead spots around the country with either no service or only one mobile phone network or the other.

After more than six years of fighting, the country's electrical grid is so severely damaged that people now need to carry one or two power banks to charge their cellphones during long daily outages. And the man bags also have room for rolls of bills needed in country where credit cards are rare and the consumer-price index soared more than 500% from 2010 to 2016.

'It was like the idea that everyone was waiting for,' said one bag buyer.

The man purse has taken over some shops. "It wasn't hard to find one, as many places started to sell them in almost all markets," said Kinan, an accountant in Damascus. "We need a lot of money now when we go out."

In parts of Syria still held by antigovernment rebels, the purse has found wide reception, especially among activists and aid workers who carry cash, cameras and the occasional laptop, in addition to documents.

But years of armed rebellion here have added another dimension to the bag phenomena: Military-issue man bags.

The newly popular rucksacks are similar to those once supplied by the CIA to a number of Syrian rebel factions. They have become the bag of choice in a region of Syria where various groups continue to vie for power. Those who can't get their hands on the real thing buy Chinese knockoffs, according to Naser Hezaber, a former city council member from Maraat Numan in northwest Idlib province, one of the few remaining rebel strongholds in the country. This particular man bag carries a "don't mess with me" message, says Mr. Hezaber.

In regime-controlled parts of the country, men began to carry the purse to hold their government-issued military book—a passport-sized record of past military service, deferment or exemption. They must produce the book on demand at the many security checkpoints dotting these areas.

For months, Ayham, a student of English literature, carried his military book in his pocket and whipped it out anytime he came to a checkpoint in Damascus. A few months ago, though, he got worried about the book's condition. "It started to wear out and I don't want to risk losing it," he said. "After a few months, the purse became very necessary in my life. I don't think I would move without it anymore." Before he began carrying a man bag, he said he would sometimes forget his military book at home and end up being stopped for up to an hour at checkpoints as his name was checked. Having the book in his bag saves him that hassle.

The purse isn't without precedent in Syria. Throughout the 1970s and '80s, fashionable men carried leather clutches, said Amr Al-Azm, professor of Middle East history and anthropology at Shawnee State University in Ohio. But by the 1990s, it had fallen out of favor with all men except the feared mukhabarat, or secret intelligence, who used the clutches to carry the intelligence reports they filed on ordinary Syrians, he said.

Mr. Al-Azm said he didn't realize the purses were back in fashion until recently when he got a call from a friend in Damascus who asked him to buy and send him a fancy leather purse. At first, Mr. Al-Azm misunderstood. He thought his friend wanted a briefcase. "He said: 'No, like a bag,'" Mr. Al-Azm recalled. "He wanted to be able to say: 'I got mine from America.' "

—A special correspondent in Damascus contributed to this article.

THE WALL STREET JOURNAL

Bags for men have become a popular item at shops in Syria.

GREATER NEW YORK

AGATON STROM FOR THE WALL STREET JOURNAL

Police officer Wayne Isaacs, left, will go on trial this week in the fatal shooting of a man during an off-duty confrontation in 2016.

Civilian Killing by Officer Under New Unit Goes to Trial

BY ZOLAN KANNO-YOUNGS

New York Attorney General Eric Schneiderman's office will prosecute a case on Monday involving the police killing of a civilian for the first time since Gov. Andrew Cuomo granted Mr. Schneiderman authority to investigate such incidents.

Opening statements are set for Monday in Brooklyn Supreme Court in the case of an off-duty officer, Wayne Isaacs, who has been accused of fatally shooting Delrawn Small, an unarmed man, after a July 4, 2016 road-rage incident.

Gov. Cuomo granted the Attorney General the authority to probe certain police killings.

This comes more than two years after Gov. Cuomo signed a July 2015 executive order giving new prosecutorial authority to Mr. Schneiderman in the wake of protests sparked by the 2014 police killing of Eric Garner on Staten Island.

Citing a lack of public trust in law enforcement, the governor gave Mr. Schneiderman's office the ability to prosecute cases in which there is a question of whether a civilian killed by police was armed and dangerous.

The attorney general's Special Investigations and Prosecutions Unit participation in the case has advocates and many from the law-enforcement community keeping tabs on the trial. While the executive order initially frustrated local district attorneys who felt they were being undermined, Scott McNamara, president of the District Attorneys Association of the State of New York, said a special prosecutor was needed to restore confidence to those who felt district attorney's weren't independent enough.

After Gov. Cuomo signed the executive order, Mr. Schneiderman formed a team of prosecutors from around the state to handle the police-shooting cases. The unit has investigated a dozen instances in which police killed a civilian. Five of the cases are still being investigated; six have been closed.

When the attorney general's office chooses not to charge an officer, they issue a public report explaining why the case didn't meet the criteria outlined in the executive order.

Only one investigation by Mr. Schneiderman's office has resulted in charges—the killing of Mr. Small, a 37 year-old Brooklyn man.

Johanna Miller, advocacy director for the New York Civil Liberties Union, said the unit's work has resulted in a "sea change" for transparency of these probes.

The prosecutors will look to prove that Officer Isaacs, who is on modified duty, is guilty of second-degree murder and first-degree manslaughter.

Law-enforcement officials have said Mr. Small believed the officer cut him off as he was trying to turn on Atlantic Avenue just after midnight. Mr. Small, driving with his girlfriend and two children, followed Officer Isaacs for a couple blocks and then approached his car, police said. Video surveillance appears to show Officer Isaacs, 38, shot immediately when Mr. Small came up to the car.

"Officer Isaacs had no alternative [but] to defend himself in the manner in which he did," said Stephen Worth, the attorney for the officer.

Officer Isaacs has pleaded not guilty. He faces 25 years to life in prison if convicted.

Sanford Rubenstein, the attorney representing the widow of Mr. Small, says she has "full confidence in the authority of the attorney general's office to get justice for her husband."

Mayor de Blasio Rolls Out Plan to Reduce Congestion

BY JOSEPH DE AVILA

New York City officials are rolling out initiatives to try to speed up travel times on the city's traffic-clogged streets.

The plan will limit curbside access for delivery trucks and will expand enforcement on double parking and block-the-box violations and other measures. City officials will also ask the state to form a task force focused on improving traffic conditions on the Cross Bronx Expressway, the Staten Island Expressway and the Verrazano—Narrows Bridge/Gowanus Expressway corridor.

"New Yorkers have been telling me loud and clear about the quality-of-life problems created by traffic where they live and work," said Mayor Bill de Blasio. "With a targeted effort to help clear travel lanes, delivery zones, intersections and highways, these initiatives will address these concerns head-on, using established and new tools that will keep our City moving."

The plans include beefing up efforts to keep lanes clear on 11 problematic crosstown streets in Midtown Manhattan. City officials say they will add 40 traffic enforcement agents in midtown and will add 110 uniformed officers targeting moving and parking violations.

The traffic-improvement plan includes a six-month pilot program beginning in January that will restrict curbside loading for deliveries. The pilot will cover parts of Midtown Manhattan, the Queens neighborhoods of Jackson Heights and Corona and the Brooklyn neighborhoods of downtown Brooklyn, Park Slope and Prospect Heights.

Curbside loading will be banned on both sides of the street in these areas from the peak hours of 7 a.m. to 10 a.m. and 4 p.m. to 7 p.m. Additional police will monitor these locations to keep curbs clear.

The city will also bolster enforcement of laws against vehicles blocking intersections at 30 key spots in Manhattan and another 20 outside of the borough. The city Transportation Department will add new don't block-the-box signage and the police department will hire an additional 50 officers to enforce those rules.

City's Struggles Unnerve Workers

BY JOSEPH DE AVILA

Public-sector workers in cash-strapped Hartford, Conn., are on edge as city officials have said the state capital could seek authority to file for bankruptcy as early as November.

State lawmakers, who are confronting their own two-year deficit of $3.5 billion, will have a big say in how that plays out. Legislative leaders say they reached a tentative state budget agreement that would give Hartford additional aid, and they expect to approve it this week.

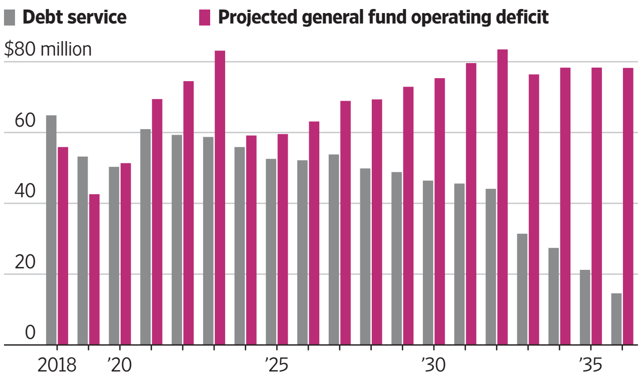
But after a series of false starts in the budgeting process, some are still uneasy.

"It's nerve-racking because obviously the clock is ticking," said Larry Dorman, a spokesman for Afscme Local 1716, which represents about 400 city employees, including those in the departments of public works, sanitation and parks. "When you've seen bankruptcy in other cities, it's always taken the biggest toll on the workers. That's neither right nor fair."

In early September, city officials warned Gov. Dannel Malloy and state lawmakers that Hartford wouldn't be able to pay all of its bills within 60 days and could seek authority to file for chapter 9 bankruptcy in early November unless the legislature provided the city with more cash.

Grim Outlook

Hartford's annual deficit will range between $60 million and $80 million through 2036 without changes.



Sources: Moody's Investors Service; Hartford's 2018 budget; 2017 TAN official statement

THE WALL STREET JOURNAL.

Unions representing public employees say they are worried their members will be asked to make unreasonable sacrifices to fix Hartford's financial problems even if the city doesn't proceed with bankruptcy.

"It is true that we are asking more from our unions than we have asked for in the past, and more than they have yet been willing to give," Hartford Mayor Luke Bronin said. "But I don't think what we are asking for is disproportionate. The solution will require the participation of all of our stakeholders."

Mr. Bronin, a Democrat, said the state, bondholders and employees need to help the city get on better financial footing over the long term.

The city has a deficit of about $50 million, and **Moody's Investors Service** says that figure will range annually between $60 million and $80 million through 2036 without changes. Moody's downgraded the city's credit rating last month further into junk territory, down two notches to Caa3.

Rapidly increasing costs for health care, pensions and debt service have fueled Hartford's fiscal challenges. The city must pay nearly $180 million—more than half of its non-education budget—on debt service, health care, pensions and other costs for the current fiscal year.

The city's tax base isn't large enough to produce the revenue needed to cover those growing expenses because taxes aren't levied on more than half of the property in Hartford, such as state buildings, hospitals and colleges, Mr. Bronin said.

The state reimburses Hartford for some of those losses but not all. A full payment under the state's formula would give Hartford an additional $52.3 million in the fiscal year that ended in June, according to city officials.

Sgt. John Szewczyk, president of the Hartford Police Union, said the city should focus on getting the funds it is owed by the state rather than seeking concessions from unions.

"Hartford is not in this financial situation because of labor," Sgt. Szewczyk said. "We are vastly underpaid compared to departments in the area. We are vastly overworked."

The state legislators' tentative budget agreement calls for the creation of a board that would have an oversight role over Hartford's finances, which Mr. Bronin proposed last year. Some union leaders say such a board also could produce bad results for public employees.

JESSICA HILL/ASSOCIATED PRESS

Hartford has a deficit of about $50 million, and public-sector workers worry about a potential bankruptcy by Connecticut's capital city.

Nonprofit Aims to Inspire and Honor Teachers

BY LESLIE BRODY

Teachers these days get bombarded with training on everything from fighting bullies to analyzing test scores.

Last week, 18 history teachers from public and private schools around New York City joined a workshop about something more fundamental to their calling: How to interpret Abraham Lincoln through his own words.

In a wood-paneled board room at Columbia University, they spent a day under the tutelage of a Lincoln scholar. The nonprofit that brought them together, the Academy for Teachers, aims to inspire great instruction and honor a vocation that some see as suffering from low esteem.

"We want to treat teachers like professional intellectuals, which is pretty rare," said Sam Swope, founder of the academy. "They're working their hearts out."

Now in its seventh year, the academy has drawn more than 1,100 K-12 teachers from the New York City area for intimate master classes with prominent artists and thinkers, including composer Stephen Sondheim, author Ta-Nehisi Coates, historian David McCullough and cartoonist Roz Chast.

Some of the academy's devoted alumni have formed a softball team that plays against the city's cultural institutions. They joked about calling themselves "The Detentions."

These workshops offer a rare chance for teachers from public and private schools to collaborate. That educators in the two sectors "work in separate silos seems ridiculously unhealthy," said Mr. Swope, who has volunteered as a writing teacher in a public elementary school in Queens. "They always leave impressed by each other despite the differences in resources."

Teachers must be nominated by colleagues and are picked for their creativity and love of their subject. "To get into a room with just history teachers is fantastic," said Jason McDonald, a high-school teacher at the private Grace Church School in Manhattan. "The sharing of ideas is manna."

1,100

New York City-area teachers who have taken the master classes.

PAT SWAIN

Teachers from public and private schools get a rare opportunity to collaborate in master classes offered by the Academy for Teachers.

At Friday's master class with Andrew Delbanco, an American Studies professor at Columbia, four words were off limits: "Common Core" (the often controversial academic standards in most states), and "Donald Trump."

Even so, as the group pored over Lincoln's writings on slavery, racial attitudes and individual rights, there were plenty of references to current events, such as the deadly clashes between white nationalists and counterprotesters in Charlottesville, Va., and debates about football players taking a knee during the national anthem.

Mr. Delbanco brought up Lincoln's first Inaugural address in 1861, when seven southern states already had seceded from the Union. In that speech, Lincoln pleaded for unity and heeding the "better angels of our nature."

Public schools pay $250 for the master class, while private schools pay $500 and help subsidize two public-school teachers. Participants face vastly different environments and job descriptions. One teacher at a public elementary in Manhattan has intense involvement with 24 students, while another in the Bronx sees hundreds once a week.

Many said they would borrow from a "pedagogical pot luck" of shared lesson plans. Mr. McDonald, of Grace Church School, showed an 1861 map detailing the percentage of the population in each southern county that was enslaved—more than 90% in some areas.

Anthony Valentin, a history teacher at Stuyvesant High School in Manhattan, said he tries to convey the Civil War's devastation through assignments on "sleeveless poetry," written by veterans who lost limbs in battle.

And Rebecca Lord, a dean of curriculum at Uncommon Schools in Newark, drew gasps when she said fifth-graders at her charter network take parts of the U.S. history Advanced Placement exam as classroom assessments.

Several teachers said it was a joy to dive into the material this way.

"Education in general has been stuck in a rut of testing," said Alissa Koerner, who teaches seventh grade at New York City Charter School of the Arts. "This type of opportunity is rare because it's a lot more freeing. We get to be students."

GREATER NEW YORK


MOSO STUDIO

A rendering of a terrace that is part of the office space being developed in the second phase of Essex Crossing on the Lower East Side.

Offices Sprout in Area's Renewal

By Keiko Morris

PROPERTY

The transformation of Manhattan's Lower East Side has followed a progression familiar to many city neighborhoods during the last three decades, shifting from a symbol of urban blight to a hot residential market and a destination for clubs, art galleries and restaurants.

Its next chapter: an emerging office market.

The second phase of the $1.5 billion mixed-use development known as Essex Crossing is about to begin and would add 350,000 square feet of office space.

The amount of office space is small compared with the commercial skyscrapers of more than a million square feet rising rising on Manhattan's far West Side and at the World Trade Center campus. But it could spur new office space in an area where virtually none on this level and scale had existed, real-estate executives said.

Many point to new office developments around the once-industrial Meatpacking District as a precedent.

"An area like this is not an office area, but if this becomes successful, then others will create opportunities there to develop office space," said David Falk, president of the New York Tri-State region for real-estate services firm Newmark Knight Frank.

The neighborhood's reputation as a gritty area struggling with poverty, crime and drugs, particularly in the 1970s through the 1990s, began to turn in recent years as more young professionals moved in, and art galleries and restaurants opened. In the last four years, the area has experienced a surge in luxury condominium developments.

The Midtown South office submarket, which includes the Lower East Side, is filled with nontraditional office neighborhoods. But in some such as SoHo, Chelsea and the Meatpacking District, rents for new office developments have pushed well above $100 a square foot, rivaling those of high-end, Midtown locations.

Employers have shown a preference for these areas because they offer a mix of residences, restaurants and bars, as well as cultural venues. But growing companies unable to find the larger floor sizes they need have been forced to look elsewhere, real-estate brokers and executives said.

One of the attractions of Essex Crossing is that its nine sites sit somewhat in the middle of several neighborhoods, including the East Village, Chinatown, SoHo and the Bowery, Little Italy and Nolita.

"It was like the hole in a doughnut," said Charles Bendit, co-chief executive of **Taconic Investment Partners** LLC, a member of the Essex Crossing development team. "You had great dough all around it and this hole that needed to be filled."

The 6-acre site of city-owned lots and low-rise buildings had sat mostly vacant for more than four decades until it was targeted for development in 2013. The city's efforts to build new apartment and commercial buildings on the lots stretched back to 1967, when it began demolishing tenement buildings there as part of an urban-renewal push.

Essex Crossing is expected to bring much-needed affordable housing, and the office space is likely to attract workers who can provide merchants with foot traffic, said Harriet Cohen, chair of the Seward Park Area Redevelopment Coalition, a community group. But she also worries about whether the streets and the existing subway access would be able to handle the thousands of new residents and workers in the area.

"We used to say, '50% of something is better than 0% of nothing,'" Ms. Cohen said.

Essex Crossing's towers, ranging from 14 to 26 stories, would offer more than 1,000 apartments and 450,000 square feet of retail space. More than half of the apartments will be affordable.

The development would feature a Trader Joe's, a Target, a bowling alley and a movie theater. It will be home to the decades-old Essex Street Market and the International Center of Photography's school and museum. NYU Langone also will open a medical center there.

Developer Treads In Nontraditional Neighborhoods

By Keiko Morris

Taconic Investment Partners has a history of redeveloping buildings in neighborhoods that traditionally don't host offices and attracting established companies as tenants.

That is the goal of Taconic and its partners on the 1.9 million-square-foot Essex Crossing project, which in2020 is expected to deliver about 350,000 square feet of office space to the Lower East Side, a neighborhood that currently isn't an office destination.

The scenario is a somewhat familiar one for Taconic.

Perhaps the company's most well-known property repositioning was 111 Eighth Ave., a 2.9 million-square-foot Chelsea building. In 1998, as part of a larger property portfolio, Taconic acquired and eventually overhauled the building. Search-engine company Google bought the property for $1.9 billion in 2010.

"Who would have thought in the early 1980s that [a company like] Google would have come to that part of town," said Charles Bendit, co-chief executive of Taconic.

Taconic and its partners also completed the expansion of a landmark building in the Meatpacking District, leasing the entire six-story building to Samsung Electronics North America in 2014. A year later, the group sold the property for $200 million to TIAA-CREF.

While companies like being near other firms in the same industry for recruiting purposes and a certain environment, there are large employers who are willing to go beyond the usual office neighborhoods if they can establish and brand their own location in a cool office space, said David Falk, president of the New York Tri-State Region of real-estate services firm Newmark Knight Frank.

One of his clients who wanted to find office space in the heart of SoHo was drawn farther east to the Bowery because the building spoke to the company's image, Mr. Falk said. That could happen in the case of Essex Crossing's office space.

"For those that don't need to be next to a company that does a similar business, they can go there and create their own campus," he said.


RAMSAY DE GIVE FOR THE WALL STREET JOURNAL

Taconic's most well-known property repositioning was 111 Eighth Ave., a 2.9 million-square-foot building in the Chelsea neighborhood.

Ex-Union Boss Trial Is Set to Open

By Thomas MacMillan

The latest bribery trial of a local official hinges not on complex federal corruption laws, but on something more fundamental: an alleged bag of cash.

Specifically, that's an $820 Salvatore Ferragamo bag allegedly containing $60,000 in cash. Federal prosecutors say it was a bribe that Norman Seabrook, the former head of the New York City Correction Officers' Benevolent Association, took in exchange for investing $20 million of union money in a hedge fund, Platinum Partners.

Mr. Seabrook, and co-defendant Murray Huberfeld, former head of Platinum, have pleaded not guilty to charges of honest services wire fraud and one count of conspiracy to commit honest services wire fraud. Mr. Seabrook's lawyer has dismissed the government's case as overly reliant on a lone witness who isn't credible.

The trial is expected to begin this week in Manhattan federal court. If convicted, he faces up to 40 years in prison.

Mr. Seabrook's case contrasts with other recent federal corruption trials that have centered on questions of legal interpretation. Convictions of former New York state Assembly Speaker Sheldon Silver and former New York state Senate Majority Leader Dean Skelos were both recently overturned due to a U.S. Supreme Court decision that narrowed the definition of corruption.

In the Seabrook case, however, jurors will face a straightforward question of fact: Whether or not Mr. Seabrook took a bag of cash in exchange for investing his union's money in a hedge fund, said Jennifer Rodgers, a former federal prosecutor and head of Columbia Law School's Center for the Advancement of Public Integrity. "What innocent explanation is there for $60,000 cash in a Ferragamo bag?"

But the case depends largely on the testimony of a single cooperating witness, identified by The Wall Street Journal as Jona Rechnitz, a Brooklyn real-estate investor and donor to Mayor Bill de Blasio.

Mr. Rechnitz allegedly acted as a go-between for Mr. Seabrook and Mr. Huberfeld, arranging the union's introduction to Platinum and facilitating kickbacks to Mr. Seabrook. Mr. Rechnitz is expected to testify that he delivered the $60,000 to Mr. Seabrook on Dec. 11, 2014.

Ms. Rodgers predicted defense attorneys will attack the credibility of Mr. Rechnitz, who has pleaded guilty to conspiracy. "Jona and the truth have never occupied the same room," said Mr. Seabrook's attorney, Paul Shechtman. Neither Mr. Rechnitz's nor Mr. Huberfeld's lawyers responded to requests for comments.

Following the $60,000 payment, Mr. Huberfeld is alleged to have created a sham invoice, stating that the money was for Knicks tickets. "The corroboration seems to be that no one would pay $60,000 for Knicks tickets," Mr. Shechtman has said. "That may be true but it certainly doesn't suggest that Norman Seabrook did anything wrong."

Current correction officers union leadership declined to comment.


TOM HAYS/ASSOCIATED PRESS

Norman Seabrook, left, is accused of taking a $60,000 bribe.

GREATER NEW YORK WATCH

BRUSH FIRES

NJ Transit Looks for Mystery Train Owner

Authorities are trying to determine who owns a mystery train that is suspected of causing a series of brush fires while hauling rocks on NJ Transit tracks.

Glen Rock Fire Chief Thomas Jennings said witnesses saw the work train causing sparks Saturday and heard a screeching sound before the fire broke out.

NJ Transit said the train didn't belong to them and were looking into who owns the train, Mr. Jennings said.

The brush fires delayed several commuter trains. No one was hurt, and only fencing and vegetation alongside the tracks were damaged.

—Associated Press

NEW JERSEY

Craigslist Posting Leads to Porn Arrest

A New Jersey corrections officer has been charged with receiving images of child sexual abuse, authorities said.

Stephen Salamak, 37 years old, was arrested at his home in Lodi, federal prosecutors said. He has been suspended with pay from his job at East Jersey State Prison in Rahway.

Mr. Salamak was investigated after a posting on Craigslist with a coded reference to child pornography, authorities said. A search of his email found one with five attachments showing nude images of young girls, authorities said.

It wasn't immediately clear if Mr. Salamak had an attorney.

—Associated Press

CONNECTICUT

Man Faces Prison for Car-Insurance Scams

Federal prosecutors are seeking more than a year in prison for a Norwich man convicted in an insurance scam involving staged car crashes in eastern Connecticut.

Jonas Joseph is scheduled to be sentenced on Wednesday in U.S. District Court in New Haven.

Prosecutors said Mr. Joseph was involved in six bogus accidents in and around New London County between March 2013 and February 2014, which resulted in a total loss to insurance companies of more than $95,000.

They contend he was part of a group that staged more than 50 crashes dating back to 2011.

—Associated Press

LIFE & ARTS

HEALTH AND WELLNESS

Fighting Cancer, Finding a Calling

Ari Bernstein didn't let lymphoma derail his medical-school studies; the illness inspired him to foster close ties with future patients

Ari Bernstein this month at Albert Einstein College of Medicine, where he kept up his studies after a cancer diagnosis last year. His grueling treatment began before New Year's Eve 2016, right, which he spent in hospital with his girlfriend, Dara Levy. By March, above right, he had completed four cycles of chemotherapy, some administered by a portable pump.

CLOCKWISE FROM LEFT: MARK KAUZLARICH FOR THE WALL STREET JOURNAL; DARA LEVY; RISA BERNSTEIN (2)

The Bernstein family celebrated at Ari's 'white coat' ceremony when he began medical school in August 2016. From left, Benjamin (Ari's older brother), Risa (his mother), Ari, Coby (his younger brother) and Sol (his father).

BY LUCETTE LAGNADO

ARI BERNSTEIN was 22 years old and five months into his first semester at **Albert Einstein College of Medicine** when he learned he was sick. Sometime last November, he began noticing his neck was sore, and felt a lump at the base of his neck. When he had it checked in December, it turned out to be the tip of a roughly seven centimeter mass wrapped around his heart and trachea.

Doctors wrestled with the diagnosis: Was it a rare cancer that would require major surgery or was it lymphoma, a cancer that was serious but generally responsive to treatment? Or was it a benign mass that still needed to be removed surgically?

The news that he had lymphoma, a cancer of the lymph node system, left Ari torn about whether to stay in medical school or take a leave—as his parents were urging—and return home to Montclair, N.J. “I had worked so hard and for so many years to get into medical school,” he said. “And now that I was finally here—happy and thriving—my biggest fear was having to take a leave.”

His decision to stay in school comes as many doctors, residents, and medical students are feeling burned out and profoundly frustrated with their work, leading some to quit. The Association of American Medical Colleges, which represents medical schools in the U.S., has made coping with physician burnout and improving medical students' well-being a priority.

Ari had heard the warnings about physician burnout before applying to medical school. He had been advised to pick another career, such as finance, rather than medicine. But he followed his dream and now that he was in medical school, he wanted to stay the course and become a doctor.

His mom, Risa Bernstein, pushed him to leave school. “I wanted him to come home where I could take care of him, where I could feed him, where I could make him rest,” she explained. Ms. Bernstein had spent years working in health-care communications and co-founded two companies whose clients included makers of several cancer drugs. She worried about the drugs' toxic side-effects. “I wanted him to focus on healing,” she said. “That was all that mattered to me.”

Ari knew that his physician at Montefiore Einstein Center for Cancer Care, Noah Kornblum, a hematologist-oncologist, could help with the decision. The center is part of the Montefiore Health System. At the initial consultation, Dr. Kornblum spent several hours going over the disease with Ari, his parents and his girlfriend, Dara Levy.

“This kid wanted to be in school,” said Dr. Kornblum, an assistant professor of medicine at Einstein. “He was like, ‘I am not going to let lymphoma [get in between] my meteoric rise in medicine.”

The doctor also managed to reassure Ms. Bernstein. “He held my hand,” she said, recalling him saying, “Ari is going to graduate, he is going to be a doctor and, God willing, he will get married and have children.”

> 'Ari is going to graduate, he is going to be a doctor'

Dr. Kornblum's supportive stance endeared him to his young patient. “That was when we had a connection more than [I had] with my parents,” Ari recalled. Montefiore, where Dr. Kornblum practices, is the university hospital for Albert Einstein, which meant Ari could get chemotherapy close to school.

Treatment began almost immediately. As an inpatient at Montefiore in late December, Ari received a drug called Rituxan which is widely used to treat lymphoma, and suffered a severe reaction.

“His body was quaking,” Ms. Bernstein recalled, and he said, “ ‘Mom, I am scared.’ ” She found herself racing through the unit to find a nurse. Her knowledge about the drugs “gave me more fear, because I understood too much about the toxicities even after the treatment stops.”

Ari felt better on New Year's Eve, which he spent with his girlfriend at his side in his hospital room. They would always remember this night, they told one another gamely over pizza and non-alcoholic cider. Ms. Levy says they chatted “a lot about future New Year's Eves” and vowed not to spend another one in a hospital.

Ari was back on campus for his second semester a week after leaving the hospital. Chemotherapy caused his hair to fall out and he began wearing a beanie. He became comfortable walking through campus with a portable infusion pump to get the chemo drugs. The pump made a low repetitive whooshing sound during class but his fellow students never complained.

His demanding medical-school workload remained largely the same—except for Anatomy class. Ari was too weak to stand for 2 ½ hours each day to dissect cadavers, and he wanted to avoid the

Please see STUDENT page A13

FROM LEFT: GENTLING ESTATE ARTWORK/2017 KATE ROTHKO PRIZEL & CHRISTOPHER ROTHKO/ARTISTS RIGHTS SOCIETY (ARS), NEW YORK; CHRISTIE'S IMAGES LTD. 2017

ART & AUCTION

CHRISTIE'S TO SELL WORKS FROM BASS ESTATE

BY KELLY CROW

BEFORE NANCY LEE BASS met Texas oilman Perry Richardson Bass at a Fort Worth dance and married him in 1941, her maiden name was Muse. It's a fitting coincidence for a couple who amassed a classic collection of impressionist and modern art, the bulk of which is heading to auction.

From Vincent van Gogh farm scenes to Mark Rothko abstracts, the Basses filled their Fort Worth home with bright, cheery paintings and sculptures they bought mainly from European dealers between the 1960s and the mid-1980s. At least 35 works from their estate will be auctioned off during Christie's major fall sales in New York next month. The total estimate for the group: $120 million or more.

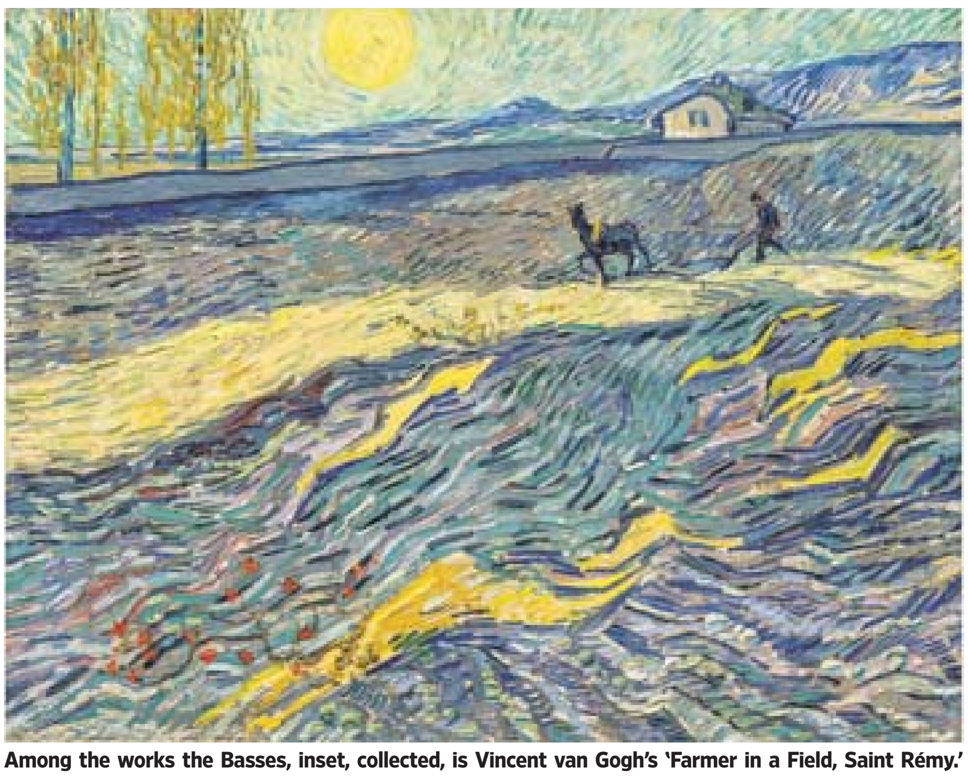
Anchoring the set will be van Gogh's “Farmer in a Field, Saint Rémy,” a lively view of a farmer just after sunrise pushing a plow through a field, its furrows a torrent of yellow, blue and purple slashes. The artist painted it in 1889 after being confined to an asylum; the scene is the view from his window. It's estimated to sell for around $50 million.

There also is Joan Miró's “Painting (from Collage), April 4, 1933,” a 5-foot-tall, mostly deep blue painting dotted with floating, biomorphous forms that is estimated to sell for at least $18 million on Nov. 13. Henri Matisse's 1921 work, “Two Women on a Balcony,” a sunny picture of a pair of women overlooking the coast in the French city of Nice, is estimated to sell for at least $12 million.

Among the contemporary pieces in the group is Mark Rothko's untitled red-and-yellow rectangle abstract work on paper from 1969, which carries an estimate of at least $10 million. There also are works by Alexander Calder, Marc Chagall, Kees van Dongen and other artists.

Christie's president Jussi Pylkkänen said the Bass collection is one of several major estates heading to auction this season, a development that houses can't exactly predict but nevertheless can signal confidence in the market. That's because firms liquidating major estates generally wait and sell into strong

Please see AUCTION page A12



Among the works the Basses, inset, collected, is Vincent van Gogh's 'Farmer in a Field, Saint Rémy.'

WHAT'S YOUR WORKOUT? | By Jen Murphy

Like Soccer, Only Faster

An executive bouncing between Washington and Chicago enjoys a faster variation of the game called futsal

STEPHEN VOSS FOR THE WALL STREET JOURNAL

Ari Greenberg warms up for a futsal match at Cassel's Sports Complex in Herndon, Va. He plays the five-on-five game every Tuesday.

COMMUTING COMPLICATES any workout routine. Ari Greenberg learned that firsthand when he tried to keep weekly soccer and running club commitments at home in Washington, D.C., while launching a startup with his brother, Benji, who lives in Chicago.

"The weekly flights and client dinners started to take their toll," he says. "I felt like I had no control over my schedule, my workout, my diet. So I eventually let everything go." Their Chicago-based company, BCV, which manages social media for hotel clients, launched in 2010. Shortly after, Mr. Greenberg realized he had to change up his routine for the road or he'd pay the price later.

On a good week he spends two days in D.C., two to three days in Chicago and one or two days in Florida, Dallas or California. Mr. Greenberg's workout of choice is soccer. He's played competitively since grade school and wasn't ready to give up the sport. "The challenge of soccer is that if you want to continue to play at a high level, you need to keep up your endurance and play consistently," he says.

His compromise was futsal, a fast-paced take on soccer played five-a-side on a smaller, typically indoor, basketball-sized court with a heavier, less bouncy ball that promotes rapid, ground-level action. The term is a mashup of the Spanish words for soccer (fútbol) and indoor space (sala). The sport can be traced back to 1930s Uruguay. South American soccer stars including Pele and Lionel Messi have said playing the game as children helped sharpen their fancy footwork.

"In traditional soccer, you have opportunities to hang back," Mr. Greenberg, 35, says. "With futsal, you are constantly sprinting and engaged no matter what position you play." Played in 20-minute halves, futsal is less of a time commitment than traditional soccer, which has 45-minute halves.

To keep up his strength and cardio, Mr. Greenberg mixes in rock climbing and runs. He says juggling different routines on the road requires more planning. "I try to stay at hotels near running trails and I leave a pair of climbing shoes in the Chicago office," he says. "I don't check luggage, so my running sneakers are usually tied to the outside of my bag. I always get looks for that on the plane."

Mr. Greenberg has tried to make it easier for his employees to follow his lead by offering a $75 monthly fitness stipend in every employee's paycheck. The company also sponsors volleyball and kickball teams to promote fitness and team bonding. "My brother told me that I'm a better person after a workout," he says. "It takes away my stress and clears my head. I want all of my employees to have time for that."

The Workout

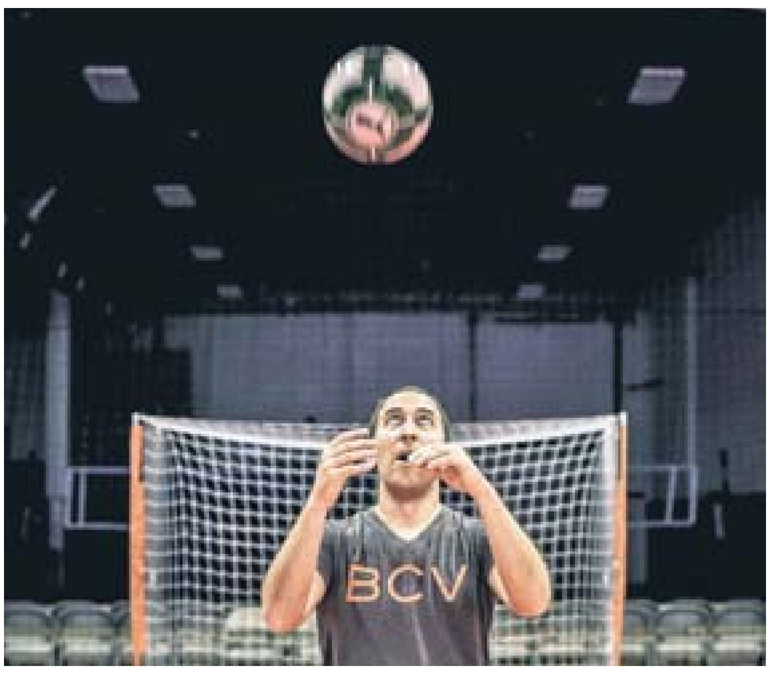
Mr. Greenberg belongs to a Washington futsal league that plays Tuesday nights. He plays defense, but says he runs as much as an offensive player does in traditional soccer. "The workout world has moved toward high-level training with short bursts of energy, and that's exactly what futsal is," he says. "You're always one pass away from the ball and moving at 80% effort."

He says running is the easiest workout to maintain while traveling. He prefers to get off the pavement and has found trails in the cities he frequently visits for work. In Dallas he runs the Katy Trail. In Chicago he runs a 2.7-mile recreational trail called the 606. At home, he runs along the Anacostia or Potomac rivers. He tries to run 3 miles in under 20 minutes at least once a week and get in another 5 miles another day.

Mr. Greenberg rock-climbed in college and picked up the sport again when he discovered a climbing gym in Chicago. He tries to go one night a week after work for two hours. "Climbing is really about problem-solving," he says. At least once a year he plans an outdoor climbing trip to Kentucky's Red River Gorge or spots in West Virginia.

The Diet

Throughout high school and college, Mr. Greenberg lived off fast food. "Now that I'm fit I can't imagine putting that stuff in my body," he says. His hectic travel schedule forced him to pay more



attention to his diet. "On the road, breakfast is the one meal I feel like I can control," he says. His go-to is scrambled eggs, chicken sausage and a chai latte. He avoids breads and pasta and tries to stick to a salad with grilled chicken for lunch and steak or chicken for dinner. He's cut out cocktails on flights, though he will indulge in a beer after a futsal match with teammates.

The Cost & Gear

Mr. Greenberg likes Under Armour apparel. He usually runs in Asics Gel-Kayano sneakers (retail $160). But when the plantar fasciitis in his heel flares up, he switches to Brooks Ravenna, (retail $120). He wears Adidas soccer shoes and shinguards for futsal. His Zog-Sports futsal league costs $65 a season. His Five Ten climbing shoes cost $165 and he pays $25 per drop-in at Brooklyn Boulders Chicago climbing gym. He says Strava, a mobile app that allows runners to compare performances, keeps him competitive now that he runs alone.

Smart Ways to Stay Fit on the Road

Travel doesn't have to derail your workout. Instead of trying to stick to your normal routine, be open to mixing things up on the road.

"Remember, something is always better than nothing, even if it's only 15 minutes," says Seamus Dooley, a personal trainer for an Equinox gym in Dallas. He suggests developing a routine specifically for when you travel.

"A TRX is an easy, compact tool to pack that will allow you to have a total body workout in your hotel room," he says. You can do body-weight exercises anywhere, from the park to the hotel room. A circuit of planks, push-ups, squats, lunges and dips can be a great 20-minute hotel room workout, he says.

Amanda Pezzullo, a personal trainer for Equinox in Chicago, suggests buying a pair of lightweight travel sneakers. "Nike 1.0 and Vibrams don't take up too much space in luggage," she says. If you're at a conference, she suggests scheduling a workout time with a colleague before or after each day to help hold you accountable. Social media can also be a great resource for workout tips in new cities. "People love to share their favorite runs or gyms," she says.

AUCTION

Continued from page A11

seasons unless finances compel them to act during a downturn.

"They're looking at the market, seeing good prices and feeling like it's the right time to make a move," Mr. Pylkkanen said of the Bass estate.

Perry Richardson Bass was the nephew of Sid Richardson, a Texas wildcatter who earned a fortune in oil during the Depression and left $11 million to his nephew in 1959. Mr. Bass, in turn, used his inheritance to stake an even bigger claim on Texas, buying up oil fields and redeveloping most of downtown Fort Worth. His four sons—Sid, Ed, Lee and Robert—are now billionaires worth at least $13 billion combined.

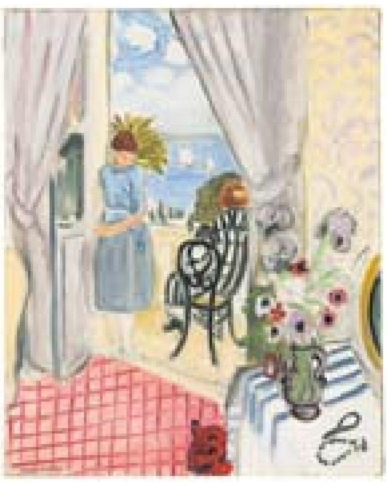
After Mr. Bass died in 2006, the collection stayed with his wife. Two years after her death in 2013, the Kimbell Art Museum mounted a major show of their works. Mrs. Bass was a big donor to the museum and had been a trustee of the nearby Modern Art Museum in Forth Worth.

A quick comparison of the works in the Kimbell exhibit with the coming line-up at Christie's suggests that the Bass sons may have held onto a few of their parents' favorite works, including another Van Gogh and a Frederick Remington bronze.

Yet the Christie's roster still spans the couple's decades of collecting, from the first major works on paper they bought during trips to Europe in 1961 to a Raoul Dufy sailing scene from 1938, "The Deauville Harbor (Collection Book No. 7)."

Mr. and Mrs. Bass bought the Dufy in 1963. The painting later hung on the wall of the Bass dining room. It is estimated to sell for at least $300,000.

Works by Joan Miró, left, Mark Rothko, right, and Henri Matisse, below, from the collection of Nancy Lee Bass and Perry Richardson Bass, will be put up for auction at Christie's as part of the house's major fall sales in New York next month.



CHRISTIE'S IMAGES LTD. 2017 (3)

CULTURAL COMMENTARY

Dizzy Gillespie: Serious and Showy

A look back at one of the most influential trumpeters of the 20th century

BY JOHN EDWARD HASSE

Dizzy Gillespie in 1972, left, and the 'Pudgy' trumpet he owned that is in the Smithsonian's collection, above

FROM LEFT: BRIAN RASIC/GETTY IMAGES; SMITHSONIAN INSTITUTION/NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE

IN 1985, as a newly arrived music curator at the Smithsonian's National Museum of American History, I was given virtual carte blanche to collect as I wished. What should I seek first? I decided to invite one of jazz's foremost living innovators—Dizzy Gillespie—to donate his previous "bent" trumpet. I mailed him that request, but heard nothing. After a few months, a colleague who knew him advised, "Get his wife, Lorraine, involved." So I wrote essentially the same letter to her and figured she might not respond, either. Three days after mailing the letter, a big UPS box arrived. Inside was her husband's last trumpet. I think she wanted it...out of the house!

Several months later, Dizzy himself came to formally present the instrument to the museum and drew over a dozen reporters and TV crews. The charismatic Gillespie filled the air with electricity, alternately reminiscent, wise and witty. As the event was winding down, a tall British reporter asked, "Mr. Gillespie, 500 years from now, what will that trumpet be saying?" Gillespie deadpanned, "Five hundred years from now, that trumpet...ain't gonna be saying nothin'!"

I silently disagreed, for at the Smithsonian his trumpet will be telling stories for centuries; in fact, millions have already seen the trumpet on display there.

John Birks "Dizzy" Gillespie was born Oct. 21, 1917, in Cheraw, S.C., the son of a weekend bandleader. Spending two years performing in Philadelphia, he earned the nickname "Dizzy" for his humorous antics. In 1937, he was drawn to the jazz magnet of New York, where he apprenticed in the big bands of Teddy Hill, Cab Calloway and Earl Hines, practiced obsessively, and joined in jam sessions.

In 1940, he met the 20-year-old alto-sax sensation Charlie Parker. They bonded immediately and, over the next few years, invented a new paradigm: music with asymmetric rhythms, rapid-fire tempos, fast-moving and complex chord progressions, and virtuoso improvisations using multiple scales and altered tones. This music—which much of the public found radically different, puzzling, or off-putting—was intended more for listening in small nightclubs than for dancing in big ballrooms, as had been swing music. By 1945, the new style—known as bebop or bop—was fully formed, as heard on such Gillespie recordings as "Shaw 'Nuff" and "Hot House."

While playing trumpet in Calloway's band, Gillespie learned about Latin rhythms from his Cuban-born bandmate Mario Bauzá and became a proponent of fusing American jazz with Afro-Cuban rhythms and percussion, on such pieces as "Manteca" and "Night in Tunisia."

Gillespie developed an unmistakable trumpet style—rich with drama, bravura, humor, technique, and melodic and rhythmic invention—that set him far ahead of his contemporaries. Even today, his torrid cascades of high notes dazzle the ear. He also composed and collaborated on a number of jazz standards such as "Groovin' High," "Anthropology" and "Salt Peanuts."

His impact was enormous. He was one of the most influential trumpeters of the 20th century, taking his distinguished place in the lineage of jazz trumpet royalty that began with Joe "King" Oliver, Louis Armstrong and Roy Eldridge. Gillespie affected virtually every trumpeter who came after him.

Gillespie attracted attention with his beret, goatee, horn-rimmed glasses, and, when playing, froggy cheeks. From 1951 on, a 45-degree-uptilted bell on his trumpet gave him further visual identity. A bandmate fell on his horn, bending it, and Gillespie found that he liked the sound projection. From then on, each of his trumpets was custom-made with an uptilted bell.

Beneath the showy surface, however, he was dead serious. "Men have died for this music. You can't get no more serious than that." Yet, as he said, "If I can make people laugh, and if that makes them receptive to my music, I'm gonna do it." Unlike his contemporary Miles Davis, Gillespie embraced showmanship and charmed audiences with his ebullient humor, funny routines, and comic dancing.

Beginning in 1956, the U.S. State Department sent Gillespie on goodwill concert tours to Europe, Asia, Latin America and Africa. Insisting that ordinary people—not just VIPs—be admitted to his performances, he disarmed anti-American skeptics and won fans wherever he went, even among people who didn't know jazz.

In his later years, he became an elder statesman of jazz, a champion of the tradition, and an advocate for global musical exchange. He formed his United Nation Orchestra in 1988 to bring together musicians from North and South America. In 1989, he traveled to 27 countries to give 300 performances. Struck by pancreatic cancer, he died in 1993.

The long roster of musicians Gillespie mentored over several generations includes pianist Billy Taylor, trombonists David Baker and J.J. Johnson, saxophonists James Moody, Phil Woods, Jimmy Heath and Paquito d'Rivera, and trumpeters Arturo Sandoval and Jon Faddis.

The list of musicians Dizzy has inspired is much, much longer.ß

Mr. Hasse is curator emeritus of American music at the Smithsonian. His books include "Beyond Category: The Life and Genius of Duke Ellington" (Da Capo) and "Discover Jazz" (Pearson).

STUDENT

Continued from page A11

formaldehyde due, he said, to his compromised immune system.

Ari said he found support at Einstein for his decision to stick with his training. Mary S. Kelly, a psychologist who serves as director of academic support and counseling, became his liaison, contacting key faculty—including the anatomy professor—to make sure Ari received some dispensation. "Everybody was very sympathetic," Dr. Kelly says. But they weren't pushovers. She kept an eye on his grades, to see if he was keeping up, she said. Despite the grueling schedule, Ari says, his grades improved.

To keep up with anatomy, his roommate, Jeffrey Arendash, went to the lab with him every couple of weeks to review the dissections. "I saw the cadavers less than the average person, but I spent more time looking at the textbooks," Ari said.

Over five months, he had six cycles of chemotherapy, in a center just a two-minute drive from his dormitory. Strong anti-nausea drugs helped but nothing could stave off his exhaustion. Several days after each infusion, he would go home to his parents for a couple of days, then return. "I didn't know how hard chemotherapy was going to be," he acknowledges. His oncologist, Dr. Kornblum urged him to get in touch if he ever suffered a bad reaction. "Call me even if it is the middle of the night," the doctor said.

Ari Bernstein, left, this month with Noah Kornblum, the doctor who helped him fight cancer and pronounced him in 'complete remission' after a scan in June. After his hair started falling out from chemotherapy, Ari, seen below in February, wore a beanie.

FROM TOP: MARK KAUZLARICH FOR THE WALL STREET JOURNAL; RISA BERNSTEIN

When he did well in class, Ari texted him; Dr. Kornblum, he believed, savored hearing such news. One day in pharmacology class, his professor gave a presentation about cancer drugs. Ari realized he had been on most of them: "I knew these drugs probably better than the professor," he said. "They were inside of me." When he took exams, special arrangements had to be made. Given his weak immune system, he couldn't be in a room with scores of other students. Instead, he took tests alone with Dr. Kelly as his proctor.

In June, Ari had another test—a scan. Dr. Kornblum declared him to be in "complete remission."

Looking back, Ari thinks that his illness, along with his bond with his oncologist, has changed his perspective on medicine. He has become more interested in urology, a field that would allow him to treat cancer patients, and can foster close doctor-patient relationships. This past summer, he addressed a pediatric urology conference in Montreal on some research. He sent his doctor a photo of himself on stage. "One of many to come," Dr. Kornblum replied.

SPORTS

NFL

THE BEARS BARELY PASS

BY MICHAEL SALFINO

Week 7 in the NFL was a strange one for quarterback play. A rookie drafted to be a franchise savior won a game with a Tim Tebow impersonation. The Green Bay Packers were introduced to life without a Hall of Fame quarterback for one of the few times since 1993. And a former Super Bowl winner continued one of the least-efficient passing seasons in modern history.

Mitchell Trubisky was drafted No. 2 overall by the Bears and thrust into a starting role due to his potential, but it appears like Chicago is reluctant to allow him to show off his arm. On Sunday in a 17-3 win against the Panthers, Trubisky completed just four of seven passes—the least completions by a winning team since Tebow completed two of eight passes for the Broncos in a 17-10 victory over the Chiefs in 2011, according to Pro-Football-Reference. The Bears' best offensive player was safety Eddie Jackson, who scored both of the Bears' touchdowns on defense.

It looked like the Packers might survive Aaron Rodgers's broken collarbone when Brett Hundley, making his first career start, gave Green Bay the lead with a 14-yard touchdown scramble in the first half. But Drew Brees rallied the Saints to a 26-17 win at Lambeau Field and the Packers wasted a 181-yard rushing day. Hundley tallied just 79 net passing yards—the fifth-lowest by a Green Bay team since Brett Favre was named the team's quarterback in 1992.

Joe Flacco looks nothing like the Super Bowl-winning quarterback he was five seasons ago. After throwing for 181 yards on 39 attempts in a 24-16 loss to the Vikings, the Ravens quarterback's yards per attempt fell to 5.31, the lowest through seven games by a quarterback with at least 200 attempts since 2003.

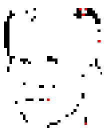
Mitchell Trubisky completed four of seven passes in the Bears' 17-3 win.

FROM LEFT: TANNEN MAURY/EPA/SHUTTERSTOCK; RONALD MARTINEZ/GETTY IMAGES

Yuli Gurriel, right, of the Houston Astros celebrates with teammate Jose Altuve during the team's 4-0 win over the Yankees in Game 7 of the ALCS on Saturday.

WORLD SERIES | By Jason Gay

Baseball Can Steal the Spotlight



A World Series of insufferable coastal elites (like yours truly) will not happen, spoiled by the Houston Astros, who sent the New York Yankees stumbling home to their cats Saturday with a shutout in Game 7 of the American League Championship Series.

Instead of Yankees and Los Angeles Dodgers fans smugly celebrating the return of their baseball hey day, the Dodgers will face a Houston outfit that won 101 games and features some of the best talent in the game.

Yeah, I think this option is pretty great, too.

Can baseball deliver another revival moment? This has become the time of year when we're accustomed to pronouncing baseball's decline, pointing to its shrinking TV ratings and the Tyrannosaurus-sized footprint of the NFL.

Baseball is a relic is the comfortable line. *Football's where it's at.*

But football's been wilting under the spotlight lately, with its own audience issues, injury worries, and, of course, its ongoing thumb-wrestle with the White House.

Could baseball seize the opportunity?

The World Series experienced a rally last season, owing to the appearance of the title-deprived Chicago Cubs and Cleveland Indians. That series ran seven, blew into extra innings, and its final game was watched by more than 40 million, the biggest baseball audience in a quarter-century.

Baseball was the first word at the water cooler. It felt like old times, when people did things like talk at the water cooler.

Surely league and network executives were salivating at the prospect of Yankees-Dodgers. New York and L.A. are the two biggest television markets in the country. The Dodgers haven't been to a World Series since 1988; the Yankees are thick with young stars; there's the connective tissue stretching back to the Brooklyn era.

But Houston's a more-than-deserving pennant-winner. They've been on the ascent for some time now, but the Series will be a showcase for Astros stars like Jose Altuve, Carlos Correa, Alex Bregman, and George Springer, not to mention geezer wonder Carlos Beltran and late-season pitching pick-up, Justin Verlander.

There's also plenty of goodwill toward a great American city still recovering from terrible flooding in late August.

I've seen a bit of internet chirping that Houston isn't a "true" AL team since they just moved from the National League in 2013. Eh, give me a break. You win where you win.

And these teams are winners. With Houston's 101 victories and the Dodgers' 104, this is the first time since 1970 (Orioles-Reds) that a pair of 100-win clubs have met in the Series.

Los Angeles, meanwhile, is primed. I was in the city last week, and Dodger blue has blotted out the sun. The Lakers, Clippers and Kings are back playing, but I don't even think they know they have two NFL teams. (I walked into a gift shop and asked if they had Los Angeles Chargers gear and they looked at me like I asked for unicorn riding supplies.)

These Dodgers have shaken off underachieving vibes of the recent past, following up on an impressive regular season to roll through the postseason. So far they've surrendered just one game these playoffs, making easy work of Arizona (sweep) and the defending World Series champion Cubs (four games to one.)

Los Angeles has a clear ace, Clayton Kershaw, the brilliant lefty who's finally made it to a World Series. They can also turn to a lights-out bullpen. They've got brilliant young stars like Cody Bellinger, (hopefully returning) Corey Seager and October dramatics from players like Enrique Hernandez, who clocked a Reggie-like three homers in Friday's clincher in Chicago.

They have Yasiel Puig, being Yasiel Puig.

They also have Larry King behind home plate!

I spoke to King the other day, and the 83-year-old broadcasting legend and Brooklyn native was as upbeat as you can imagine—and expects to be in his usual, easy-to-see-on-TV perch at Dodger Stadium for Game 1.

"I love that seat," he told me. "I can call the game with the umpires."

(Do you know Larry King has two teenage sons who are star baseball prospects? One of his boys, Chance, was drafted by the White Sox, and the other, Cannon, is an elite high school player.)

King is a Dodgers OG—he grew up going to Ebbets Field, went to the same high school as Sandy Koufax (and Maurice Sendak!), and saw Jackie Robinson's first game. But this current club has him energized.

"This [manager], Dave Roberts is special," he said. "They are a 25-man team. The resurgence of Yasiel Puig is amazing."

I told Larry my theory that this was a moment for baseball to capitalize on football's wobbles, and get some cultural momentum, but he waved me off.

"I think baseball is in the soul of America," he said. "There's something about it. To me, this World Series will be big."

Game 1 is Tuesday. Dodgers vs. Astros.

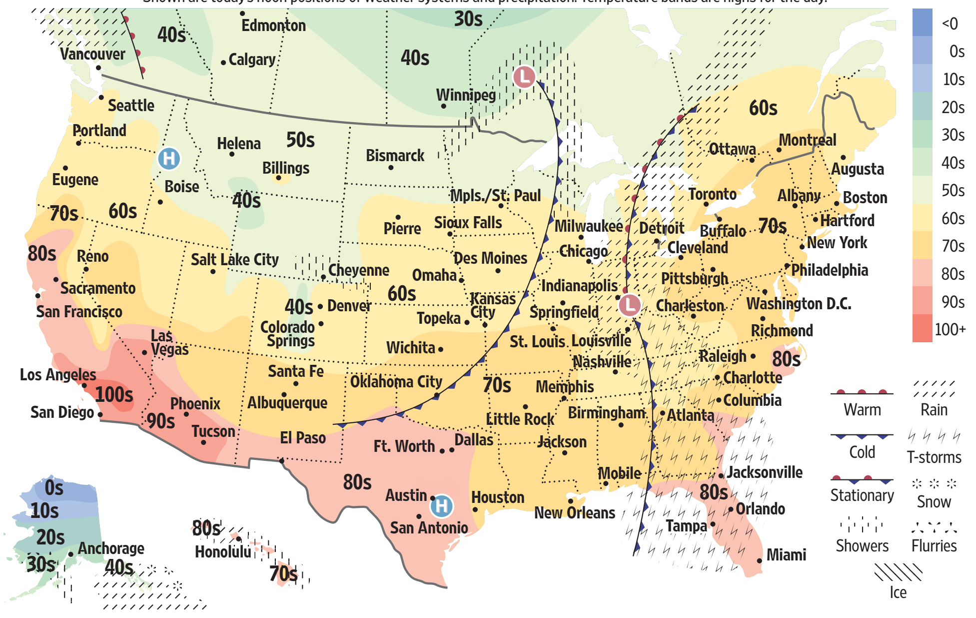
I can't wait.

Neither can Larry.

Weather

AccuWeather.com

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



U.S. Forecasts

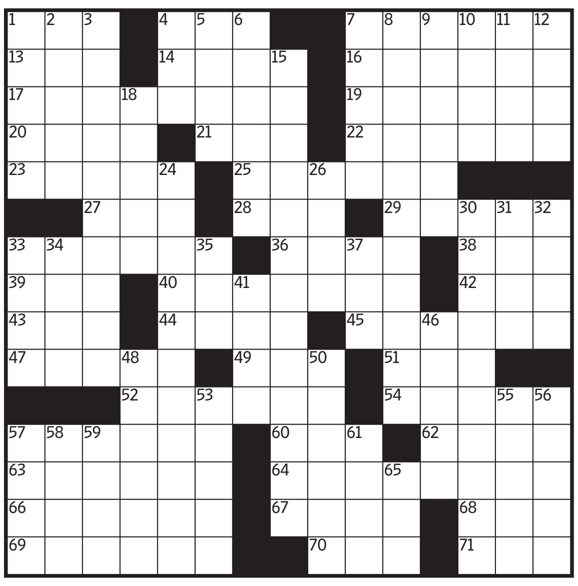
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Anchorage	36	26	c	34	30	sn
Atlanta	71	52	r	66	43	pc
Austin	82	51	s	77	42	s
Baltimore	76	61	pc	73	50	r
Boise	61	37	pc	62	39	s
Boston	71	62	pc	71	66	c
Burlington	72	64	pc	75	57	r
Charlotte	73	54	sh	71	43	c
Chicago	62	44	c	49	37	sh
Cleveland	71	50	r	60	44	sh
Dallas	82	54	s	73	46	s
Denver	62	33	s	64	42	s
Detroit	66	47	r	56	42	sh
Honolulu	85	72	r	84	69	r
Houston	79	55	s	76	47	s
Indianapolis	62	44	r	52	38	sh
Kansas City	67	43	pc	57	40	pc
Las Vegas	91	66	s	87	62	s
Little Rock	74	49	pc	67	40	s
Los Angeles	100	74	s	102	70	s
Miami	88	77	c	87	71	t
Milwaukee	62	45	c	49	39	r
Minneapolis	60	38	c	49	39	pc
Nashville	65	47	r	62	38	pc
New Orleans	74	59	c	73	56	s
New York City	74	65	pc	72	61	r
Oklahoma City	75	44	s	67	39	s
Omaha	67	42	s	57	42	s
Orlando	85	71	pc	82	59	t
Philadelphia	76	66	pc	73	58	r
Phoenix	98	70	s	98	71	s
Pittsburgh	70	52	r	60	41	c
Portland, Maine	64	54	pc	66	56	c
Portland, Ore.	67	46	pc	69	45	s
Sacramento	84	53	s	87	51	s
St. Louis	70	46	pc	55	40	pc
Salt Lake City	65	39	pc	63	43	s
San Francisco	80	61	s	84	58	s
Santa Fe	72	38	s	62	36	s
Seattle	63	46	pc	63	46	s
Sioux Falls	61	38	pc	54	41	pc
Wash., D.C.	78	65	pc	74	54	c

International

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	59	53	sh	63	56	sh
Athens	76	61	c	69	56	sh
Baghdad	91	61	s	91	67	pc
Bangkok	91	78	t	89	76	r
Beijing	61	38	s	64	44	s
Berlin	53	45	sh	55	52	c
Brussels	57	53	c	62	52	sh
Buenos Aires	69	52	s	74	54	pc
Dubai	95	79	s	96	77	s
Dublin	61	53	c	61	48	r
Edinburgh	59	50	c	61	49	r
Frankfurt	54	43	sh	59	49	sh
Geneva	53	41	c	62	42	pc
Havana	88	70	pc	86	70	pc
Hong Kong	80	70	s	80	74	s
Istanbul	72	60	pc	69	56	sh
Jakarta	92	77	sh	93	76	pc
Jerusalem	73	56	s	72	54	pc
Johannesburg	77	58	t	80	60	pc
London	61	55	c	64	54	sh
Madrid	72	46	s	76	47	pc
Manila	88	77	c	89	77	pc
Melbourne	68	51	pc	71	55	c
Mexico City	69	49	pc	70	47	pc
Milan	69	44	sh	68	46	pc
Moscow	35	26	c	34	24	c
Mumbai	90	78	pc	93	77	pc
Paris	59	53	c	66	51	pc
Rio de Janeiro	76	66	r	75	69	r
Riyadh	97	67	s	96	66	s
Rome	67	48	pc	70	50	s
San Juan	86	75	s	86	76	s
Seoul	64	50	s	64	47	s
Shanghai	68	55	pc	69	57	pc
Singapore	89	79	c	89	78	pc
Sydney	71	59	pc	78	64	pc
Taipei	75	69	pc	75	70	sh
Tokyo	71	53	pc	63	55	pc
Toronto	71	55	r	63	45	c
Vancouver	56	45	c	58	47	s
Warsaw	50	37	sh	47	37	pc
Zurich	51	42	sh	59	41	sh

The WSJ Daily Crossword | Edited by Mike Shenk



LOOK OUT BELOW | By Debbie Ellerin

Across

1 Gobbled up
4 That woman
7 Without a profit
13 Hardly extroverted
14 Oscar winner Guinness
16 Navy builder
17 Deli dumpling
19 Beagle or boxer
20 Oliver Twist's request
21 Tiki bar souvenir
22 Big singing groups
23 Furry creatures in "Return of the Jedi"
25 Harshly criticize
27 Reed of music
28 Enter the slalom
29 Got it wrong
33 "La Bamba" singer Ritchie
36 Abu Dhabi ruler
38 Lode makeup
39 Jackie's second husband
40 They're a drag
42 Org. in many Tom Clancy novels
43 Generic game pieces
44 Skater's spinning leap
45 Voiced
47 Like fertility cults
49 Instagram post
51 Lessen gradually
52 Enterprise engineer
54 One might get a crown
57 Tree trimmer
60 "People of Earth" network
62 To be, to Bizet
63 "I've got it!"
64 Texas flag feature
66 Harshly criticize
67 McCormack of "Will & Grace"
68 Lennon's love
69 Pottery pieces
70 Pontiac muscle car
71 Web portal launched with Windows 95

Down

1 Information desk sign
2 Intentionally lose
3 *"Here we go again!" reaction
4 Linden of "Barney Miller"
5 Israeli airline
6 Playground time
7 Natty neckwear
8 *Apple polisher
9 Gait between trot and gallop
10 New York theater award
11 Dispatched
12 Pullover shirts
15 *Doomsayer in a children's story
18 Tea variety
24 *1969 role for Robert Redford
26 "Je t'___" (French words of affection)
30 Lowest level, and a hint to the asterisked answers
31 Port in Pennsylvania
32 Campus VIP
33 Siren
34 Calculus calculation
35 Rivals of the Yanks
37 Org. with a "Where's My Refund?" site
41 Shed some tears
46 Reeds of music
48 Comparatively close
50 The Terminator, for one
53 Unwritten tests
55 Part of LGBTQ
56 Bird with an S-shaped neck
57 Round veggies
58 Fraternity event
59 Stellar bear
61 Hissy fit
65 Earth-friendly prefix

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

Previous Puzzle's Solution

A	C	A	D		S	I	T	E	S		F	E	M	A
F	O	C	I		A	N	E	M	O		I	D	E	S
A	V	E	R		K	N	E	E	L	E	N	G	T	H
C	E	L	E	B	S		T	R	E	T		Y	A	Y
T	R	A	C	E		B	I	G	M	A	C			
			T	H	E	O	M	E	N		I	A	N	S
E	N	T	R	E	A	T	E	D		A	N	J	O	U
C	O	H	O	S	T				E	S	C	A	R	P
I	N	O	U	T		I	C	E	S	T	O	R	M	S
G	O	U	T		S	W	O	O	P	E	D			
			E	S	T	A	T	E		R	E	M	U	S
S	E	A		L	U	S	T		B	S	M	I	T	H
P	A	P	E	R	C	H	A	S	E		A	S	I	A
I	S	P	Y		C	A	G	E	S		Y	E	L	L
N	Y	S	E		O	D	E	T	S		O	R	E	L

The contest answer is LOCH. The names of eight fish are hidden in the grid: EEL crossing SOLE; COHO crossing TROUT; CARP crossing COD; PERCH crossing SHAD. The four crossing letters spell the contest answer.

OPINION

The High-Tech Playing Field

By Andy Kessler

Forget fall foliage. I know only three seasons—baseball, basketball and football—and for the next week or so they coexist. They bring with them virtual strike zones, on-field stats, rotating 360-degree views, and yellow first-down lines. Technology has changed sports—but not always as intended.

Green Bay Packers return specialist Desmond Howard admitted after his 99-yard kickoff return in the 1997 Super Bowl that he'd had a technological assist: "You can use the jumbotron almost like a rearview mirror, and so that's what I did." Twenty years later, the Boston Red Sox got caught stealing Yankee catchers' signs, relayed to the dugout via an Apple Watch. At least someone found a real use for the device. These examples are nothing compared with the benefits to fans from all the gizmos packed into stadiums and arenas. From pylon-cams to sensors capturing launch angles and exit velocities, the games are wired.

Gerard J. Hall runs SMT, a North Carolina-based company that provides broadcasters with much of the tech that enhances the viewing experience. He told me that "baseball actually uses our technology to train umpires." To display an ESPN K-zone, every pitch is tracked for speed, location and path, and run through algorithmic filtering for accuracy. If you watch enough baseball, you know it's way more accurate than human umpires. Will this technology replace the ump? "Assuming people want to get it right, it's available," says Mr. Hall.

Since 2015, the National Football League has placed chips under shoulder pads to track exactly where players move. Fans can't get this data, but teams can. Mr. Hall tells me it can provide "instant analysis to coaches." Real-time analytics and machine learning might someday even call for specific plays, like former coach Jon Gruden's "Spider 2 Y Banana," in certain scenarios. SMT is also working with Duke football on a system called Oasis, which will use biomedical sensors to track players' heart rates, body temperatures and hydration—as if they're astronauts.

Will sports be able to survive robot referees and biomedical player monitors?

So many of the changes in sports rules have been to attract fans and jam in more Chevy Silverado and Dr Pepper commercials. In football, illegal contact and downfield chuck regulations from 1994 favor quarterbacks and receivers, who run up scores. The National Basketball Association's 3-point line, added in 1979, and its 2001 defensive three-second rule also favor offenses and more points. Even baseball has been accused of juicing the balls and lowered the pitching mound from 15 inches to 10 inches in 1969. More runs, more razors sold—up to a point.

I'm a techno-optimist, but even I can see the downside. With commercials and replay challenges, games have become painfully long. In the 1960s and '70s, the Cardinals' Bob Gibson pitched wins in under two hours. A Cubs-Nationals playoff game this month lasted 4 hours and 37 minutes. Long games also contribute to the NFL's ratings problem, which began before the national anthem protests. Many fans care more about fantasy-football stats for individual players than about which team wins. "NFL players," Mr. Hall says, "have become the random-number generators for people's fantasy-football games."

Dugouts are filled with binders of statistics, and Microsoft tablets regularly appear on the NFL's sidelines. Both are used to track the opposition's tendencies and enable player shifts. I like this in my business strategy but maybe not on a field of play. As Hall of Fame quarterback Steve Young once told me, football is now so choreographed, it's almost like the ballet.

Something has been lost. Indoor arenas and artificial turf have their benefits, but I miss the days of mud bowls, where you couldn't read the players' numbers or even make out the field's hash marks. I miss the pitcher who could own home plate with a brushback pitch, affectionately known as "chin music." I miss big sweaty bruiser centers brawling under the hoop. As Kareem Abdul-Jabbar's character in "Airplane" famously complained: "Tell your old man to drag Walton and Lanier up and down the court for 48 minutes!"

Where is all this headed? Mr. Hall says SMT will quite soon have the ability to "3-D model every arena, and not only track every object on the field, but create a 3-D video overlay." Think "Madden NFL 18," not "Monday Night Football." When Generation Twitch sees this, they won't be reaching for remotes, they'll be grabbing Xbox controllers and wanting to take charge.

Right now, millions of people regularly watch others play videogames online. It's a real phenomenon. There are more than 30 e-sport tournaments and leagues, where caffeine is a bigger problem than steroids. Ponder this: The League of Legends world championship finals—perhaps the most prestigious event in e-sports—attracted 43 million unique viewers. That's more than the NBA Finals.

Are live sports doomed by techno-perfection? Mr. Hall doesn't think so. "It's still humans playing a game," he says. "There's too much human frailty, and human genius, to take the soul out of the games." Probably so, but it may not move a lot of Bud Light.

Mr. Kessler writes on technology and markets for the Journal.

Argentines Keep Moving to the Right

AMERICAS
By Mary Anastasia O'Grady

Argentina held midterm legislative elections Sunday for half the seats in the lower house and a third in the Senate. Votes were still being counted as we went to press, but early results suggested that the biggest loser is likely to be former President Cristina Kirchner's Citizen's Unity coalition. That would make the big winner President Mauricio Macri.

The center-right Mr. Macri and his young Let's Change coalition, which includes parties from the left, are not expected to pick up a majority in either chamber. And Mrs. Kirchner herself is forecast to win one of three contested Senate seats in Buenos Aires Province. Yet in the August primary—which in Argentina is really a dry run of the election—she won by only a razor-thin margin and the most recent polls gave her a second-place finish behind Let's Change candidate Esteban Bullrich, whose party was likely to come away with the other two seats.

The Bullrich margin of victory narrowed last week, and a Kirchner upset was not impossible. But nationally her coalition was almost certain to underperform. As La Nación columnist Carlos Pagni wrote on Thursday, if Let's Change prevails in the provinces of Buenos Aires and Santa Fe and retains, as expected, Córdoba, Mendoza, Entre Ríos and La Pampa, "Macri will have conquered a power base, unheard of for any ruling party in a parliamentary election since 1983."

Néstor Kirchner, Cristina's late husband, was president from 2003-07; her presidency followed from 2007-15. Buenos Aires Province became a stronghold for the ruling Peronist sect known as *kirchnerismo*. Her struggle in this race and the weak finish for her coalition nationally signals that her political career and her brand of Peronism are withering.

A former chief of cabinet for Mrs. Kirchner, Sergio Massa, and the official Peronist candidate, Florencio Randazzo, were expected to finish a distant third and fourth in the Buenos Aires Province race. Their candidacies, alongside Mrs. Kirchner, illustrate the Peronist crackup. Together they could have beaten Let's Change. But Mrs. Kirchner has divided the party.

The anti-Kirchner wing is large and growing. It seems to recognize that if it hopes to compete with Let's Change, it has to offer constructive ideas, which will at times coincide with Mr. Macri's. This too is good news for Mr. Macri.

In his first two years in office most of his economic reforms have been blocked in Congress. But his party's strong showing in these elections may give him the momentum he needs to secure some legislative cooperation on tax and labor reforms, and perhaps even a fiscal responsibility law for the provinces.

Mainstream Peronists seem more antipathetic toward Mrs. Kirchner than Mr. Macri. No matter their shade of ideology, they are rumored to share the common view that they have to "get rid of Cristina," as one keen political observer put it to me by telephone from Buenos Aires last week. "They know they cannot create a new Peronism that can compete in terms of substance if she is still around."

Pres. Macri's 'Let's Change' coalition is expected to do well in Sunday's elections.

The party is already signaling that Mrs. Kirchner is a liability. Peronist senator and party-bloc leader Miguel Ángel Pichetto warned Mrs. Kirchner in September that should she win a seat, she would not be invited to caucus with the party. His official reason was that since she had chosen to run on her own ticket, she should form her own bloc. But the unspoken reality is that she is toxic to the future of Peronism.

Kirchnerismo is primitive, hard-left populism. It nationalized private pension accounts, applied confiscatory tax rates on soybean exports, and trampled the rule of law in everything from civil liberties to contract rights. Devaluation, expropriation, deficit spending and a war on private enterprise and the free press brought low the once-proud nation.

As *la presidenta* dragged the country left, she also became more authoritarian. That worked for Hugo Chávez because Venezuelan oil wealth is concentrated in the hands of the state. But Argentines resented her power grab, accompanied as it was by declining incomes, heavy state intervention and rising crime. They also loathed her hateful speeches aimed at opponents and her efforts to reopen the wounds of the "dirty war" of the 1970s and '80s.

During *kirchnerismo* federal judges were cowed. But when Mrs. Kirchner's candidate lost the 2015 presidential election, things began to change. Now the judiciary is investigating a widening number of alleged Kirchner corruption scandals ranging from elaborate kickback schemes that would have made Eva Perón blush to what appears to be the murder of federal prosecutor Alberto Nisman.

In the aftermath of the 2001-02 economic crisis, the Kirchners rode a wave of isolationist fervor. But it no longer resonates with many voters. Mr. Macri and Let's Change want Argentina to reclaim its rightful economic and political role in the world. The national success of Let's Change suggests Argentines agree.

Write to O'Grady@wsj.com.

Notable & Quotable: Six Seconds to Live

From a Nov. 13, 2010, speech by then-Lt. Gen. John Kelly to the Semper Fi Society of St. Louis, describing a 2008 suicide bombing in Iraq that killed two Marines, Cpl. Jonathan Yale, 22, and Lance Cpl. Jordan Haerter, 20. Gen. Kelly's son, Second Lt. Robert Kelly, 29, was killed in action in Afghanistan Nov. 9, 2010:

What we didn't know at the time, and only learned a couple of days later after I wrote a summary and submitted both Yale and Haerter for posthumous Navy Crosses, was that one of our security cameras, damaged initially in the blast, recorded some of the suicide attack. It happened exactly as the Iraqis had described it. It took exactly six seconds from when the truck entered the alley until it detonated.

You can watch the last six seconds of their young lives. Putting myself in their heads I supposed it took about a second for the two Marines to separately come to the same conclusion about what was going on once the truck came into their view at the far end of the alley. Exactly no time to talk it over, or call the sergeant to ask what they should do. Only enough time to take half an instant and think about what the sergeant told them to do only a few minutes before: "let no unauthorized personnel or vehicles pass." The two Marines had about five seconds left to live.

It took maybe another two seconds for them to present their weapons, take aim, and open up. By this time the truck was halfway through the barriers and gaining speed the whole time. Here, the recording shows a number of Iraqi police, some of whom had fired their AKs, now scattering like the normal and rational men they were—some running right past the Marines. They had three seconds left to live.

For about two seconds more, the recording shows the Marines' weapons firing nonstop, the truck's windshield exploding into shards of glass as their rounds take it apart and tore in to the body of the son-of-a-bitch who is trying to get past them to kill their brothers—American and Iraqi—bedded down in the barracks totally unaware of the fact that their lives at that moment depended entirely on two Marines standing their ground. If they had been aware, they would have known they were safe, because two Marines stood between them and a crazed suicide bomber. The recording shows the truck careening to a stop immediately in front of the two Marines. In all of the instantaneous violence Yale and Haerter never hesitated. By all reports and by the recording, they never stepped back. They never even started to step aside. They never even shifted their weight. With their feet spread shoulder width apart, they leaned into the danger, firing as fast as they could work their weapons. They had only one second left to live.

The truck explodes. The camera goes blank. Two young men go to their God. Six seconds. Not enough time to think about their families, their country, their flag, or about their lives or their deaths, but more than enough time for two very brave young men to do their duty—into eternity. That is the kind of people who are on watch all over the world tonight—for you.

BOOKSHELF | By Tunku Varadarajan

Lost and Found In Cyberspace

The Secret Life

By Andrew O'Hagan
(Farrar, Straus & Giroux, 218 pages, $26)

When you write novels, Andrew O'Hagan says, "you take it for granted that the imagination is sovereign. But what happens when you are writing a reported story? Isn't it dictated by matters of fact and therefore outside the imagination?" These may seem like unpromisingly earnest words—of the kind uttered by a J-school professor at the start of his Reporting 101 class. But they are the key to a riveting book that is, in places, deeply moving.

"The Secret Life" is a reported triptych: three short narrations "from the wild west of the Internet." Each is about a man "on the run," sometimes literally, at other times in the form of a psychic elusiveness. What the men have in common is that they have all been made real—and surreal—by cyberspace. They are creatures of the web's darkest recesses, largely inaccessible to the sunlight of ordinary human scrutiny.

The best-known of the three is Julian Assange, the founder of WikiLeaks, and the book starts with a rollicking account of Mr. O'Hagan's experience of trying to ghostwrite the memoirs of the hacker who destabilized Western security by his dissemination of classified intelligence documents. The prospect of telling Mr. Assange's story appealed to Mr. O'Hagan in part because it "was playing out against a global argument over privacy, secrets, and the abuse of military power."

The author's admiration for Mr. Assange's mission began to unravel from the moment of their first meeting, when his subject seemed to be spending more time googling himself than changing the world. But soon enough Mr. O'Hagan's disillusion turned into a delicious obsession with a man who was—he concluded—a "cult leader," an egoist who was nihilistic, paranoid and cruel to his inner circle.

Mr. Assange's great problem, the author writes, is the detachment from reality that comes from constant self-aggrandizement. And yet Mr. O'Hagan is not unsympathetic: "I felt quite sorry for Julian," he says. "He didn't know who to be." Mr. Assange was vulnerable at times—as when he spoke about his stepfather's alcoholism—and maddeningly egotistical at others, never once taking his plate to the sink after eating or doing the dishes. In the sweaty intimacy of a small group holed up in an English country house (lent by a well-wisher), such acts of selfishness assume vast proportions.

If there is anyone in the world who still likes Mr. Assange, Mr. O'Hagan's description of the man should prove curative. Mr. Assange's remarks, he writes, were always "ostentatiously conceived and recklessly stated," but his "egotism at the dinner table" was "a form of madness more striking than anything he said."

If there is anyone in the world who still likes Julian Assange, the description of the man by this former admirer should prove curative.

By the end, Mr. O'Hagan is left wondering why someone who loves the sound of his own voice so much should have felt the need of a ghostwriter. He is also struck by Mr. Assange's fixation with his own privacy, even as he waged his jihad against confidentiality on a global scale. The memoirs never get finished, mainly because Mr. Assange refuses to put into the public domain anything of a sensitive personal nature. He wants to write a manifesto—"It needs to be more like Ayn Rand"—but the publishers want details of his childhood, his life.

Those details remained unmined, but Mr. O'Hagan's next story—his most poignant—does try to document the life details of its subject. He is an Englishman called Ronald Pinn, who died at age 20 in 1984, presumably of a drug overdose. After telling us of the British police practice of undercover officers assuming the "real" identities of people who die young—for whom there thus exist birth certificates and other records—Mr. O'Hagan describes how, as a sort of ghoulish forensic adventure, he assumed Pinn's identity. (He went so far as to rent a London flat in Pinn's name.)

There are 67 million fake Facebook accounts, Mr. O'Hagan says—perhaps to reassure us that his impersonation of Pinn isn't as startling as it should be. "There are more social media ghosts, more people being second people . . . than there are citizens of the UK." Pinn now gets a Facebook account, with his photo uploaded and made-up facts on display to flesh out his current life: workplace, favorite soccer team. He even acquires, by a humdrum miracle of the internet, Facebook friends.

Pinn's story is unexpectedly heartbreaking. As Mr. O'Hagan describes "what it meant to be out of the world for thirty years and then revived," we learn that no one remembers Pinn: not at his school; not at the market where he worked; not in the neighborhoods where he lived. Mr. O'Hagan asks numerous people but everywhere draws a blank. Pinn is a tragic cipher who acquired some posthumous substance in his online reincarnation. His story ends when the author meets his mother, an episode of suburban banality and surprising tenderness.

"The Secret Life" concludes with a truly secret life in which nothing is as it seems. The story concerns an Australian tech-geek called Craig Steven Wright, who says that he is "Satoshi Nakamoto," the inventor of the cryptocurrency bitcoin. To date, no one knows for sure who Nakamoto is (or even whether he is one—or more than one—person). Many claims have been made, and Mr. Wright's was, for a time, one of the more credible.

Mr. O'Hagan—who had acquired a reputation as a narrator of stories from the Dark Web—was approached to write Mr. Wright's story, but he found that his subject shrank from the limelight. Mr. Wright "was coming out as Satoshi, yet the claim embarrassed him." For a while, Mr. Wright's unwillingness to court publicity seemed to support his contention that he was the reclusive bitcoin inventor. In the end, however, what had seemed like news-making fact was only fiction. Mr. Wright was not Nakamoto. "He was the Internet's habit of self-dramatization and self-concealment all at once." To judge from Mr. O'Hagan's arresting trio of portraits, society's online Twilight Zone inspires both despair and humanity—often at the cost of truth and trust.

Mr. Varadarajan is a fellow in journalism at Stanford University's Hoover Institution.

OPINION

REVIEW & OUTLOOK

Trump Caves on Ethanol

The bipartisan pull of corporate welfare—also known as the swamp—is powerful. Last week it swallowed up no less than Donald Trump and his fearless Environmental Protection Agency administrator, Scott Pruitt. They caved under pressure from the ethanol lobby and political extortion from Republican Senators Joni Ernst, Deb Fischer and Chuck Grassley.

The biofuels lobby overwhelms a core campaign promise.

Mr. Pruitt announced Thursday that EPA won't reduce its proposed 19.24 billion gallon biofuels quota for 2018, and may even increase it. The EPA will further consider giving biofuels a pass to pollute that no other industry enjoys, via what's known as a Reid Vapor Pressure waiver for high-ethanol blends.

As bad, the EPA announced it will keep intact a compliance credit scheme that benefits global and integrated oil companies and ethanol producers at the expense of smaller independent refiners and manufacturers. "Renewable identification numbers," or RINs, are a credit created each time a gallon of ethanol is mixed with fuel. The EPA requires refiners to use RINs as proof of compliance with biofuel standards, and credits can be bought or sold.

Because only major global refiners have the capabilities to blend their own fuel, most small and midsize merchant refiners have no way of producing RINs in-house. Big Oil, the ethanol lobby and speculators have cornered the market for the credits, and RIN prices are soaring.

In 2012 Philadelphia Energy Solutions paid $10 million for RINs. This year, it will spend $300 million, twice the price of payroll. Only crude oil—the refinery's main input—costs more annually. Because of that skyrocketing expense, Moody's has dropped the refinery's credit rating from a B+ to a CCC- in four years. Mr. Pruitt's announcement means it will get no RIN relief.

These independent refiners provide the sort of blue-collar manufacturing jobs that President Trump promised to protect. Philadelphia Energy Solutions had to lay off 70 workers last year. Ryan O'Callaghan, the president of United Steelworkers Local 10-1, said the EPA announcement makes him fearful for the fate of his 692 members who remain at the refinery. Philadelphia Energy Solutions also uses hundreds of contractors from the building trades unions.

"I voted Donald Trump, I urged my members to vote for Donald Trump, and I urged them to ask their families and friends to vote for Donald Trump," Mr. O'Callaghan said. "As a union president, to support a Republican candidate for president, there was some backlash. And now we're left out in the cold. It's very disappointing. It feels like the government has the chips stacked against us. We're crushed in between Big Oil and Big Ethanol. I thought President Trump would be able to see through that. Hopefully he changes his mind and goes with workers."

The Trump Administration betrayed these manufacturing workers after threats from a handful of Republican Senators who were willing to vote with Democrats to protect ethanol. The federal government has to compel consumers to use biofuels because the product doesn't sell on its own merits. Thirty-three pro-ethanol Senators admitted as much in a letter to the EPA this month.

"The industry is poised for growth, in accordance with the intent of the law, if EPA sends the market signals with increased volumes," this bipartisan group wrote. But any decrease in the mandate would be "disruptive, unprecedented and very troubling."

Mr. Grassley said that if Mr. Pruitt failed to follow these Senatorial directives, he would "hold up EPA nominees. I think there's plenty of senators [who] would do that." Mr. Grassley doesn't sit on the Environment and Public Works Committee, but Senators Ernst and Fischer do.

One of their hostages was Bill Wehrum, the nominee to run the Office of Air and Radiation. That office administers the all-powerful Clean Air Act, so the sudden bout of bipartisanship threatened Mr. Pruitt's broader reform agenda at the EPA.

Mr. Trump rode to office promising to drain the swamp and win negotiations on behalf of the American people. But for all of that reform rhetoric, his EPA is now capitulating to one of Washington's worst examples of welfare for big business. By showing weakness, the Trump Administration invites further special-interest shakedowns.

Abe's Big Win

Japanese Prime Minister Shinzo Abe won his third consecutive landslide victory on Sunday. That doesn't mean voters are enamored of the man who is on track to become Japan's longest-serving leader. Local commentators attribute his victory to TINA, short for "there is no alternative," and they have a point.

Japan's prime minister now needs to pursue long-overdue reforms.

Mr. Abe called the snap election to take advantage of the opposition's disarray, and that gamble paid off. The Democratic Party, formerly the main opposition party, split in two. The center-right Party of Hope and center-left Constitutional Democratic Party both failed to convince voters they could manage the economy and face the threat from North Korea.

North Korea's two missile tests over Japan in August and September vindicated Mr. Abe's calls for greater military spending and cooperation with the U.S. The economy also grew at a relatively robust pace of 2.5% in the second quarter, the sixth consecutive quarter of expansion.

While voters evidently saw Mr. Abe as a safe pair of hands, doubts persist about his leadership. His push to revise Japan's pacifist constitution is unpopular. And he failed to carry out promises of structural reforms that would boost the economy's growth potential. Earlier this year he punted again on reforming Japan's labor laws.

Japan's economic recovery remains fragile, which in turn dents confidence in Mr. Abe. His approval rating fell to around 30% in July due to a couple of scandals. One poll just before Sunday's election found that 51% of Japanese don't want him to remain as Prime Minister.

Mr. Abe would be wise to borrow some reform ideas from Tokyo Governor Yuriko Koike and her Party of Hope. Deregulation, privatization and lower government spending would finally give companies greater incentive to invest and hire. The Prime Minister will need a stronger economy if he is to create the political capital needed to revise the constitution and avoid a leadership challenge from within his own party.

Richard Cordray's Bad Numbers

President Trump has plenty of cause to fire Consumer Financial Protection Bureau Director Richard Cordray. But if he wants more, he should consult a forthcoming Treasury report on how the bureau rigged a study in support of its arbitration rule benefiting Mr. Cordray's trial lawyer pals.

Treasury double checks the CFPB's faulty arbitration analysis.

The CFPB in July finalized a rule prohibiting mandatory arbitration agreements that forbid customers from filing class-action lawsuits. Dodd-Frank authorized the CFPB to limit or ban such agreements if it found that doing so would be in the public interest and protect consumers. However, according to a new Treasury analysis of the CFPB's 2015 study, the rule would hurt consumers and the economy.

Consider: Only 13% of class actions that the CFPB studied resulted in a recovery for members. In the average case, plaintiffs received $32 while attorneys hauled in more than $1 million. The average arbitration award was $5,389. Businesses typically also covered all arbitration costs for consumers.

One reason the typical payout in class actions was so meager is that payments to members wasn't automatic in 60% of settlements. Members usually had to file claims to obtain awards, and only in about 4% of cases did they do so. The primary beneficiaries of the rule are attorneys who reeled in 31% of consumer payouts. However, the CFPB inexplicably projected that lawyers would take only a 19% cut of the total payout in prospective class actions. Does Mr. Cordray plan to negotiate a discount with trial lawyers on behalf of consumers?

The consumer bureau's own data showed that the rule would transfer $330 million from businesses to plaintiff attorneys over the next five years. Businesses would also have to spend more than $500 million on defending lawsuits and $1.7 billion on settlements. While many lawsuits have no merit, businesses often settle to minimize legal expenses.

These extortive settlements reduce economic efficiency, yet the bureau disregarded the costs of frivolous litigation. A bank that pays out millions to lawyers has millions less to spend on customer services. Assuming that 10% of class action lawsuits are meritless—a low estimate—the rule would need to reduce harm to consumers by $500 million a year to produce a net societal benefit. Treasury notes that the rule "does not come close to making that showing."

While the bureau also claimed that the costs of the rule would not be passed onto consumers, the Office of the Comptroller of the Currency's independent review of the data found an 88% chance that the total cost of credit would increase. The CFPB also didn't weigh the costs and benefits of less heavy-handed alternatives to the rule such as increased disclosure or a more limited ban.

The CFPB's oversights are so many and so egregious that they suggest intent more than negligence, and the Treasury report provides ample evidence that the rule is arbitrary and capricious, which would make it illegal. It also gives the President all the more reason to replace Mr. Cordray.

We're told the Senate may vote as early as Tuesday on a Congressional Review Act resolution to overturn the rule, as the House has already done. Republicans might consider that the rule benefits no one but the lawyers who donate to Democrats.

LETTERS TO THE EDITOR

Mortgage-Interest Deduction's Gift Is Uneven

Regarding your editorial "The Realtors Take a Tax Hostage" (Oct. 18): You forget that the National Association of Realtors supports tax reform's key goal: fiscally responsible tax cuts.

Unfortunately, that isn't what we've seen so far in proposals released by congressional leaders and the White House. Doubling the standard deduction is insufficient to offset the elimination of the state and local tax deduction, the loss of personal exemptions and other changes proposed repeatedly throughout the tax reform debate. Instead, what's delivered is higher taxes for millions of middle-class homeowners.

Our concerns build from there.

We agree with your assessment that the mortgage-interest deduction is baked into home prices. That also means eliminating the mortgage-interest deduction for all but a few wealthy itemizers will cause home values to come down. So in addition to a tax increase, middle-class homeowners will also lose equity in their homes.

Yes, other countries handle mortgage interest differently, but they also have different demographics, housing finance systems and social safety nets. The Journal's argument is the height of a false equivalency. In the U.S., we've incentivized homeownership in the tax code for over 100 years because America's middle class depends on homeownership to build wealth. Middle-class families generally can't borrow money to purchase stocks, and most aren't paying cash for homes. They can, however, get a mortgage to invest in their future.

We know the middle class takes advantage of the mortgage-interest deduction because 53% of those claiming it in 2014 earned less than $100,000 and 86% earned less than $200,000. We know homeownership works because the average net worth of a homeowner stands at 45 times that of a renter. Said differently, the tax incentive to do so isn't a "subsidy." It's a proven wealth-builder for middle-class families. One we shouldn't push out of reach.

WILLIAM E. BROWN
President, National Association of Realtors
Washington

While we agree with the editorial board that this proposal should be paired with direct reforms to the MID—including reducing the amount of a mortgage eligible for a tax break from $1 million to $500,000—using the savings to lower tax rates for corporations and billionaires is a non-starter.

The National Low Income Housing Coalition-led United for Homes campaign calls on Congress to reform the MID to better serve low- and moderate-income homeowners and to reinvest the savings into critical rental housing solutions, like the national Housing Trust Fund and rental assistance for families with the greatest needs.

Congress should seize this opportunity to address one of the biggest barriers to economic success for the struggling families: the lack of affordable rental homes for the lowest income people in America.

DIANE YENTEL
President and CEO
National Low Income Housing Coalition
Washington

I am a licensed real-estate broker and for years I've seen what the National Association of Realtors has been, which is a mouthpiece for large national franchise concerns.The ones who benefit from the mortgage-interest deduction (MID) are the upper-wage earners. What about the low- and moderate-income folks who really need this?

FRANK POPELESKI
Seffner, Fla.

Forty years ago, when my husband and I bought our first house, I was so naive I didn't even know there was a tax break for mortgage interest. My reaction on learning about the write-off was, "Really? Why?" It seemed wrong then, and it's wrong now. My husband and I have continued to use that deduction because it is part of the tax code, but please, Congress, man up, woman up. Just kill it and double the standard deduction. The great middle class will thank you.

NAN K. CHASE
Asheville, N.C.

Build on the Re-Admission Of Airport Nontravelers

Regarding Bob Greene's "In Pittsburgh, Go to the Airport Without Getting on a Plane" (op-ed, Oct. 6): The recent change at the Pittsburgh International Airport to allow nonflyers beyond the security checkpoint will place additional pressure on the TSA to accommodate the additional people being screened. This can impact staffing levels and equipment requirements. Given that the airport is underutilized since it was dehubbed by US Airways several years ago, these pressures are likely manageable. However, in airports like Chicago's O'Hare and Atlanta's Hartsfield, even adding as little as 10% throughput to the security checkpoints could create significantly longer lines and delays.

Non-flyers could be PreCheck vetted. This would add an incentive for travelers to enroll in the program. Second, it would encourage a more rapid transition of checkpoints from enhanced screening to PreCheck screening, given a growing demand for such screening. From a risk and benefit perspective, anything that can be done to enroll more people into PreCheck will add security value to the air system. Don't expect a flood of airports to follow suit, given the limited security-footprint space available at most high-volume airports.

PROF. SHELDON H. JACOBSON
University of Illinois
Urbana, Ill.

Time for a Bull Moose Again

Regarding Robert Blecker's excellent "What Football Needs Is Another Teddy Roosevelt" (op-ed, Oct. 14): My first, second and third impressions were that what the entire nation needs is another Teddy Roosevelt.

TIM BAHR
Charlotte, N.C.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

Journalists' Social Media Posts Showcase Their Bias

Regarding William McGurn's "The NFL vs. the New York Times" (Main Street, Oct. 17): The most pernicious aspect of Times Executive Editor Dean Baquet's requesting his employees to curtail discussion of their political beliefs on social media isn't the suppression of their rights; it is in hiding their potential biases from readers.

Physicians report gifts from drug manufacturers. Officers of public corporations disclose stock trades. The Journal routinely discloses the name of its parent company in articles about the media. When a reporter feels strongly enough about a political issue that he or she is inclined to post thoughts on social media, it becomes a matter of interest to thoughtful readers. Silencing them reeks of a campaign to suggest a level of impartiality that doesn't exist.

One must wonder: Do New York Times employees hold biases that Mr. Baquet is afraid will be discovered?

STEVEN TEITELBAUM
Santa Monica, Calif.

Trump Ran an Independent Campaign From the Start

Why were William A. Galston and the GOP surprised ("A Surprise Victory—and Then What?," Politics & Ideas, Oct. 11)? From the moment Donald Trump descended on his golden escalator it was apparent to those who read "The "Art of the Deal" he was running an independent party campaign in the middle of the GOP primary. The president, the quintessential outsider, has always been a pragmatist willing to dive deeper into the muck then anyone including the do nothing GOP globalists and establishment. In the 2018 election, the old guard Republican purge will accelerate, bringing forth the new Trump party defining American nationalism and the reelection of President Trump in 2020. Trump haters be warned: Learn to speak the language of Trump. Both parties' working middle-class voters are fluent.

MIKE FOX
Sarasota, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL

"My obit."

The Power of the Presidential Tweet

By Scott Adams

As a trained hypnotist and a lifelong student of persuasion, I'm often impressed by how much "work" President Trump gets out of his tweets. Most of them are harmless retweets about whatever is going right, and they tend to be forgettable. The good ones are something entirely different, and many are gems of persuasion.

Consider this one: "With Jemele Hill at the mike, it is no wonder ESPN ratings have 'tanked,' in fact, tanked so badly it is the talk of the industry!"

> Trump's online missives make his supporters laugh and even his opponents think past the sale.

When Mr. Trump smack-tweets a notable public critic—Ms. Hill has called the president a "white supremacist"—it violates our expectations of his office. That's what makes it both entertaining and memorable. He often injects into his tweets what memory expert Carmen Simon calls a "little bit of wrongness" to make it hard to look away. If the wrongness alarms you, consider that for years he has adroitly operated within a narrow range of useful wrongness on Twitter without going too far. That suggests technique. In the Twitter environment, strategic wrongness is jet fuel.

Watch for Mr. Trump's tweets to make you think past the sale, a well-known technique of persuasion. In the Jemele Hill tweet, he makes you wonder if ESPN's ratings really are the "talk of the industry." And in order even to consider that question, you must imagine a world in which the primary claim—that Ms. Hill is bad for the network—is true. Even if it isn't.

Here's another example in which the president makes you think past the sale: "People are just now starting to find out how dishonest and disgusting (FakeNews) @NBCNews is. Viewers beware. May be worse than even @CNN!" If you find yourself wondering which is worse, NBC or CNN, you are thinking past the sale that both are bad.

Here's another. Spot the part that is past the sale: "Art Laffer just said that he doesn't know how a Democrat could vote against the big tax cut/reform bill and live with themselves!"

When Candidate Trump said he would make Mexico pay for the wall, he was making us think past the sale. If you're thinking about who is paying for the wall, you've already imagined the wall existing. And that makes it easier to convince you it *should* exist.

I also see the president as employing a modern version of humor. When he goes after one of his high-profile critics, his supporters laugh and reach for the popcorn. *This is gonna be good!* Voters who preferred Hillary Clinton are not laughing, of course. But they aren't the audience for his tweet humor. And that makes

SCOTT ADAMS

it even funnier for his supporters. His base is in on the joke, whereas his detractors don't even know humor is happening.

In the 1940s, humor was mostly about corny jokes with punch lines, and loads of slapstick. By the '70s, humor evolved to be whatever the public found most inappropriate and shocking. Half the fun of watching "Saturday Night Live" in those days was waiting for the naughty parts. By the late '90s, humor evolved into more of a reality-focused art. When you watch your favorite reality TV show, you're probably laughing. When you read comics, you laugh hardest at the ones that speak to your personal experience.

Reality and humor have effectively merged. President Trump came to us through the reality TV world, and apparently he has a good grasp of modern humor. His critics will wince at my suggestion that his tweets are intentionally humorous, or even funny. But ask some of his followers about them. Notice the reflexive smile when you bring up the topic. They see it as weaponized humor. Likewise, they recognize Mr. Trump's sticky nicknames, such as "Low Energy Jeb" and "Rocket Man," as both intentionally humorous and effective.

Humor is an extraordinary tool of persuasion. Things that are funny are easier to remember, and humor creates a bond with anyone who shares the laugh. In my opinion as a professional humorist, Donald Trump is the funniest president in the history of the republic. Perhaps Abe Lincoln was second.

Again, there are no jokes of the old-fashioned punch-line variety in the president's tweets. The humor comes from our shared reality, their inappropriateness and—for his supporters—the fun of watching their shared critics take pies in their faces.

Mr. Trump also has a knack for getting into his critics' heads. Consider this tweet: "Why is the NFL getting massive tax breaks while at the same time disrespecting our Anthem, Flag and Country? Change tax law!" The odds of a tax law change targeted at the NFL are low. But are they zero? Once that risk is in your head, you reflexively treat it as real even if your rational brain says it isn't.

See a similar technique in the next tweet: "Network news has become so partisan, distorted and fake that licenses must be challenged and, if appropriate, revoked. Not fair to public!" It is deeply unlikely any major network will lose its station licenses, but now the idea is in their heads. Everything I know about persuasion tells me it will nudge the networks toward friendlier coverage out of self-preservation.

If you think Mr. Trump's tweets are nothing but thin-skinned reflex, you're missing a great show. Historians and trained persuaders will be analyzing his extraordinary Twitter game for hundreds of years, wondering how much of it was based on training and how much was pure instinct.

Did you catch me making you think past the sale just then?

Mr. Adams is the creator of the comic strip Dilbert and author of "Win Bigly: Persuasion in a World Where Facts Don't Matter," out next week from Portfolio/Penguin.

No, the GOP Tax Plan Won't Give You a $9,000 Raise

By Jason Furman

The White House Council of Economic Advisers claimed in a report released last week that the cuts to the corporate tax rate contained in the Republican tax-reform proposal would raise average annual household incomes by more than $4,000. They called this a "very conservative" estimate. A well-designed business-tax reform has the potential to raise productivity and wages. But this proposal is not well-designed, and flawed analysis only makes achieving well-designed reform less likely.

On the individual side, the Republican plan offers almost no direct benefit to the middle class. Many details are still missing, but from what we know so far it would largely be a wash for most households. A larger standard deduction and child tax credit would roughly offset the elimination of personal exemptions and the increase in the lowest bracket from 10% to 12%.

The net effect would be some simplification and fewer distortions, like the mortgage interest deduction, but not much of a decrease in the taxes paid by most households. Those households with the highest incomes would get large benefits from reductions in the top rate, repeal of the estate tax, and a new preferential rate for certain types of income.

The bigger debate is about who benefits from a reduction in the corporate rate from 35% to 20%, which would reduce federal annual revenue by about $200 billion. An important economic lesson about taxes is that the one who writes the check is not necessarily the one who bears the cost. The Treasury Department and the Joint Committee on Taxation operate under the assumption, informed by decades of research, that about 25% of the corporate tax bill is ultimately paid for by workers in the form of lower wages. Recent peer-reviewed research has found labor's share of the corporate tax burden ranging from lower than 25% to as high as 50%.

Economists are likely never to agree on who pays the corporate tax because the true answer is . . . it depends. In the long run, mobile capital can avoid taxes while immobile labor cannot, so labor pays a higher share. On the other hand, much of the corporate tax increasingly falls on returns to monopoly power and other rents, putting a growing slice of the burden on shareholders.

The White House claims that the average household would see between $4,000 and $9,000 more in its paychecks every year. But if all 125 million households got a raise like that, it would amount to an annual increase in total wages of between $550 billion and $1.1 trillion. That's between 275% and 550% of the total cost of the $200 billion corporate tax cut—implying a supply-side effect that's more than a little far-fetched.

> The White House's wild claims about the wage effects of corporate rate cuts don't add up.

Although the White House makes much of the importance of peer-reviewed research, their estimates of the wage effects from a cut to the corporate tax rate are based on parameters from a few papers written a decade ago, none of which were peer-reviewed, and most of which were never published. One of the authors of the paper used to justify the $9,000 claim took to Twitter to say that the CEA report "misinterprets" his findings, which found that labor paid 45% to 70% of the corporate tax, not 550% as claimed by the White House.

Moreover, the parameters used by CEA are based on estimates for U.S. states or much smaller and lower-income countries. North Carolina and Estonia might get much more inbound investment with a lower rate, but the trick would not work nearly as well for an economy as big as America's. Many companies need to be in the U.S. for reasons quite apart from taxes. The United Kingdom, an advanced and relatively large economy, is a more relevant example. Its experience of a 0.3% annual real wage decline since 2007, following its cutting its corporate rate from 30% to 19%, does not inspire much confidence in claims about large wage effects.

According to my calculations, the White House methodology yields the absurd conclusion that eliminating the corporate tax altogether would boost annual household wages by up to $20,000. In their analysis, the administration counts only the purported benefits from tax cuts without factoring in the costs of higher deficits due to lost revenue. But the need to raise revenue to finance government spending and avoid large-scale borrowing is the reason we have taxes in the first place.

Absent significant spending cuts, lower government revenue will lead to higher deficits. This, in turn, will either reduce capital formation and thus long-term growth, or it will maintain investment levels at the cost of skyrocketing foreign borrowing. The empirical results cited by the White House ignore this issue, basing their estimates either on assumptions that tax cuts are paid for with new lump-sum taxes on all households or on the experience of countries like the U.K. and Germany, which paid for corporate rate reductions with higher value-added taxes and other base broadeners.

Well-designed business-tax reform would include permanent expensing, elimination of the corporate interest deduction, a more robust and competitive international system, and fully paid-for reductions in the corporate rate. Such changes could help boost wages modestly over time. But the current plan falls short on all of these counts—and it is workers who will ultimately bear the cost of the White House's wild claims.

Mr. Furman, a professor of practice at the Harvard Kennedy School, was chairman of the White House Council of Economic Advisers, 2013-17.

How White Supremacists Exploit Public Higher Education

By Kent Fuchs And Glenn C. Altschuler

White supremacist Richard Spencer's appearance at the University of Florida last week was the latest flare-up in the debate over free speech that has roiled university campuses nationwide. First Amendment advocates have condemned Mr. Spencer's views but insisted on his right to speak. Others believe that his hate speech should be suppressed because it is cruel, dangerous and antithetical to the values of diversity, inclusion and reasoned, respectful discussion.

Thankfully, Mr. Spencer came and went with little incident. But while UF and Gainesville are getting back to business, other universities and their communities may not be so fortunate. Mr. Spencer and his group, the National Policy Institute, have pledged to visit numerous campuses nationwide in the coming months, and surely they will not be the last extremists whose voices rise to scorch ivy-covered walls.

That brings to the fore two issues that have long remained in the background, but that the public higher-education community must now reckon with. The first concerns access. Public universities that choose to grant access to speakers who are not invited or affiliated with the institution are legally obligated to accept all such speakers. As a result, they may become hostage to Nazis or other extremists—forced to stand by as these groups capitalize on their university's visibility and prestige to amplify their vile messages.

Yet restricting university facilities only to invitees or affiliates closes them off to many worthy community groups—which have few alternatives in relatively small cities such as Gainesville.

Universities seeking to be more restrictive may find themselves in court, accused of violating the First Amendment. In the end, these groups may get to speak anyway, as happened at Auburn earlier this year when that university's administration tried to block Mr. Spencer. Although we are strong advocates of free speech, we believe the complex issue of unfettered access to the campuses of public universities should be re-evaluated.

The second issue for public universities is the enormous security costs associated with extremist hate speakers. It is the legacy of a 1992 Supreme Court decision, *Forsyth County v. Nationalist Movement,* in which the justices held that the government cannot assess a security fee on a speaker to control the reaction of potential hostile onlookers or protesters.

At UF, which had nearly 1,000 state and local law-enforcement officers on campus on Thursday, the tab exceeded $600,000, the equivalent of nearly 100 students' annual tuition. In effect, taxpayers heavily subsidized racist speech rather than education or research.

> The University of Florida had to spend $600,000 to provide security for Richard Spencer.

One partial solution might involve mandating all facilities renters or their sponsors to deposit a sum, based on the honorarium or attendance at the event, into a security escrow account.

Another partial solution could entail a new Federal Extremist Speakers Fund to help universities with their exorbitant security costs. That would shift the financial burden of following the First Amendment to the government that requires universities to do so.

A third idea would be to establish a set of neutral criteria upon which fees for speakers could be based, in addition to those universities already have in place. In the *Forsyth* case, Justice Harry Blackmun pointed out that the fees were arbitrary. While UF and other universities have established objective criteria such as anticipated audience size, venue size and the complexity of venue security, it's time for universities to consider other ways to assess the real costs associated with these events.

We call on every public institution to commit to understanding their current policies and relevant laws, debating alternatives, and coming to fresh decisions about how to move forward.

We further call on universities to expand the discussion beyond their walls into a national conversation about what truly defines free speech in the U. S.—which, clearly is not always free—and who should shoulder the burden that comes with that responsibility. Mr. Spencer and his ilk have been able to dominate the conversation about free speech to date. We can, and we must, take it back.

Meanwhile, when openly racist and virulently anti-Semitic speakers show up on campus, we need to deprive them of attention and confrontation, the oxygen on which they thrive, by shunning them. And we need to seize the opportunity to declare the values of our nation's great public research universities, which are those of inclusion and diversity of people and ideas.

That strategy, we think it important to note, costs nothing.

Mr. Fuchs is president of the University of Florida. Mr. Altschuler is a professor of American studies at Cornell.

Notable & Quotable: NHS

Laura Donnelly, writing about Britain's National Health Service in London's Daily Telegraph, Oct. 17:

The NHS will ban patients from surgery indefinitely unless they lose weight or quit smoking, under controversial plans drawn up in Hertfordshire.

The restrictions—thought to be the most extreme yet to be introduced by health services—immediately came under attack from the Royal College of Surgeons. . . .

In recent years, a number of areas have introduced delays for such patients—with some told operations will be put back for months, during which time they are expected to try to lose weight or stop smoking.

But the new rules, drawn up by clinical commissioning groups (CCGs) in Hertfordshire, say that obese patients "will not get non-urgent surgery until they reduce their weight" at all, unless the circumstances are exceptional.

The criteria also mean smokers will only be referred for operations if they have stopped smoking for at least eight weeks, with such patients breathalysed before referral.

THE WALL STREET JOURNAL.
PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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TECHNOLOGY: BOTS BECOME THE BEAN COUNTERS B5

BUSINESS & FINANCE

* * THE WALL STREET JOURNAL. Monday, October 23, 2017 | B1

Last Week: **S&P** 2575.21 ▲0.86% **S&P FIN** ▲1.97% **S&P IT** ▲0.98% **DJ TRANS** ▲0.36% **WSJ $ IDX** ▲0.87% **LIBOR 3M** 1.365 **NIKKEI** 21457.64 ▲1.43% **See more at WSJMarkets.com**

Tesla Plugs In Own China Plant

Electric-car maker reaches deal to build a factory in Shanghai without local partner

*By **Tim Higgins** in San Francisco, **Trefor Moss** in Shanghai and **Eva Dou** in Beijing*

Tesla Inc. has reached an agreement to set up its own manufacturing facility in Shanghai, people briefed on the plan, a move that could help the car maker gain traction in China's fast-growing electric-vehicle market.

The deal with Shanghai's government will allow the Silicon Valley company to build a wholly owned factory in the city's free-trade zone, these people said. This arrangement, the first of its kind for a foreign auto maker, could enable Tesla to cut production costs, but it would still likely incur China's 25% import tariff.

Tesla is working with the Shanghai government about details of the deal's announcement, such as timing, one of these people said. The effort comes as President Donald Trump, who has been critical of China's trade policies, prepares to visit Beijing early next month.

A Tesla spokesman didn't have a comment beyond reiterating the company's previous statement in June that it planned to "clearly define" production plans in China by year's end. The Shanghai government didn't reply to a request for comment.

China's electric-vehicle market—already the world's largest—is primed for growth. The Chinese government is targeting seven million EV sales a year by 2025, up from 351,000 last year, and in September it ordered all auto makers already operating in China to start producing EVs by 2019. Officials have also said they are working on a plan to ban gasoline cars.

China had previously circulated a proposal that would allow electric-car makers into the country without local partners if they were to locate in the free-trade zones. The government set up the country's first such zone in Shanghai in 2013 and has since approved 10 more around the country.

Until now, foreign auto makers have built cars in China through joint ventures with local manufacturers. That allows them to avoid the 25% tariff on autos, but also forces them to split profits, and potentially share technology, with the local partner—something that has tripped up Tesla's previous efforts to expand there.

Under current rules, the cars Tesla builds in the free-trade zone would still count as imports and incur the tariff. Auto analysts in Shanghai doubt the Chinese government has any incentive to give Tesla special treatment.

"Government regulators examine every deal and try not to set a precedent," said Bill Russo, chief executive of Automobility, a Shanghai-based consultancy. "Whatever deal Tesla gets, others will want it too."

A plant in Shanghai's free-trade zone still has clear benefits, Mr. Russo said. It would give Tesla a base from which to export to the region, while offering proximity to the Chinese supply chain, thereby lowering production costs and the sale price of Tesla cars sold there. Today, a Tesla costs roughly 50% more in China than it does in the U.S.

Manufacturing in Shanghai would also put Tesla in good standing with the Chinese government, said Michael Dunne, an auto-industry consultant who spent years in Asia. Having Tesla cars built on Chinese soil would please Beijing officials, he said, which "in turn, will give Tesla goodwill leverage to negotiate better China market-access terms."

The auto maker reported more than $1 billion in revenue in China for 2016 on sales of roughly 11,000 imported vehicles, representing about 15% of total revenue. Sales in China were up from about

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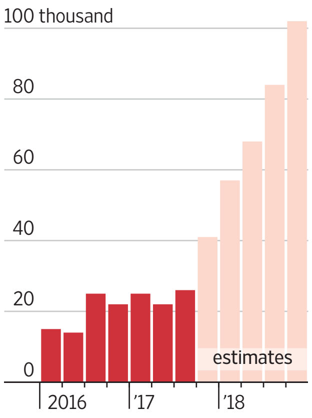
◆ GM's market value gets a lift from tech initiatives. B4
◆ China pushes domestic electric-car batteries. B4

Accelerating Growth

Forecasts for Tesla sales are high as it aims to ramp up output of the more affordable Model 3.

Number of Tesla vehicles delivered*



*Includes the Model S, Model X and Model 3.
Source: Factset
THE WALL STREET JOURNAL.

JASON LEE/REUTERS

A visitor to a Beijing auto show checked out a Tesla Model S last year. Tesla reported over $1 billion in revenue in China for 2016.

Eurozone Isn't Only Market in ECB Spell

BY MIKE BIRD

From Switzerland to the Ivory Coast, markets and economies outside the eurozone will feel effects of the European Central Bank unwinding its extraordinary monetary stimulus, a process that is expected to begin this Thursday.

Several central banks in Africa and countries that border the eurozone have currencies that either track or are heavily influenced by the euro—whether or not their own domestic economic conditions warrant it.

The ECB's unwinding could have a knock-on effect on markets, bringing sharp changes to bond markets and currencies outside the eurozone, as investors shift their views on how quickly other central banks will follow and tighten their own monetary policy.

"The biggest factor for these places is the strength of the euro," said Piotr Matys, emerging-market foreign-exchange strategist at Rabobank. "We'll be watching closely how the currency reacts; that will set the tone for all these other markets."

The ECB's expected unwinding will ripple through markets well beyond the eurozone.

Expectations of reduced ECB stimulus have driven the euro higher this year. As the ECB slows and eventually stops QE, yields on the region's bonds should rise, making them more attractive to global investors. To get a hold of those bonds, investors need euros, which drives demand for the common currency and boosting its value.

The outlook for the euro is uncertain, but any further rise would drag the currencies of its neighbors, especially in Eastern Europe, higher, too.

The ECB has become second to only the Federal Reserve in influencing transactions and markets abroad.

More than $2 trillion in international bonds—debt securities sold outside of the issuer's home country—is denominated in euros, for instance.

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Big Lumber-Industry Merger Is in Works

BY DANA MATTIOLI

Lumber company **Potlatch** Corp. is nearing an all-stock deal to combine with **Deltic Timber** Corp., according to people familiar with the matter.

Deltic shareholders are to receive 1.8 common shares of Potlatch for each share of Deltic that they own, the people said.

Based on Friday's closing prices, that would amount to a roughly 7% premium for Deltic shareholders.

On Friday, Potlatch shares closed at $53, giving the company a market value of $2.2 billion. Deltic closed at $89.12, putting its value at $1.1 billion.

Potlatch shareholders are set to own around 65% of the combined company, to be named PotlatchDeltic.

The companies are big timberland owners and lumber manufacturers. Together, they own nearly 2 million acres, with 1.1 million in the U.S. South, 600,000 in Idaho and 150,000 in Minnesota.

Potlatch, of Spokane, Wash., got its start in 1903. The company is structured as a real-estate investment trust, which pass their profits to shareholders. As a result of the deal, Deltic will attain REIT status, some of the people said, giving the new company a more-favorable tax structure.

Deltic's accumulated earnings, estimated at $250 million, will be distributed to the combined company's shareholders through a dividend, 80% in stock and the rest in cash, by the end of next year. The companies anticipate about $50 million in synergies from the deal.

Deltic, based in El Dorado, Ark., was founded in 1907 and became part of Murphy Oil in the 1950s. In 1996, Murphy Oil spun off the company. In addition to timber, it also has a real-estate arm.

Mike Covey, chairman and chief executive of Potlatch, will serve in those roles at the combined company. Deltic CEO John Enlow will run the integration and serve as vice chairman, the people said.

In the year to date, the REIT sector is the second-most-active for deal making after technology, according to Dealogic.

Deltic and Potlatch compete with timber giants such as Weyerhaeuser Co., which last year bought rival Plum Creek Timber Co. for more than $11 billion.

Deltic has been under pressure to consider a deal by Southeastern Asset Management Inc., a big holder of its shares.

KEYWORDS | By Christopher Mims

The Algorithm Driving Facebook

Instagram engineers faced a herculean task in early 2016.

Fearing that people would miss important posts, Instagram's leadership asked the engineers to transform the chronological photo feed into a curated list of posts based on users' individual preferences.

Development of a similar algorithm for Facebook's News Feed, which determines what two billion Facebook users see, required an enormous investment of time by highly compensated engineers.

At Facebook-owned Instagram, three or four engineers got the job done in less than five weeks, says Joaquin Candela, Facebook's head of applied machine learning. The team was able to clone the existing News Feed algorithm, then tweak it to suit Instagram.

However much Instagram's engineers tweaked it, the fact that most of what powers Instagram came from Facebook's News Feed shows the dominance and success of this basic engine of social media. Think of it—and the endless, modular chunks of artificial intelligence that go into it—as Facebook's master algorithm (my words, not Facebook's).

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INSIDE

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

INDEX TO PEOPLE

Whole Foods Data Breach

Whole Foods Market said Friday that a data breach involving credit-card charges at its taprooms and full-service restaurants affected about 100 venues in its stores over a six-month period.

The company said the hack lasted from March 10 until Sept. 28 and included bars and restaurants in 30 states, including California, Florida, Pennsylvania and Virginia, and big cities including New York, Chicago and Washington.

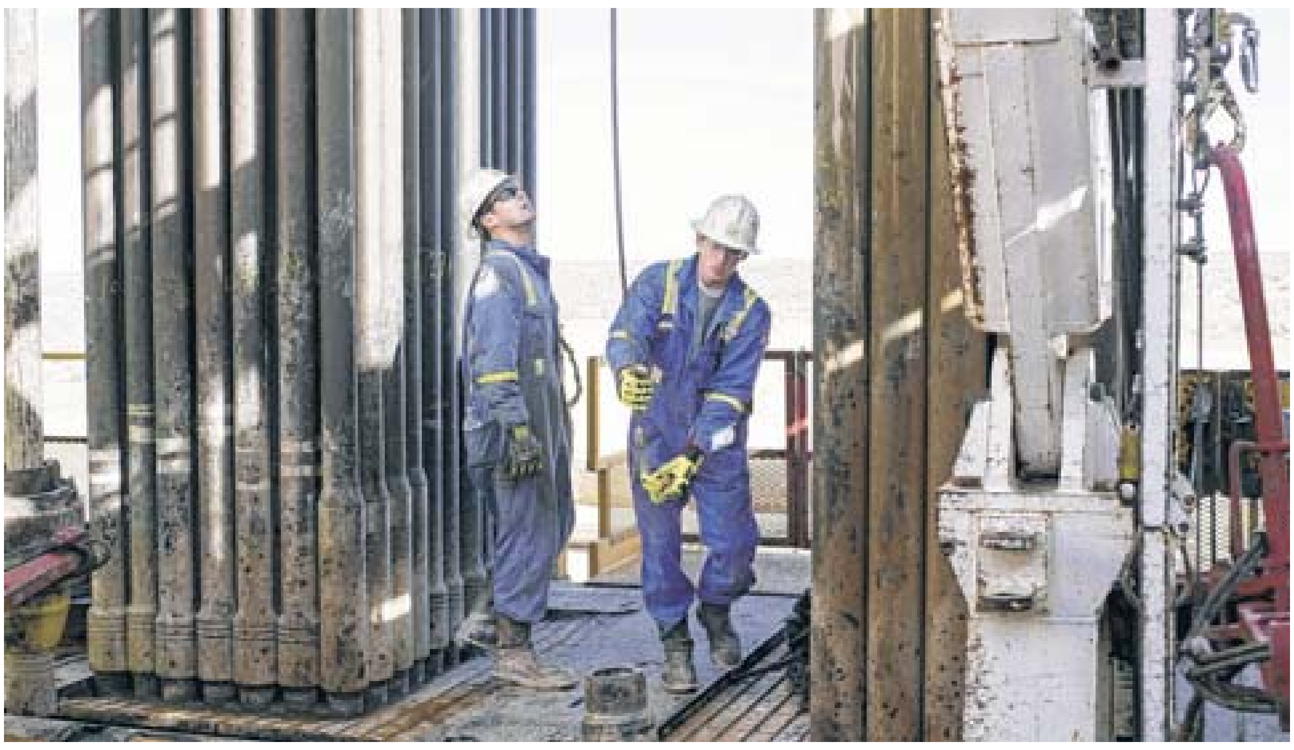
Ninety-six of the grocer's stores were breached, or about one-fifth of the chain's total.

The hack potentially included the copying of cardholder names, account numbers and verification codes.

The breach didn't affect transactions at its grocery stores, the company said. It also didn't affect orders made through **Amazon.com** Inc., which took over the grocer in August, Whole Foods said.

—Heather Haddon

BUSINESS & FINANCE



MATTHEW BUSCH/BLOOMBERG NEWS

The five largest Western oil firms are expected to post total profits of almost $13 billion for the three months ended in September.

Big Oil Looks for Bumper Profits

By Christopher M. Matthews

Some of the world's largest energy companies are to report earnings this week, providing a glimpse into whether they are improving profitability as oil prices hover around $50 a barrel.

THE WEEK AHEAD

Wall Street will be reading the tea leaves in earnings reports from **Exxon Mobil** Corp., **Chevron** Corp. **Halliburton** Co. and others, looking not just for the companies' bottom lines but also for whether oil and gas production may be rising, particularly in the U.S.

The world's biggest oil companies are expected to see big gains in profits as they reorient their businesses around lower-cost projects that yield returns faster. The five largest Western companies are expected to post total profits of almost $13 billion for the three months ended in September, an increase of more than 30% compared with the same period in 2016, according to analyst estimates on FactSet.

Exxon, Chevron and **Total** SA, which report Friday, are seen lifting their net incomes by more than a third. The following week, **Royal Dutch Shell** PLC could see the biggest gains, with profits that could more than double compared with the third quarter of last year, while **BP** PLC earnings are expected to be roughly in line with last year, according to analyst estimates.

Two of the world's largest oil-field services companies, **Schlumberger** Ltd. and Baker Hughes, a GE company, provided an early look at the industry's quarterly prospects with their earnings this past week and painted a picture of slowing activity in U.S. shale basins.

That's a potential sign that American oil and gas producers are listening to investors' calls to operate within their means. If a slowdown in U.S. output sticks, it could also help relieve global oil markets and drive up the per-barrel price.

The U.S. land-drilling rig count fell Friday, marking the lowest number of active U.S. oil rigs since early June as another seven rigs were parked, putting the total at 736. The weekly tally by Baker Hughes has increased only once in the past eight weeks. Even the Permian Basin of Texas and New Mexico, where more than half of all active U.S. oil rigs are located, saw a drop in the latest week, with rigs dropping by six to 378.

A slowdown in U.S. output could help relieve oil markets and drive up prices.

That's noteworthy because the Permian is the lowest-cost shale region, where some have said profits can be made even when prices are just $30 or $40 per barrel.

A drilling slowdown is not good for everyone. But it is a positive in some investors' eyes, signaling producers are focused on pumping oil from existing wells instead of drilling new ones. Oil-field service companies are often a bellwether for the oil-and-gas industry.

Schlumberger returned to a profit in the third quarter, reporting that it brought in $545 million in income, compared with $74 million in losses the previous quarter. The oil-field services giant said activity was led once again by U.S. land oil production.

But as producers enter capital-expenditure planning seasons, Schlumberger CEO Paal Kibsgaard said investment by U.S. energy and production companies seems to be moderating. He said Friday that while he expects growth in the U.S., he believes the pace will slow.

Baker Hughes, which **General Electric** Co. bought in July, said its losses narrowed 17% in the third quarter to $122 million, as it works to merge the services of the two companies.

Lorenzo Simonelli, CEO of the newly combined company, agreed with his counterpart at Schlumberger, saying he saw a "deceleration" in U.S. drilling in the last quarter.

—*Bradley Olson contributed to this article.*

RALPH ORLOWSKI/REUTERS

The drug maker is shifting its focus to products with growth potential.

Merck to Shed Some U.S. Sales Reps

By Peter Loftus

Merck & Co. said Friday it is laying off about 1,800 U.S. sales representatives, or nearly 7% of the drugmaker's U.S. workforce, in a reorganization the company says will cut costs and shift focus to products with growth potential.

Merck is eliminating three sales teams comprising reps who promote drugs to primary-care doctors, endocrinologists and drugs used in hospitals.

At the same time, Merck said it would create a new "chronic care" sales team of 960 reps who will promote its top-selling drug, diabetes treatment Januvia, plus insomnia medication Belsomra and drugs for various respiratory diseases and women's health.

Merck also hopes to begin selling two new diabetes drugs if regulators approve them.

Employees being laid off can apply for the new sales positions or other open jobs at Merck, said spokeswoman Claire Gillespie.

Merck said the changes are "part of ongoing company-wide efforts to sharpen Merck's focus on innovative R&D that addresses significant unmet medical needs and on our best opportunities for growth, while reducing overall costs."

The layoffs are the latest in a series of job cuts by the pharmaceutical industry.

Companies have been grappling with patent expirations that expose top drugs to competition from cheaper generics.

Merck has recently faced new generic competition for the anticholesterol drugs Vytorin and Zetia.

In 2013, Merck said it would cut its workforce by 20% by the end of 2015, to save about $2.5 billion in annual operating expenses.

Merck has about 69,000 employees globally, including about 26,500 in the U.S.

Last month, Eli Lilly & Co. announced that it planned to eliminate about 3,500 positions, or 8% of its global workforce, through a mix of early-retirement offers and layoffs.

Kobe Steel's Quality Scandal Worsens

By Sean McLain

TOKYO—The quality scandal at **Kobe Steel** Ltd. deepened Friday after the company said one of its copper plants was under investigation for breaching Japan's industrial standards.

Inspectors at Japan's Quality Assurance Organization took issue with copper pipes produced at a Kobe Steel plant in Hadano, a city west of Tokyo, the company said. The pipes are used in plumbing and air-conditioning systems. The nonprofit certifies adherence to both Japanese and international standards, according to its website.

Kobe Steel said the quality watchdog is investigating whether the copper pipes violate rules governing industrial standards because quality information about the pipes had been manipulated. The products were above minimum quality standards, but the rewritten quality data may violate the rules governing these standards, the company said.

Naoto Umehara, executive vice president, said "There are lots of things we need to change inside the company."

Kobe Steel, one of Japan's largest producers of steel and aluminum and a major auto supplier, admitted earlier this month that it doctored quality documents on tens of thousands of tons of metal shipments. Information on product quality was changed to make it appear that the products met customer specifications when they didn't.

ISSEI KATO/REUTERS

Kobe Steel's Naoto Umehara says, 'There are lots of things we need to change inside the company.'

The company also said it found a new case of quality testing failures. From November 2015 to September 2017, the company shipped to a customer 3,800 tons of steel plate on which quality testing hadn't been conducted. Kobe Steel said it was unsure what impact this would have on its business going forward.

In both cases outlined Friday, Kobe Steel said it didn't believe there were any safety concerns with the products.

The company also said it learned of an attempt at one of its aluminum plants to hide information about products with falsified quality data. After the company made its first admission last week, it began checking paperwork at all its plants for further instances of falsified quality data. During the investigation, workers and some members of management tried to hide evidence of products with falsified data, the company said.

Around 500 companies have received shipments of substandard products from Kobe Steel, including car makers such as Toyota Motor Corp., Japanese bullet-train operators and Boeing Co. So far, none of the customers have found safety issues associated with the products.

On Thursday, many of the car makers—including Toyota—said that the out-of-specification aluminum used in hoods and doors was of sufficient strength that there were no safety issues posed by the materials. The car makers are still checking the products they had received from suppliers.

—*Alastair Gale contributed to this article.*

New FAA Warning on Batteries

By Andy Pasztor

The U.S. Federal Aviation Administration has stepped up warnings about potential major fire hazards for airliners stemming from overheating laptop batteries in checked baggage, even as President Donald Trump's administration is putting another federal agency in charge of handling the issue internationally.

The moves come as an influential panel of the International Civil Aviation Organization, an arm of the United Nations, meets this week to consider urging airlines worldwide to take further steps to avoid transporting laptops, along with other electronic devices larger than cellphones, in checked luggage.

The latest laboratory tests conducted by FAA experts found that in extreme circumstances, even a single seriously overheating laptop—packed inside a checked bag next to common but flammable consumer products including nail polish or aerosol sprays—can produce a blaze or explosion capable of disabling typical fire-suppression systems in cargo holds of passenger planes. As a result, safety experts have concluded it is safer to keep laptops in cabins, where a blaze can be identified quickly and dealt with more effectively.

The fate of tougher global safety standards in the longer term is less clear, partly because the Transportation Department has opted to remove the FAA as the lead agency representing the U.S. on battery-safety issues pending at ICAO. Instead, Transportation Secretary Elaine Chao has switched that role to the Pipeline and Hazardous Materials Safety Administration, an agency that historically has been less aggressive than the FAA in combating lithium-battery hazards.

Trump Energy Plan Draws Fire

Factions often at odds say proposal would be bailout for struggling coal, nuclear plants

By Timothy Puko

A coal-fired power plant in Maryland. Oil and gas firms, and environmentalists, oppose the plan.

MARK WILSON/GETTY IMAGES

WASHINGTON—A Trump administration proposal aimed at shoring up coal-fired and nuclear power plants across the nation has generated opposition from an array of energy and consumer interests, including some who are often at odds on energy policy.

Oil and gas companies, wind and solar power producers, some public utilities, electricity consumers and environmentalists—rarely natural allies—are all publicly opposing the Energy Department's proposal. The plan would effectively guarantee profits for some nuclear and coal-fired power plants, prompting critics that also include former federal regulators to call it a bailout for struggling plants that undermines competitive markets.

The Trump administration, in its proposal late last month, asked the Federal Energy Regulatory Commission to implement market changes to better reward power plants that can continue running in extreme weather or during attacks or other crises. The effort, led by Energy Secretary Rick Perry, is rooted in the argument that if nuclear and coal-fired plants keep going out of business, there is an increased national-security risk and chance of power shortages.

The unusual battle lines that have ensued put coal miners and a small group of power companies that stand to benefit up against nearly the entire rest of the energy industry—both fossil and renewable fuels—plus consumers and environmentalists. It has also flipped some traditional economic orthodoxies, with Democrats saying they are arguing for free markets while Mr. Perry and some Republicans are justifying subsidies to help nuclear and coal compete.

"Overregulation and over-subsidization in many areas have distorted the market," Mr. Perry told The Wall Street Journal. "We're trying to get the market back in balance."

The new FERC chairman, Neil Chatterjee, has promised a quick response to the Energy Department's proposal. The commission expedited its deadline for public comments to Monday evening.

Mr. Chatterjee, former energy adviser to Senate Majority Leader Mitch McConnell (R., Ky.), told reporters earlier this month that it is worth assessing the risks that come with coal- and nuclear-plant closings. But he and the other commissioners also have said they don't want to undermine competitive markets.

Opponents say that is exactly what would happen, though, if the FERC accepts Mr. Perry's proposal. It doesn't have to: The commission is obligated to review the proposal. But commissioners could opt to reject the proposal or come up with their own new rules.

If FERC were to accept Mr. Perry's plan, regional grid operators would reward plants that have a 90-day fuel supply on site, among other requirements—essentially nuclear and some coal generators.

Companies' comments submitted to FERC in advance of Monday's deadline included a joint filing from merchant power producers including **Dynegy** Inc. and **LS Power Development** LLC. It said the proposal could destroy hundreds of billions of dollars in capital and discourage innovation and development.

Executives at **NRG Energy** Inc. and even **Exelon** Corp., which has lobbied for some state-level subsidies, have publicly expressed concerns about how far the proposal goes. **FirstEnergy** Corp. appears to be one notable supporter among power companies, with its chief executive commending the effort in a news release. The controlling owner of coal-mining company **Murray Energy** Corp. also said the proposal could save thousands of jobs and called it the best action taken in decades for low-cost power.

Industry groups have organized much of the opposition. The American Petroleum Institute, the Washington, D.C., lobbying powerhouse for U.S. oil and gas producers, has released a joint statement against the proposal with the American Wind Energy Association, the Electricity Consumers Resource Council, the Solar Energy Industries Association and others.

"Competition in power generation over the past 25 years has brought enormous benefits to consumers," said Marty Durbin, executive vice president of the petroleum group. "We've got to let the markets continue to be the driver."

Mr. Perry says that subsidies to both oil and gas producers, and to wind- and solar-power producers, have already shaped the market more than any pure competition. Considering that, it is worth it to give a subsidy to nuclear and coal and have consumers pay more to avoid a worst-case scenario, he said.

"The [proposal] I put forward was a way to kick-start a national discussion about reliability and the grid," Mr. Perry told the House Committee on Energy and Commerce last week. "And from the best I can tell, we've been pretty successful at doing that."

Some Cite Risks In Reliance on Gas

The Federal Energy Regulatory Commission has been working with states and grid operators for years on whether the power-generation markets need an overhaul.

Cheap natural gas from the drilling boom, more efficient power plants, and new wind and solar technology are undercutting the coal and nuclear plants that used to provide most of the country's electricity. Even opponents of Energy Secretary Rick Perry's proposal have warned that the grid risks becoming reliant on natural gas and might become prone to price spikes and shortages if too many more coal and nuclear plants close.

The Energy Department says the grid operators would need to create a system to cover the costs and returns for plants that qualify under the proposal, but it hasn't given any details on exactly what that system could be.

Nor does the department have any estimate of the proposal's cost, which would be passed on to consumers through rising prices.

An analysis from consulting firm ICF International Inc. puts the cost at between $1 billion and $4 billion a year.

Critics warn the proposal goes too far. It is so narrowly tailored that, of the current fleet, likely only nuclear and some coal plants could qualify.

BUSINESS NEWS

GM's Recent Moves Give Shares a Lift

Bets on driverless-car efforts, new industry technologies help to dispel 'dinosaur' image

BY JOHN D. STOLL

After spending years frustrated by Wall Street's lack of interest in record profits, a fortress balance sheet and a revamped approach to selling cars, **General Motors** Co. has decided to change its story. And investors are finally listening.

GM reports third-quarter earnings Tuesday following a flurry of announcements about rapid advances in driverless-car development. The company's share price—stuck in neutral during Chief Executive Mary Barra's nearly four-year tenure—is springing to life, trading well above the previous highs notched since GM's 2010 initial public offering.

The company's $66.5 billion market value firmly outpaces **Ford Motor** Co., whose shares have languished in recent years, and **Fiat Chrysler Automobiles** NV, which is valued far below GM but trading near a several-year high amid rampant takeover rumors. But more important than beating Detroit rivals, the largest U.S. auto maker appears to be lapping **Tesla** Inc., a small electric-vehicle maker held up as the auto industry's future.

Tesla, founded by billionaire Elon Musk, stole the crown as highest-valued domestic auto maker earlier this year. Production hiccups with its new Model 3 mass-market sedan, however, have damped enthusiasm for Mr. Musk's plan.

"We see potential for investors, both auto and nonauto, to view GM's progress and Tesla's production challenges as a sign that some of Tesla's market cap needs to go back to GM," Barclays auto analyst Brian Johnson wrote in a recent note to investors. GM has been underestimated in the emerging automotive tech race, he said, and shouldn't necessarily take a back seat to Silicon Valley's newcomers, including Alphabet Inc.'s Waymo and Uber Technologies Inc. A GM spokesman said that while the company is pleased with its recent share gains, it continues to believe the stock is undervalued.


ZACH GIBSON/BLOOMBERG NEWS

GM's Mary Barra is making advances against Tesla and other rivals.

Ms. Barra began building the case for GM as a new-mobility pioneer in early 2016, sinking $500 million into ride-hailing company Lyft Inc. and purchasing Cruise Automation, a Silicon Valley startup focused on autonomous cars. The value of Lyft has doubled since then, and Cruise's staff has grown to about 350 from 40, with employees saying GM's ownership provides a smoother pathway to the mass production of robotaxis.

Cruise earlier this month acquired Strobe Inc., a company that makes low-cost "lidar," or the laser/radar technology that serves as an autonomous car's eyes and ears. These developments, combined with momentum on electric vehicles, have killed the suggestion that GM is "a dying dinosaur," Mr. Johnson said.

The pressure, however, isn't off Ms. Barra as she chases the lofty target of being the world's most valued automotive company. Joseph Spak, an RBC Capital Markets auto analyst, said investors need to question whether GM is adequately funding technology plays that "may burn cash for a long time." And there is no clear strategy to make money on self-driving cars, electric vehicles and ride sharing.

The car business, meanwhile, faces headwinds, with GM poised to report a 33% decline in operating profit for the quarter ended Sept. 30. GM's North American production declined 25% during the third quarter, according to WardsAuto.com.

Lower output is due to slumping demand for GM's bread-and-butter family cars, luxury sedans and compact vehicles, as well as other production-related factors. Revenue is booked at the point of production, so slower factories likely hit GM's top line hard.

Adding further pressure is the company's increased reliance on sales incentives during the summer as it cleared excess inventory off dealer lots and spent heavily on disaster-relief programs in September.

Ms. Barra, however, is reducing GM's exposure to volatile markets at a time when many of her competitors are embracing them. GM closed the sale of its money-losing European business in August, shortly after exiting the Indian and Russian markets. More recently, it consolidated all of its remaining non-China international businesses into a single operation and closed down production in Australia.

These moves could help GM maintain its record profit clip, even if volumes in China and the U.S. fall off all-time highs. The company forecasts 10% operating margins in its North America business, mirroring a profit haul typically enjoyed only by luxury brands or Toyota Motor Corp.

China Pushes Domestic Electric-Car Batteries

BY TREFOR MOSS

SUZHOU, China—Batteries have emerged as a critical front in China's campaign to be the global leader in electric vehicles, but foreign auto makers and experts say it is rigging the market to favor domestic suppliers.

Tianjin Lishen Battery Co. here in eastern China recently agreed to sell its battery packs to **Kia Motors** for the EVs the South Korean company makes in China and is now in talks to supply **General Motors** Co., **Mercedes-Benz** and **Volkswagen** AG, a supervisor for the Chinese company said.

But that is largely because Tianjin Lishen has little foreign competition.

Foreign batteries aren't banned in China, but auto makers must use ones from a government-approved list to qualify for generous EV subsidies.

The Ministry of Industry and Information Technology's list includes 57 manufacturers, all of them Chinese.

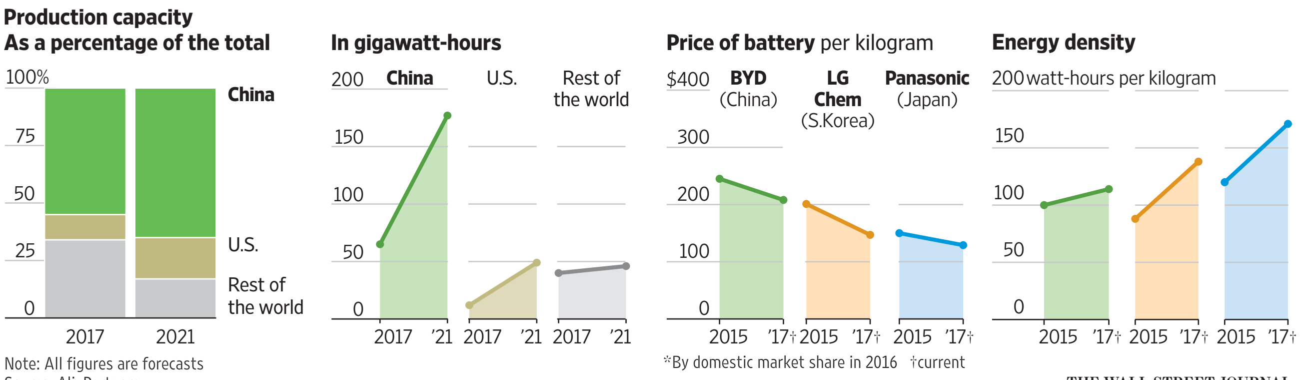
Foreign battery companies declined to discuss their absence from the list. But analyst Mark Newman of Sanford C. Bernstein said the government has cited reasons such as paperwork errors to exclude foreign suppliers.

"They want to give their companies two to three years" without foreign competition to secure customers, achieve scale, and improve their technology, Mr. Newman said.

Power Struggle

Chinese makers of lithium-ion batteries are expected to have about two-thirds of global production capacity by 2021...

...but, China's largest battery maker* trails Japanese and Korean rivals in developing cheaper, more powerful batteries.



Note: All figures are forecasts
Source: AlixPartners

*By domestic market share in 2016 †current

THE WALL STREET JOURNAL.

The ministry didn't respond to questions.

Outside China, auto makers work with market-leading battery companies, such as **Panasonic** Corp., which supplies **Ford Motor** Co., **Tesla** Inc. and **Toyota Motor** Corp., and **LG Chem** Ltd., which supplies GM.

Auto makers say they want those relationships to continue in China but they have been warned by government officials to cut deals with local battery firms or risk incurring Beijing's displeasure, representatives of two foreign auto makers said.

In August, U.S. Trade Representative Robert Lighthizer launched an investigation into whether Chinese policies are forcing U.S. companies to risk their proprietary technology to do business in China. Among other issues, Mr. Lighthizer is expected to examine Chinese rules requiring many foreign companies—including auto companies—to form local joint ventures to be allowed to operate in China, potentially jeopardizing their intellectual property.

The European Chamber of Commerce in Beijing said in a report this year that foreign auto makers could be forced to hand over their electric-car technology to Chinese partners in return for market participation, an allegation Chinese officials have denied.

Washington has long accused Beijing of using government financing, subsidies and strict requirements on foreign competitors to help it dominate industries ranging from semiconductors to steel to solar power and autos. Some industry analysts believe the rules favoring local battery makers are the clearest example yet of Chinese auto-market distortion.

"It's protectionist—the rules blatantly favor domestic companies," said Julia Coym, a senior analyst with Control Risks, a consultancy.

Last month, Beijing began requiring all auto makers—foreign and domestic—to begin making electric and other alternative-energy vehicles by 2019. While China hopes to clear its polluted skies, its primary objective is to help its domestic industry leapfrog foreign rivals by creating a large captive market for their products, analysts say. EV production is one of 10 high-tech industries that Beijing is prioritizing through its flagship Made in China 2025 strategy.

Batteries play a critical role. In July, Tianjin Lishen opened a $765 million plant here in Suzhou, 75 miles west of Shanghai, the first of four new battery factories it is building. By 2019 the facility will have an annual output of 15 gigawatt hours, said the Tianjin Lishen executive, Ma Hongyue, the factory supervisor. That is roughly equivalent to all of the EV batteries produced globally in 2015.

—*Junya Qiyan in Shanghai contributed to this article.*

TESLA

Continued from page B1

$319 million in 2015.

Chief Executive Elon Musk has said Tesla could cut prices in China by one-third by reducing shipping costs and avoiding import duties.

Mr. Musk has previously signaled a desire to expand manufacturing capabilities in China and Europe. The company, which manufactures its vehicles in Fremont, Calif., does final assembly at a facility in Tilburg, Netherlands, for the European market.

Fremont is under pressure to expand manufacturing capacity to meet Mr. Musk's ambitious goals of making 10,000 Model 3 sedans a week by the end of next year. The Model 3, priced starting at $35,000, is part of his vision for expanding the auto maker beyond selling luxury niche vehicles.

While the cost of introducing the new vehicle has left the auto maker with little cash to spare, investors' enthusiasm for Mr. Musk's vision has helped push shares of the company up more than 50% this year so far, propelling Tesla's market value to rival General Motors Co.'s.

Chinese internet company Tencent Holdings Ltd. acquired a 5% stake in Tesla in March, giving Mr. Musk a powerful ally in China.

—*Yang Jie in Beijing contributed to this article.*

MEDIA

Fox Knew About Settlement

BY JOE FLINT

21st Century Fox was aware Bill O'Reilly had reached a settlement with a network analyst who had accused him of sexual harassment when the company renewed the star Fox News host's contract, the company said Saturday.

In a statement, the company said it "knew that a sexual harassment lawsuit had been threatened against him by Lis Wiehl, but was informed by Mr. O'Reilly that he had settled the matter personally" when it signed Mr. O'Reilly to a new four-year deal last February.

The settlement with Ms. Wiehl, a legal analyst for Fox News and a legal adviser to Mr. O'Reilly, was for $32 million, according to the New York Times, which reported on the settlement Saturday.

Mr. O'Reilly has denied all alleged wrongdoing. A spokesman for Mr. O'Reilly issued a statement critical of the Times story, saying it contained false and defamatory material "obviously designed to embarrass Mr. O'Reilly and to keep him from competing in the marketplace."

In its statement, 21st Century Fox didn't confirm the amount of the settlement, saying it was reached "on financial terms that [Mr. O'Reilly] and Ms. Wiehl had agreed were confidential and not disclosed to the company."

Fox News and Mr. O'Reilly parted ways in April after the New York Times reported that he and Fox News had paid to resolve several harassment accusations against him over many years.

Ms. Wiehl didn't respond to a request for comment. In April, she said in an emailed statement to The Wall Street Journal that there was "no claim against Fox News or Bill O'Reilly" and that she was leaving the network to "devote herself to writing and other pursuits."

The settlement, reported by the Times on Saturday, is notable both for its apparent size and timing. It came as Fox News was already reeling from a string of sexual harassment claims against former network boss Roger Ailes.

Fox knew host Bill O'Reilly had settled harassment claims when it renewed his contract.

Mr. Ailes, who denied the allegations, exited last year and died earlier this year. 21st Century Fox launched a probe into Mr. Ailes's alleged misconduct and pledged to ensure a safe workplace for women. In September 2016, the company paid $20 million to settle a lawsuit with former Fox News anchor Gretchen Carlson, who had accused Mr. Ailes of sexual harassment.

"We sincerely regret and apologize for the fact that Gretchen was not treated with the respect and dignity that she and all of our colleagues deserve," 21st Century Fox said in a statement at the time.

Federal authorities are investigating what 21st Century Fox knew about settlement payments from Fox News to Mr. Ailes's accusers—as well as how those payments were made and who was involved, people familiar with the matter have said. 21st Century Fox has said it is cooperating fully with the probe.

The 21st Century Fox statement issued Saturday said Mr. O'Reilly's latest contract gave the company the right to dismiss him if it "was made aware of other allegations or if additional relevant information was obtained in a company investigation. The company subsequently acted based on the terms of this contract."

"21st Century Fox has taken concerted action to transform Fox News, including installing new leaders, overhauling management and on-air talent, expanding training, and increasing the channels through which employees can report harassment or discrimination," the statement said.

Since departing Fox News, Mr. O'Reilly has started his own online show. He recently returned to Sean Hannity's show on Fox News to promote his latest book.

21st Century Fox and the Journal's parent News Corp share common ownership.


CHIP BERGMAN/LIONSGATE/EVERETT COLLECTION

Tyler Perry's 'Boo 2! A Madea Halloween' topped this weekend's box-office sales with $21.7 million.

'Boo 2!' Scares Up Big Sales

Associated Press

LOS ANGELES—It was a spooky weekend at the box office for nearly everyone but Tyler Perry.

Mr. Perry's comedy sequel "Boo 2! A Madea Halloween" scared up a healthy $21.7 million in its first weekend in theaters, but the waters were rough for other new openers including "Geostorm," the firefighter drama "Only the Brave" and the crime thriller "The Snowman."

"Boo 2!" did a little less business than the first film, which opened to $28.5 million just last year.

"Given that it's a sequel, its performance is at the higher end of our expectations," said David Spitz, who heads domestic distribution for Lions Gate.

The studio expects the film to hold well into next weekend due to increased interest because of Halloween.

But a slight drop for a sequel hardly compares to the catastrophe of "Geostorm," a long-delayed $120 million disaster epic that only managed to open to $13.3 million from North American theaters.

Estimated Box-Office Figures, Through Sunday

		SALES, IN MILLIONS		
FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. Boo 2! A Madea Halloween	Lions Gate	$21.7	$21.7	--
2. Geostorm	Warner Bros.	$13.3	$13.3	--
3. Happy Death Day	Universal	$9.4	$40.7	-64
4. Blade Runner 2049	Warner Bros.	$7.2	$74	-54
5. Only the Brave	Sony	$6	$6	--

*Friday, Saturday and Sunday Source: comScore

Firms Leave the Bean Counting To the Robots

By Nina Trentmann

One of **Statoil** ASA's newest employees, Roberta, spends her days in the energy firm's treasury department searching for missing payment information and sending out reminders.

Her boss, Tor Stian Kjøllesdal, said Roberta's heavy workload would improve overall efficiency in the group.

Roberta doesn't have a last name, a face, or arms. She is the first piece of robotic software to work in the Norwegian company's treasury department, part of Statoil's push toward automation, robotics and artificial intelligence, said Mr. Kjøllesdal, acting head of internal treasury.

Finance executives at companies including **Nokia** Corp., Royal Dutch Shell PLC and **Orange** SA are developing their own Robertas. Two-thirds of large global companies expect to automate some or most of their finance-department tasks over the next two to three years, according to new research by Hackett Group Inc. Hackett's report is based on benchmark and performance studies at hundreds of large global companies.

These new technologies are designed to cut costs, liberate workers from time-consuming, repetitive tasks, and in many cases reduce finance- and treasury-department employee numbers. "We will be running the treasury with less people in a couple of years," Statoil's Mr. Kjøllesdal said.

Finland's Nokia also expects to shed jobs as part of the transition toward a more automated finance department. Forecasting business performance is one area where humans can be replaced by an algorithm, said Chief Financial Officer Kristian Pullola.

Finance departments are seeing results from the increased sophistication of robotics and automation tools: Digital transformation can cut labor and outsourcing costs by 20% to 35%, according to Hackett.

French building materials maker **Compagnie de Saint-Gobain** SA wants a more efficient unit. Currently, some of the company's 6,000 finance employees spend part of their day scanning invoices and transferring figures from one software program to another, said finance chief Guillaume Texier. Some of these tasks, which can take up to 10 clicks per number transferred, are repeated hundreds of times a day, he said.

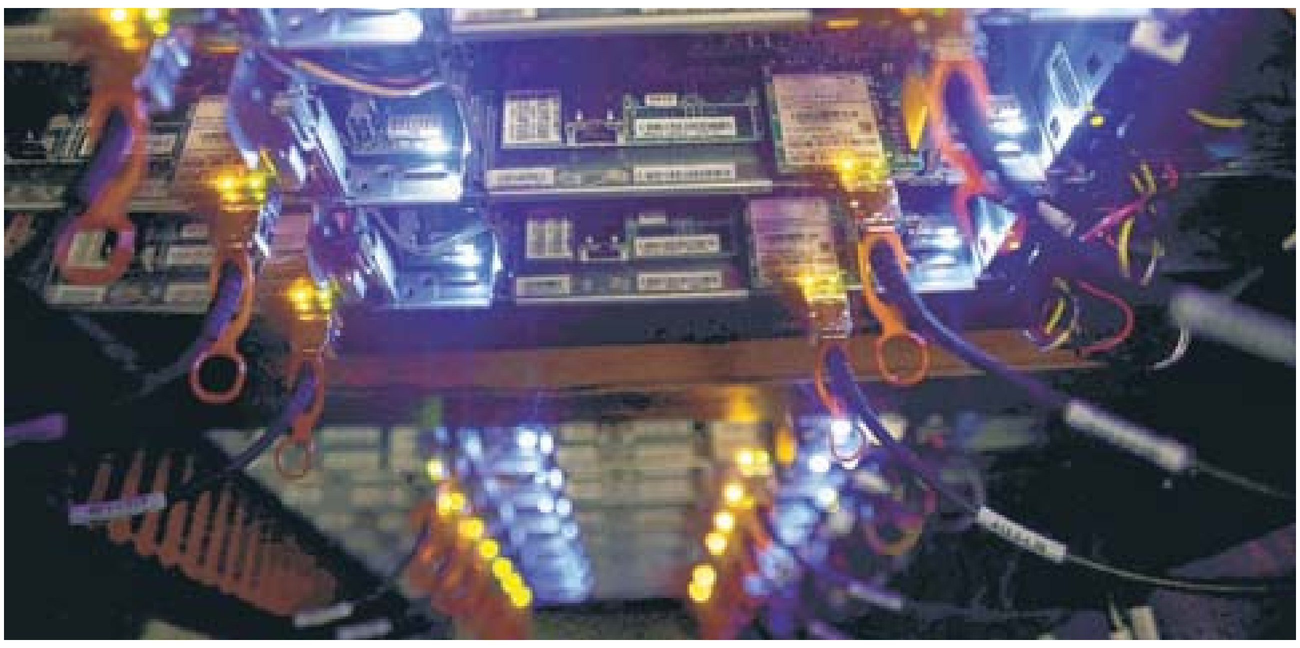
"It does not make sense to pay a human to do that," Mr. Texier said. "The next step is to get rid of repetitive tasks that are not adding value."

French information-technology services firm **Atos** SE is planning to hand over its reporting tasks—for example, collecting and assembling data for monthly and quarterly reports, as well as calculating results—to robots. The work is currently done by a team of finance professionals in Chennai, India. Atos's 1,800 finance-department employees will be asked to do more complex, decision-making work, said finance chief Elie Girard.

"Because of robotization, finance jobs will evolve quickly," Mr. Girard said.

Ramon Fernandez, finance chief at **Orange**, a French telecommunications company, expects his employees to do higher-value work as the company automates more basic tasks. "You will have less people in charge of extremely basic functions," he said.

—Tatyana Shumsky contributed to this article.



MEG ROUSSOS/BLOOMBERG NEWS

Web servers at a Facebook data center in Prineville, Ore., in 2014. Artificial intelligence is central to most things Facebook does.

MIMS

Continued from page B1

Mr. Candela recently explained how his team works with almost every other engineering team at the company—and how AI has become core to most things Facebook does.

If telling us what to look at next is Facebook's raison d'être, then the AI that enables that endless spoon-feeding of content is the company's most important, and sometimes most controversial, intellectual property. A sorted, curated feed tuned for engagement is the product of a device that might someday be viewed by historians as a milestone on par with the steam engine.

Only this engine, built to capture human attention, has shown itself to be exploitable by bad actors and possibly detrimental to our democracy. This has prompted congressional hearings for Facebook, scheduled for November. Facebook has been a vessel for Russian influence and the spread of fake news. The personalization of content that Facebook's master algorithm allows, and the hyperpartisan news sites that have risen to feed it, have created, for many users, personalized "bubbles" of what is essentially nonoverlapping reality.

At the same time, the company's announcement that it is hiring more humans to screen ads and filter content shows there is so much essential to Facebook's functionality that AI alone can't accomplish.

AI algorithms are inherently black boxes whose workings can be next to impossible to understand—even by many Facebook engineers. "If you look at all the engineers at Facebook, more than one in four are users of our AI platform," says Mr. Candela. "But more than 70% [of those] aren't experts."

How so many Facebook engineers can use its AI algorithms without necessarily knowing how to build them, Mr. Candela says, is that the system is "a very modular layered cake where you can plug in at any level you want." He adds, "The power of this is just hard to describe." Pieces of that platform are performing all kinds of "domain-specific" tasks across Facebook's properties, from translation to speech recognition.

Every time one of Facebook's two billion monthly users opens the Facebook app, a personalization algorithm sorts through all the posts that a person could theoretically see, and dishes up the fraction it thinks she or he would like to see first. The system weighs hundreds of frequently updated signals, says Mr. Candela.

An example of updated

Facebook's Joaquin Candela describes the firm's master algorithm as a 'layered cake.'

signals would be Facebook's recent fight against click-bait—links to stories that are "misleading, sensational or spammy." Training the algorithm takes human labor: A team analyzed hundreds of thousands of posts in 10 languages, flagging offending headlines that either withheld information ("Here's the one thing...") or exaggerated ("...will blow your mind"). The resulting system autonomously scans links, suppressing the ones that match what it learned from the human-generated data.

Mr. Candela says teams add features to the master algorithm to "add value to social interactions." Chief Executive Mark Zuckerberg recently said Facebook's goal was to "bring the world closer together."

However it is phrased, that goal is measured in the way people engage with Facebook's apps and networks, whether that is increasing the number of posts they comment on, or how useful they find machine-translated posts, or how often they use M, Facebook's Messenger-based smart assistant, Mr. Candela says.

Time spent on Facebook's various properties correlates with the company's revenue, and that number was going up at last report: In April 2016, Facebook said it was capturing on average 50 minutes of every American's day, up from 40 minutes in July 2014.

Facebook has become central to the way we connect, find news and keep up with friends and family. But given what we have learned over the past year, it is worth asking whether the intentions of the hugely powerful Oz that is Facebook's master algorithm are ultimately benevolent or malign.

MARKETS DIGEST

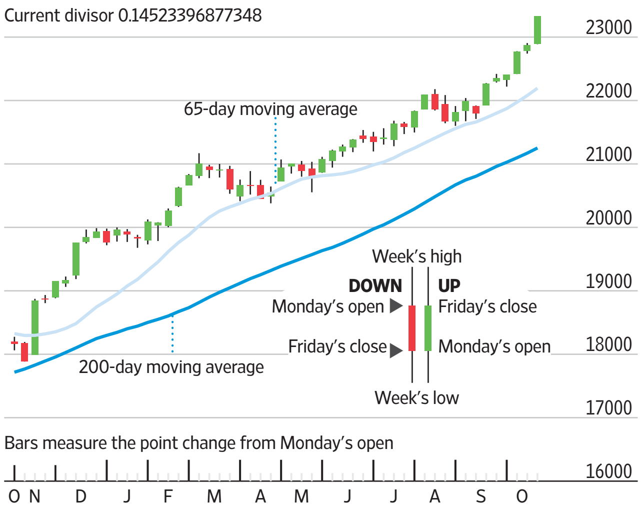
Dow Jones Industrial Average

23328.63 ▲456.91, or 2.00% last week

High, low, open and close for each of the past 52 weeks

	Last	Year ago
Trailing P/E ratio	20.04	19.84
P/E estimate *	19.58	17.26
Dividend yield	2.20	2.64
All-time high 23328.63, 10/20/17		

Current divisor 0.14523396877348



Bars measure the point change from Monday's open

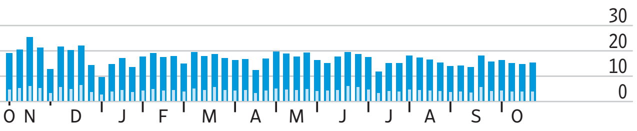
S&P 500 Index

2575.21 ▲22.04, or 0.86% last week

High, low, open and close for each of the past 52 weeks

	Last	Year ago
Trailing P/E ratio	24.52	24.41
P/E estimate *	19.56	18.05
Dividend yield	1.95	2.15
All-time high: 2575.21, 10/20/17		

NYSE weekly volume, in billions of shares



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Financial Flashback

The Wall Street Journal, October 23, 1986

Hughes Tool Co. and Baker International Corp. agreed to a merger that would create an oil-field giant with the lion's share of the drill bit market.

Major U.S. Stock-Market Indexes

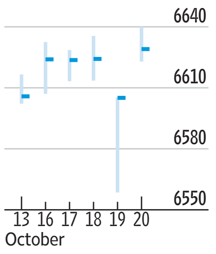
	Latest Week High	Low	Close	Net chg	% chg	52-Week Low	Close (●)	High	% chg	% chg YTD	3-yr. ann.
Dow Jones											
Industrial Average	23328.84	22887.12	**23328.63**	456.91	**2.00**	17888.28		23328.63	**28.6**	18.0	**12.5**
Transportation Avg	9983.39	9790.58	**9972.10**	35.88	**0.36**	7967.02		10038.13	**24.2**	10.3	**6.6**
Utility Average	750.20	727.52	**749.21**	11.96	**1.62**	625.44		754.8	**14.4**	13.6	**9.5**
Total Stock Market	26704.03	26406.16	**26697.94**	211.96	**0.80**	21514.15		26697.94	**20.6**	14.7	**10.5**
Barron's 400	692.56	680.76	**691.35**	6.22	**0.91**	521.59		691.35	**27.7**	14.9	**11.3**
Nasdaq Stock Market											
Nasdaq Composite	6640.03	6558.53	**6629.05**	23.25	**0.35**	5046.37		6629.05	**26.1**	23.1	**15.4**
Nasdaq 100	6129.49	6051.47	**6108.82**	16.36	**0.27**	4660.46		6122.61	**25.9**	25.6	**16.4**
Standard & Poor's											
500 Index	2575.44	2547.92	**2575.21**	22.04	**0.86**	2085.18		2575.21	**20.3**	15.0	**10.6**
MidCap 400	1834.82	1808.85	**1834.29**	15.47	**0.85**	1476.68		1834.29	**20.1**	10.5	**11.2**
SmallCap 600	916.28	901.99	**913.75**	5.38	**0.59**	703.64		918.72	**24.5**	9.0	**13.1**
Other Indexes											
Russell 2000	1512.75	1491.38	**1509.25**	6.59	**0.44**	1156.89		1512.09	**23.9**	11.2	**11.3**
NYSE Composite	12430.65	12322.13	**12430.53**	78.53	**0.64**	10289.35		12430.53	**17.6**	12.4	**6.4**
Value Line	546.43	539.27	**545.98**	3.17	**0.58**	455.65		545.98	**15.3**	7.9	**5.4**
NYSE Arca Biotech	4329.04	4202.93	**4243.06**	-18.48	**-0.43**	2834.14		4304.77	**38.7**	38.0	**11.6**
NYSE Arca Pharma	561.27	550.85	**560.10**	6.79	**1.23**	463.78		560.52	**13.6**	16.3	**3.8**
KBW Bank	101.19	98.39	**101.17**	2.29	**2.31**	73.36		101.17	**37.3**	10.2	**14.6**
PHLX§ Gold/Silver	87.94	84.64	**85.01**	-2.28	**-2.61**	73.03		96.72	**-2.1**	7.8	**2.7**
PHLX§ Oil Service	140.00	130.78	**131.71**	-6.38	**-4.62**	117.79		192.66	**-19.4**	-28.3	**-18.5**
PHLX§ Semiconductor	1237.63	1206.34	**1231.34**	12.13	**0.99**	802.88		1231.34	**51.2**	35.8	**28.2**
CBOE Volatility	11.77	9.29	**9.97**	0.36	**3.75**	9.19		22.51	**-25.3**	-29.0	**-18.7**

§Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

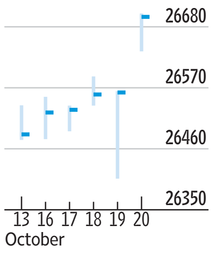
Nasdaq Composite

▲ 23.25, or 0.35% last week



DJ US TSM

▲ 211.96, or 0.80% last week



International Stock Indexes

Region/Country	Index	Latest Week Close	% chg	52-Week Range Low	Close	High	YTD % chg
World	**The Global Dow**	2969.47	**0.45**	2390.11		2969.47	17.3
	DJ Global Index	383.85	**0.19**	311.55		383.85	17.7
	DJ Global ex U.S.	258.42	**–0.44**	206.73		259.89	20.8
Americas	**DJ Americas**	620.55	**0.68**	503.67		620.55	14.8
Brazil	**Sao Paulo Bovespa**	76390.51	**–0.78**	57110.99		76989.79	26.8
Canada	**S&P/TSX Comp**	15857.22	**0.32**	14509.25		15922.37	3.7
Mexico	**S&P/BMV IPC**	49988.71	**0.01**	44364.17		51713.38	9.5
Chile	**Santiago IPSA**	4193.12	**1.16**	3137.71		4193.12	30.1
EMEA	**Stoxx Europe 600**	390.13	**–0.33**	328.80		396.45	7.9
	Stoxx Europe 50	3185.46	**–0.45**	2730.05		3276.11	5.8
Eurozone	**Euro Stoxx**	390.92	**–0.02**	317.93		392.32	11.6
	Euro Stoxx 50	3605.09	**0.01**	2954.53		3658.79	9.6
Austria	**ATX**	3383.15	**0.22**	2412.85		3403.13	29.2
Belgium	**Bel-20**	4082.98	**0.32**	3426.21		4082.98	13.2
France	**CAC 40**	5372.38	**0.39**	4377.46		5432.40	10.5
Germany	**DAX**	12991.28	**–0.005**	10259.13		13043.03	13.2
Greece	**Athex Composite**	749.23	**–1.59**	573.92		858.08	16.4
Israel	**Tel Aviv**	1435.56	**–0.39**	1363.50		1478.96	–2.4
Italy	**FTSE MIB**	22346.85	**–0.30**	16217		22811	16.2
Netherlands	**AEX**	544.63	**–0.29**	440.51		547.68	12.7
Portugal	**PSI 20**	5451.91	**–0.11**	4370.84		5461.19	16.5
Russia	**RTS Index**	1134.45	**–1.92**	960.32		1195.61	–1.6
South Africa	**FTSE/JSE All-Share**	57948.66	**0.12**	48935.90		58163.56	14.4
Spain	**IBEX 35**	10222.70	**–0.34**	8607.1		11135.4	9.3
Sweden	**SX All Share**	593.32	**0.96**	496.66		596.72	11.0
Switzerland	**Swiss Market**	9237.13	**–0.80**	7593.20		9311.69	12.4
U.K.	**FTSE 100**	7523.23	**–0.16**	6693.26		7556.24	5.3
Asia-Pacific							
Australia	**S&P/ASX 200**	5907.00	**1.60**	5156.6		5956.5	4.3
China	**Shanghai Composite**	3378.65	**–0.35**	3052.79		3390.52	8.9
Hong Kong	**Hang Seng**	28487.24	**0.04**	21574.76		28711.76	29.5
India	**S&P BSE Sensex**	32389.96	**–0.13**	25765.14		32633.64	21.6
Japan	**Nikkei Stock Avg**	21457.64	**1.43**	16251.54		21457.64	12.3
Malaysia	**FTSE Bursa Malaysia KLCI**	1740.65	**–0.84**	1616.64		1792.35	6.0
Singapore	**Straits Times**	3340.73	**0.65**	2787.27		3354.71	16.0
South Korea	**Kospi**	2489.54	**0.64**	1958.38		2489.54	22.9
Taiwan	**Weighted**	10728.88	**0.04**	8931.03		10774.21	15.9

Source: SIX Financial Information;WSJ Market Data Group

Commodities and Currencies

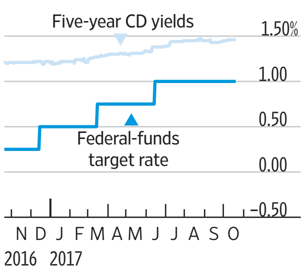
	Last Week Close	Net chg	% Chg	YTD % chg
DJ Commodity	**594.34**	-4.49	**-0.75**	4.77
TR/CC CRB Index	**184.12**	-0.71	**-0.39**	-4.36
Crude oil, $ per barrel	**51.47**	0.02	**0.04**	-4.19
Natural gas, $/MMBtu	**2.915**	-0.09	**-2.83**	-21.72
Gold, $ per troy oz.	**1277.40**	-24.10	**-1.85**	11.08
U.S. Dollar Index	**93.66**	0.57	**0.61**	-8.36
WSJ Dollar Index	**87.00**	0.75	**0.87**	-6.39
Euro, per dollar	**0.8487**	0.0027	**0.32**	-10.72
Yen, per dollar	**113.52**	1.69	**1.51**	-2.98
U.K. pound, in dollars	**1.32**	-0.0097	**-0.73**	6.83

	52-Week Low	Close(●)	High	% Chg
DJ Commodity	527.06		600.13	**9.68**
TR/CC CRB Index	166.50		195.14	**-2.79**
Crude oil, $ per barrel	42.53		54.45	**1.22**
Natural gas, $/MMBtu	2.56		3.93	**-2.61**
Gold, $ per troy oz.	1127.80		1346.00	**0.91**
U.S. Dollar Index	91.35		103.25	**-5.10**
WSJ Dollar Index	84.49		93.56	**-1.77**
Euro, per dollar	0.83		0.96	**-7.63**
Yen, per dollar	102.99		118.18	**9.33**
U.K. pound, in dollars	1.20		1.36	**7.82**

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

5-year CDs

Bankrate.com avg†:	**1.46%**
First Internet Bank of Indiana	**2.32%**
Indianapolis, IN	888-873-3424
Barclays	**2.35%**
Wilmington, DE	888-720-8756
Synchrony Bank	**2.35%**
Morristown, NJ	800-903-8154
Goldman Sachs Bank USA	**2.40%**
New York, NY	855-730-7283
Popular Direct	**2.40%**
New York, NY	800-274-5696

Interest rate	Yield/Rate (%) Last (●)	Week ago	52-Week Range (%) Low	0 2 4 6 8	High	3-yr chg (pct pts)
Federal-funds rate target	**1.00-1.25**	1.00-1.25	0.25		1.25	**1.00**
Prime rate*	**4.25**	4.25	3.50		4.25	**1.00**
Libor, 3-month	**1.36**	1.35	0.88		1.36	**1.13**
Money market, annual yield	**0.32**	0.32	0.26		0.36	**-0.10**
Five-year CD, annual yield	**1.46**	1.46	1.19		1.47	**-0.05**
30-year mortgage, fixed†	**3.90**	3.90	3.54		4.33	**-0.11**
15-year mortgage, fixed†	**3.22**	3.18	2.81		3.50	**0.06**
Jumbo mortgages, $424,100-plus†	**4.39**	4.37	4.23		4.88	**-0.08**
Five-year adj mortgage (ARM)†	**3.43**	3.42	3.13		4.03	**-0.21**
New-car loan, 48-month	**3.07**	3.07	2.85		3.36	**-0.15**
HELOC, $30,000	**5.20**	5.22	4.57		5.30	**0.77**

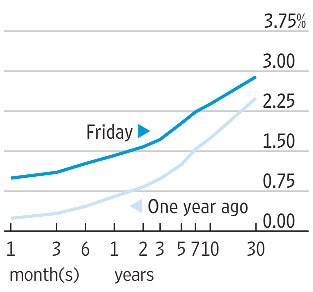
Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks.† Excludes closing costs.

Sources: SIX Financial Information; WSJ Market Data Group; Bankrate.com

Benchmark Yields and Rates

Treasury yield curve

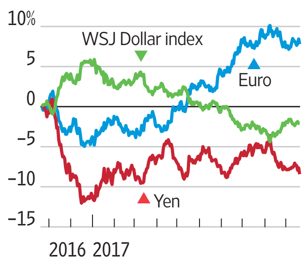
Yield to maturity of current bills, notes and bonds



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Corporate Borrowing Rates and Yields

Bond total return index	Yield (%) Last	Wk ago	Spread +/- Treasurys, in basis pts, 52-wk Range Last	Low	High	Total Return 52-wk	3-yr
10-yr Treasury, Ryan ALM	**2.381**	2.280				-3.54	1.34
DJ Corporate	**3.047**	2.969				1.92	3.63
Aggregate, Barclays Capital	**2.610**	2.530	36	36	47	0.31	2.14
High Yield 100, Merrill Lynch	**5.072**	5.224	309	309	490	7.309	4.438
Fixed-Rate MBS, Barclays	**2.880**	2.780	24	11	34	0.23	1.95
Muni Master, Merrill	**1.912**	1.893	11	-4	18	2.099	2.545
EMBI Global, J.P. Morgan	**5.442**	5.409	304	303	407	4.723	5.839

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

New to the Market

IPO Scorecard on page B7

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range($) Low/High	Bookrunner(s)
10/25	9/11	BP Midstream Partners Develops and acquires pipelines and other midstream assets.	**BPMP** N	**42.5**	19.00/ 21.00	Citi, GS, MS, Barclays, Credit Suisse, JPM, UBS
10/25	9/29	National Vision Holdings Holding company with subsidiary engaged in optical good retail.	**EYE** Nq	**15.8**	18.00/ 20.00	BofA ML, GS, Citi, KKR, MS, Jefferies, UBS, WFS
10/26	10/2	ForeScout Technologies Software company providing cybersecurity solutions.	**FSCT** Nq	**4.8**	20.00/ 22.00	MS, JPM, Citi, BofA ML, KeyBanc, UBS
10/26	9/25	Merchants Bancorp State commercial bank.	**MBIN** Nq	**5.6**	17.00/ 19.00	Sandler O'Neill & Prtnrs, Stephens, Raymond James & Assoc, SunTrust
10/26	9/21	Nexa Resources Integrated zinc producer.	**NEXA** Intl	**31.0**	18.00/ 21.00	JPM, BMO Cptl Mkts, MS, Credit Suisse, BofA ML, Citi, Scotiabank, Bradesco BBI

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Symbol	Offer price($)	Offer amt ($ mil.)	Through Friday (%)	Lockup provision
Oct. 23	April 26, '17	Floor Decor Holdings	**FND**	21.00	213.1	**80.8**	180 days
Oct. 24	April 27, '17	Carvana	**CVNA**	15.00	225.0	**–11.1**	180 days
	April 27, '17	China Rapid Finance	**XRF**	6.00	69.0	**64.7**	180 days
	April 27, '17	Cloudera	**CLDR**	15.00	258.8	**8.3**	180 days
	April 27, '17	Emerald Expositions Events	**EEX**	17.00	303.0	**32.9**	180 days
	April 27, '17	NCS Multistage Holdings	**NCSM**	17.00	185.7	**21.0**	180 days
	April 27, '17	Zymeworks	**ZYME**	13.00	63.6	**–30.8**	180 days

Sources: Dealogic; WSJ Market Data Group

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Expected	Issuer/Business	Symbol/ Primary exchange	Amount ($mil.)	Friday's price ($)	Bookrunner(s)
Oct. 23	**LiveXLive Media** Publishing	**LXL** N	100.0	n.a.	BMO Cptl Mkts
Oct. 24	**Ablynx** Healthcare	**ABLX** Nq	175.0	n.a.	BofA ML, JPM, Jefferies

Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/ Registration date	Deal value ($ mil.)	Registration (mil.)	Bookrunner(s)
Ignyta Healthcare	Oct. 19 Oct. 18, '17	**$160.0**	...	JPM, Jefferies
Pattern Energy Group Utility & Energy	Oct. 18 Aug. 15, '17	**$187.2**	...	MS, BofA ML
KMG Chemicals Chemicals	Oct. 18 April 7, '17	**$162.0**	$200.0	GS, KeyBanc
Earthstone Energy Oil & Gas	Oct. 18 July 2, '15	**$41.6**	$300.0	Credit Suisse, WFS, RBC Cptl Mkts, SunTrust
Radcom Computers & Electronics	Oct. 18 March 29, '16	**$28.2**	$50.0	W. Blair LLC, Needham & Co
BlueLinx Holdings Construction/Building	Oct. 18 Aug. 28, '17	**$27.1**	...	BTIG LLC
CUI Global Computers & Electronics	Oct. 18 March 14, '17	**$18.0**	$100.0	Craig-Hallum Group
Akari Therapeutics Healthcare	Oct. 18 Aug. 13, '14	**$17.4**	$75.0	Cantor Fitzgerald & Co, W. Blair LLC, Canaccord Genuity
Golden Ocean Group Transportation	Oct. 17 May 13, '16	**$66.0**	$400.0	DNB Markets, Arctic Sec., Seaport Global Sec.
Abeona Therapeutics Healthcare	Oct. 16 June 22, '15	**$92.0**	$225.0	Jefferies, RBC Cptl Mkts

Public and Private Borrowing

Treasurys

Monday, October 23

Auction of 13 week bill;
announced on October 19; settles on October 26

Auction of 26 week bill;
announced on October 19; settles on October 26

Tuesday, October 24

Auction of 4 week bill;
announced on October 23; settles on October 26

Auction of 2 year note;
announced on October 19; settles on October 31

Wednesday, October 25

Auction of 2 year FRN;
announced on October 19; settles on October 31

Auction of 5 year note;
announced on October 19; settles on October 31

Thursday, October 26

Auction of 7 year note;
announced on October 19; settles on October 31

Public and Municipal Finance

Deals of $ 150 million or more expected this week

Sale	Final maturity	Issuer	Total ($mil.)	Rating Fitch	Moody's	S&P	Bookrunner/ Bond Counsel(s)
Oct. 23	prelim.	Massachusetts	200.0	N.R.	N.R.	N.R.	Barclays/—
Oct. 23	prelim.	San Diego Assoc of Governments	204.5	N.R.	N.R.	N.R.	J P Morgan Securities LLC/—
Oct. 26	prelim.	Santa Clara Co-California	250.0	N.R.	N.R.	N.R.	Preliminary/ Orrick H & S
Oct. 26	prelim.	Washington Suburban Sanitary Dt	712.5	N.R.	N.R.	N.R.	Preliminary/ McKennon Shelton & Henn
Oct. 27	prelim.	California St Public Works Board	188.3	N.R.	N.R.	N.R.	Raymond James/—
Oct. 27	prelim.	Gainesville City-Florida	415.9	N.R.	N.R.	N.R.	Goldman & Co/—
Oct. 27	prelim.	NYS Utility Debt Securitization Auth	369.4	N.R.	N.R.	N.R.	RBC Cptl Mkt/—
Oct. 27	prelim.	San Francisco City/Co-California	200.8	N.R.	N.R.	N.R.	Stifel Nicolaus/—
Oct. 27	prelim.	Wisconsin	272.6	N.R.	N.R.	N.R.	Jefferies LLC/—

Source:Thomson Reuters/Ipreo

Qatar Accounting Shift Draws Scrutiny

Move increases nation's hard-currency assets, comes before major bond sale

By Matt Wirz

An abrupt accounting change that nearly doubled Qatar's hard-currency assets this month is drawing investor scrutiny as the nation prepares for a major bond sale.

Qatar's central bank said it made the shift based on 2016 technical guidance from the International Monetary Fund. Senior IMF officials were surprised when the Middle East nation implemented the change almost a year later with no warning but a six-word announcement, according to people familiar with the matter.

The confusion comes as Qatar is scrambling to shore up its finances after Saudi Arabia and other Middle Eastern nations imposed an economic blockade on the country in June. The embargo was in retaliation for Qatar's ties with Iran and its alleged support of extremism.

While the accounting change conforms with IMF protocols, Qatar's central bank made no mention of the impending change when it met with fund officials in August, and the IMF didn't review the calculations before they were announced, the people familiar with the matter said.

How investors perceive this maneuver could affect the price they are willing to pay for Qatar's new debt, expected to reach the market by year-end. Stated foreign-currency reserves are key for investors purchasing bonds of most governments and help determine how high a yield buyers demand.

Despite the boost to stated assets, Qatari bond yields have risen since the change was announced, reflecting the stress Qatar's economy has endured under the blockade.

"This may be a buying opportunity," said Markus Schneider, a London-based economist for asset-management firm AllianceBernstein Holding LP. He said that the country's other assets help mitigate any concerns about its reserves and that any new Qatari bond likely will yield more than those of other high-quality sovereign borrowers in the region.

Qatari bond yields are still relatively low for an emerging-market country, reflecting the country's vast oil reserves and and attendant wealth. The country also owns large foreign currency assets via its sovereign-wealth fund, the Qatar Investment Authority, and Moody's Investors Service estimates governmental financial assets at $340 billion.

But the yield of Qatar's benchmark bond due 2026 has jumped to 3.54% from around 3.1% in May, while the cost of insuring its bonds against default has climbed by 70%, according to data from IHS Markit. Bond yields and the cost of credit default swaps rise when bond prices fall.

Saudi Arabia's comparable bond traded recently at a yield of 3.4%, compared with 3.38% in June, while the cost of credit default swaps on the bond has dropped about 9%, according to Markit.

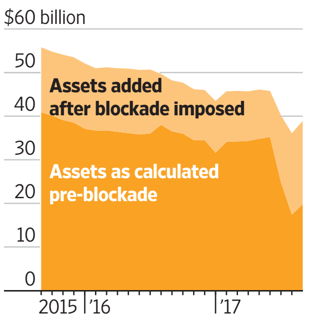
Before the blockade, Qatar calculated hard-currency reserves by adding up its gold, cash in foreign banks and holdings of foreign securities, principally U.S. Treasurys. That sum fell about 44% to $20 billion in August from $35 billion in May, as the central bank liquidated most of its foreign securities holdings to bolster the Qatari banking system.

In September, the central bank published a new set of figures that included a different category titled "other liquid assets in foreign currency" and added foreign currency liquidity to its presentation of reserves. The new assets amounted to $19 billion in August, boosting the total figure reported to investors to $39 billion for that month.

—Nicolas Parasie contributed to this article.

Cash Cushion

Qatar Central Bank changed its calculation of assets after the imposition of a Saudi blockade.



Source: Qatar Central Bank
THE WALL STREET JOURNAL.

Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets.
Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **a**-The NAV and market price are ex dividend. **b**-The NAV is fully diluted. **c**-NAV is as of Thursday's close. **d**-NAV is as of Wednesday's close. **e**-NAV assumes rights offering is fully subscribed. **f**-Rights offering in process. **g**-Rights offering announced. **h**-Lipper data has been adjusted for rights offering. **j**-Rights offering has expired, but Lipper data not yet adjusted. **l**-NAV as of previous day. o-Tender offer in process. **v**-NAV is converted at the commercial Rand rate. **w**-Convertible Note-NAV (not market) conversion value. **y**-NAV and market price are in Canadian dollars. NA signifies that the information is not available or not applicable. NS signifies fund not in existence of entire period.
12 month yield is computed by dividing income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, October 20, 2017

Fund (SYM)	NAV	Close	Prem /Disc	52 wk Ttl Ret
General Equity Funds				
Adams Divers Equity Fd **ADX**	18.04	15.52	-14.0	29.1
Boulder Growth & Income **BIF**	12.46	10.62	-14.8	35.4
Central Securities **CET**	31.94	26.61	-16.7	34.2
CohSteer Opprtnty Fd **FOF**	13.87	13.21	-4.8	22.0
Cornerstone Strategic **CLM**	13.48	14.91	+10.6	30.8
EtnVnc TaxAdvDiv **EVT**	23.24	22.58	-2.8	23.2
Gabelli Dividend & Incm **GDV**	24.18	22.75	-5.9	27.5
Gabelli Equity Trust **GAB**	6.53	6.50	-0.5	34.7
Genl American Investors **GAM**	42.75	36.53	-14.5	27.4
Guggenheim Enh Fd **GPM**	8.90	8.82	-0.9	27.9
HnckJohn TxAdv **HTD**	26.45	26.00	-1.7	18.8
Liberty All-Star Equity **USA**	6.80	6.18	-9.1	32.7
Royce Micro-Cap **RMT**	10.46	9.36	-10.5	33.1
Royce Value Trust **RVT**	17.52	15.94	-9.0	40.3
Source Capital **SOR**	45.24	41.22	-8.9	18.9
Tri-Continental **TY**	29.23	26.00	-11.1	29.1
Specialized Equity Funds				
Adams Natural Rscs Fd **PEO**	22.79	19.35	-15.1	3.9
AllnzGI NFJ Div Interest **NFJ**	14.66	13.48	-8.0	19.6
AlpnGlblPrProp **AWP**	7.26	6.86	-5.5	40.3
ASA Gold & Prec Metals **ASA**	13.32	11.82	-11.3	-14.1
BlkRk Enh Cap Inco **CII**	16.61	15.89	-4.3	29.0
BlkRk Engy Res Tr **BGR**	14.85	13.46	-9.4	1.9
BlackRock Enh Eq Div Tr **BDJ**	9.76	9.14	-6.4	26.7
BlackRock Enh Gl Div Tr **BOE**	14.49	13.68	-5.6	24.1
BlkRk Intl Grwth&Inco **BGY**	7.03	6.62	-5.8	25.1
BlkRk Health Sci **BME**	35.76	36.45	+1.9	17.6
BlackRck Rscs Comm Str Tr **BCX**	10.09	8.88	-12.0	20.3
BlackRock Science & Tech **BST**	26.94	25.92	-3.8	49.1
BlackRock Utility & Infr **BUI**	21.33	21.12	-1.0	20.8
CBREClarionGlblRlEstIncm **IGR**	8.80	8.00	-9.1	8.3
Central Fund of Canada **CEF**	13.60	13.30	-2.2	0.4
ClearBridge Amer Engy **CBA**		8.12	NA	-0.5
ClearBridge Engy MLP Fd **CEM**		13.91	NA	-5.8
Clearbridge Engy MLP Opp **EMO**		11.36	NA	-3.2
Clearbridge Engy MLP TR **CTR**		11.91	NA	2.8
Cohen & Steers Infr Fd **UTF**	25.57	23.27	-9.0	24.4
C&S MLP Incm & Engy Opp **MIE**	10.55	9.87	-6.4	3.4
Cohen & Steers Qual Inc **RQI**	13.56	12.69	-6.4	9.1
CohnStrsPfdInco **RNP**	22.81	21.57	-5.4	18.7
Cohen & Steers TR **RFI**	13.41	12.63	-5.8	9.9
CLSeligmn Prem Tech Gr Fd **STK**	22.21	22.84	+2.8	40.0
Duff & Phelps **DNP**	10.08	11.40	+13.1	21.6
Duff&PhelpsGblUtilIncFd **DPG**	17.58	16.04	-8.8	7.3
Eaton Vance Eqty Inco Fd **EOI**	14.67	14.37	-2.0	24.9
Eaton Vance Eqty Inco II **EOS**	15.43	15.28	-1.0	21.2
EtnVncRskMngd **ETJ**	9.94	9.37	-5.7	12.2
Etn Vnc Tax Mgd Buy-Write **ETB**	16.32	16.81	+3.0	10.0
Eaton Vance BuyWrite Opp **ETV**	14.81	15.21	+2.7	12.1
Eaton Vance Tax-Mng Div **ETY**	12.01	11.78	-1.9	21.6
Eaton Vance Tax-Mngd Opp **ETW**	11.55	11.89	+2.9	21.6
EtnVncTxMngGlDvEqInc **EXG**	9.44	9.46	+0.2	23.7
Fiduciary/Clymr Opp Fd **FMO**	12.25	12.26	+0.1	-11.5
FT Energy Inc & Growth Fd **FEN**	23.14	23.60	+2.0	-2.1
FstTrEnhEqtIncFd **FFA**	16.39	15.39	-6.1	22.4
First Tr Engy Infr Fd **FIF**	19.08	18.66	-2.2	4.5
First Tr MLP & Engy Incm **FEI**	14.49	14.73	+1.7	0.9
Gabelli Hlthcr & Well **GRX**	11.53	10.12	-12.2	8.1
Gabelli Utility Tr **GUT**	5.53	7.10	+28.4	21.3
GAMCOGlblGoldNatRscs&Inc **GGN**	5.44	5.56	+2.2	4.9
Goldman Sachs MLP Inc Opp **GMZ**	9.36	8.84	-5.6	1.0
Goldman Sachs MLP Energy **GER**	6.50	6.36	-2.2	-2.0
John Hancock Finl Opps Fd **BTO**	36.74	38.01	+3.5	41.3
Macquarie Glbl Infrstrctr **MGU**	28.05	25.94	-7.5	32.5
Neuberger Berman MLP Incm **NML**	9.81	9.14	-6.8	8.5
Neubrgr Brm Rl Est Sec Fd **NRO**	5.89	5.58	-5.3	11.6
Nuveen Dow 30 Dynamic **DIAX**	18.36	17.48	-4.8	30.7
Nuveen Core Eq Alpha **JCE**	16.13	15.92	-1.3	29.4
Nuveen Diversified Div **JDD**	12.99	12.85	-1.1	20.4
Nuveen Engy MLP Fd **JMF**	11.06	11.12	+0.5	-1.9
Nuv NASDAQ 100 Dyn Over **QQQX**	22.43	23.23	+3.6	33.2
Nuveen Real Est Incm Fd **JRS**	11.30	11.20	-0.9	11.1
Nuv S&P 500 Dyn Overwrite **SPXX**		16.71	NA	31.1
Nuveen S&P 500 Buy-Write **BXMX**	14.27	14.08	-1.3	16.9
Reaves Utility Fund **UTG**	33.56	31.48	-6.2	14.5
Tekla Hlthcr Investors **HQH**	25.82	24.95	-3.4	23.0
Tekla Healthcare Opps Fd **THQ**	20.10	18.46	-8.2	19.5
Tekla Life Sciences **HQL**	21.31	21.56	+1.2	35.3
Tekla World Hlthcr Fd **THW**	15.47	14.26	-7.8	12.1
Tortoise Energy **TYG**	25.29	26.69	+5.5	-3.1
Tortoise MLP Fund **NTG**	16.85	16.94	+0.5	-3.8
Voya Gl Equity Div **IGD**	8.30	8.11	-2.3	27.1
Income Preferred Stock Funds				
Calamos Strat Fd **CSQ**	12.76	12.45	-2.4	34.6
Cohen & Steers Dur Pfd **LDP**	27.47	26.77	-2.5	16.7
Cohen & Strs Sel Prf Inco **PSF**	28.02	28.00	-0.1	15.3
FT Interm Duration Pfd **FPF**		24.64	NA	16.2
Flaherty & Crumrine Dyn **DFP**	26.56	26.38	-0.7	14.3
Flaherty & Crumrine Pfd **FFC**	20.48	21.53	+5.1	14.6
John Hancock Pfd Income **HPI**	21.54	22.10	+2.6	11.4
John Hancock Pfd II **HPF**	21.29	21.72	+2.0	7.8
John Hancock Pfd Inc III **HPS**	18.98	18.76	-1.2	10.1
JHancock Pr Div **PDT**	15.99	16.87	+5.5	23.1
LMP Cap & Inco Fd **SCD**		14.31	NA	21.1
Nuveen Pfd & Incm Opps Fd **JPC**	10.84	10.61	-2.1	16.5
Nuveen Pfd & Incm Secs Fd **JPS**	10.42	10.31	-1.1	18.7
Nuveen Preferred & Incm **JPI**	26.03	25.56	-1.8	12.6
TCW Strategic Income Fund **TSI**		5.68	NA	13.0
Virtus Global Dividend **ZTR**	12.85	13.36	+4.0	32.7
Convertible Sec's. Funds				
AdvntClymrFd **AVK**	17.72	16.31	-8.0	22.9
AllianzGI Conv & Incm **NCV**	6.68	7.11	+6.4	18.8
AllianzGI Conv & Incm II **NCZ**	6.00	6.27	+4.5	20.0
AllianzGI Div Incm **ACV**	22.52	22.17	-1.6	34.8
AllianzGI Equity & Conv **NIE**	22.66	20.88	-7.9	24.0
Calamos Conv Hi Inco Fd **CHY**	11.94	11.92	-0.2	22.7
Calamos **CHI**	11.32	11.58	+2.3	27.3
World Equity Funds				
Alpine Tot Dyn Div **AOD**	10.02	9.17	-8.5	34.2
Cdn Genl Inv **CGI**	31.10	22.81	-26.7	31.1
China Fund **CHN**	23.30	20.93	-10.2	32.2
Clough Global Opp Fd **GLO**	11.91	11.46	-3.8	36.6
EtnVncTxAdvGblDiv **ETG**	18.23	17.28	-5.2	26.6
EatonVance TxAdv Opport **ETO**	24.66	25.14	+1.9	29.8
First Trust Dynamic Eur **FDEU**		19.02	NA	36.2
Gabelli Glbl Multimedia **GGT**	9.24	9.37	+1.4	38.6
GDL Fund **GDL**	11.66	10.24	-12.2	13.3
India Fund **IFN**	31.00	27.67	-10.7	22.1
Japan Sml Cap **JOF**	14.16	12.57	-11.2	30.3
Korea Fund **KF**	47.85	42.54	-11.1	26.4
Mexico Fund **MXF**	18.48	16.32	-11.7	0.3
Morgan-Stanley Asia-Pac **APF**	20.30	17.96	-11.5	22.4
MS China a Shr Fd **CAF**	28.15	24.08	-14.5	32.4
MS Emerging Fund **MSF**	19.79	17.82	-10.0	23.6
MS India Invest **IIF**	40.02	35.88	-10.3	30.3
New Germany Fund **GF**	20.56	18.70	-9.0	44.3
Swiss Helvetia Fund **SWZ**	13.93	12.67	-9.1	22.7
Templeton Dragon **TDF**	24.14	21.62	-10.4	35.6
Templeton Emerging **EMF**	19.00	17.04	-10.3	37.8
Virtus Total Return Fund **ZF**	13.34	12.76	-4.3	21.5
Voya Infr Indls & Matls **IDE**	16.50	16.33	-1.0	38.8
Wells Fargo Gl Div Opp **EOD**	6.67	6.27	-6.0	24.9

Fund (SYM)	NAV	Close	Prem /Disc	12 Mo Yld
U.S. Mortgage Bond Funds				
BlackRock Income Trust **BKT**	6.65	6.24	-6.2	5.0
Nuveen Mtg Opp Term Fd **JLS**	26.47	25.76	-2.7	5.3
Investment Grade Bond Funds				
Blackrock Core Bond Tr **BHK**	14.90	14.16	-5.0	5.5
BlkRk Credit Alloc Incm **BTZ**	14.87	13.47	-9.4	6.2
John Hancock Income Secs **JHS**	15.54	14.85	-4.4	5.4
MFS Inc Tr **MIN**	4.45	4.23	-4.9	9.2
WstAstClymr InflLnkd Fd **WIW**	NA	11.21	NA	3.5
WstAssetClymr InflLnk Sec **WIA**	NA	11.50	NA	3.2
Loan Participation Funds				
Apollo Sr Fltg Rate Fd **AFT**	18.06	16.69	-7.6	7.3
BlkRk Debt Strat Fd **DSU**	12.76	11.82	-7.4	6.9
BlackRock FR Incm Strat **FRA**	14.99	14.25	-4.9	5.6
Blkrk FltRt InTr **BGT**	14.47	14.09	-2.6	5.4
BlackstoneGSO Strat Cred **BGB**	NA	16.05	NA	8.4
Blackstone GSO Sr Float **BSL**	NA	17.60	NA	6.6
Eagle Point Credit **ECC**	NA	20.82	NA	7.7
Eaton Vance FR Incm Tr **EFT**	15.61	14.64	-6.2	5.8
EatonVnc SrFltRate **EFR**	15.27	14.74	-3.5	5.9
Eaton Vance Sr Incm Tr **EVF**	7.17	6.59	-8.1	5.6
First Trust Sr FR Fd II **FCT**	14.16	13.33	-5.9	6.0
FT Sr Floating Rate 2022 **FIV**	9.79	9.64	-1.5	NS
Invesco Credit Opps Fund **VTA**	13.03	11.91	-8.6	7.1
Invesco Senior Income Tr **VVR**	4.87	4.45	-8.6	6.0
Nuveen Credit Strt Inc Fd **JQC**	9.21	8.40	-8.8	7.3
NuvFloatRteInco Fd **JFR**	11.64	11.62	-0.2	6.8
Nuv Float Rte Opp Fd **JRO**	11.57	11.61	+0.3	7.0
Nuveen Senior Income Fund **NSL**	6.91	6.81	-1.4	7.0
Pioneer Floating Rate Tr **PHD**	12.48	12.07	-3.3	6.1
Voya Prime Rate Trust **PPR**	5.67	5.17	-8.8	5.9
High Yield Bond Funds				
AllianceBernstein Glbl **AWF**	NA	13.08	NA	6.7
Barings Glbl Short Dur HY **BGH**	21.17	20.76	-1.9	8.9
BlackRock Corp Hi Yd Fd **HYT**	12.34	11.40	-7.6	7.8
BlackRockDurInco Tr **BLW**	17.11	16.18	-5.5	7.8
Brookfield Real Assets **RA**	25.36	23.83	-6.0	NS
Credit Suisse High Yld **DHY**	2.80	2.87	+2.5	9.3
DoubleLine Incm Solutions **DSL**	NA	21.10	NA	8.4
Dreyfus Hi Yd Strat Fd **DHF**	3.59	3.49	-2.8	8.8
Fst Tr Hi Inc Lg/Shrt Fd **FSD**	18.25	17.06	-6.5	8.0
Guggenheim Strat Opps Fd **GOF**	19.71	21.17	+7.4	10.2
Ivy High Income Opps Fund **IVH**	16.27	15.81	-2.8	9.2
Neuberger Berman HYS **NHS**	NA	12.18	NA	7.5
NexPoint Credit Strat Fd **NHF**	25.42	23.82	-6.3	10.5
Nuveen Credit Opps 2022 **JCO**	9.98	9.99	+0.1	NS
Nuveen Gl Hi Incm Fd **JGH**	18.67	17.31	-7.3	8.2
Nuveen High Incm Dec18 **JHA**	10.11	9.98	-1.3	5.3
Nuveen High Incm Dec19 **JHD**	10.28	10.09	-1.8	5.9
Nuveen Hi Incm Nov 2021 **JHB**	10.19	10.13	-0.6	5.9
Pioneer High Income Trust **PHT**	10.87	10.01	-7.9	8.4
Prud Gl Shrt Dur Hi Yd **GHY**	16.50	14.81	-10.2	7.7
Prudentl Sh Dur Hi Yd Fd **ISD**	16.70	15.14	-9.3	7.8
Wells Fargo Incm Opps Fd **EAD**	9.37	8.62	-8.0	8.6
Wstrn Asset Glbl Hi Inco **EHI**	NA	10.28	NA	9.0
Wstrn Asset High Inco II **HIX**	NA	7.24	NA	8.7
Wstrn Asset Opp Fd **HIO**	NA	5.13	NA	7.2
West Asst HY Def Opp Fd **HYI**	NA	15.57	NA	7.8
Other Domestic Taxable Bond Funds				
Apollo Tactical Incm Fd **AIF**	17.46	16.24	-7.0	8.8
Ares Dynamic Credit Alloc **ARDC**	NA	16.43	NA	7.5
Barings Corp Investors **MCI**	NA	15.76	NA	3.8
BlackRock Multi-Sector IT **BIT**	20.04	18.46	-7.9	9.4
BlackRock Taxable Mun Bd **BBN**	23.68	23.31	-1.6	6.7
Doubleline Oppor Credit **DBL**	NA	23.17	NA	8.3
Duff & Phelps Utl & Cp Bd **DUC**	9.73	9.12	-6.3	6.4
EtnVncLtdFd **EVV**	15.15	13.95	-7.9	7.1
Franklin Ltd Duration IT **FTF**	NA	12.06	NA	10.9
Guggenheim Taxable Muni **GBAB**	23.22	22.55	-2.9	6.6
Invesco High Incm 2023 **IHIT**	10.06	10.20	+1.4	NS
John Hancock Investors **JHI**	18.82	18.05	-4.1	7.1
KKR Income Opps Fund **KIO**	NA	16.85	NA	8.8
MFS Charter **MCR**	9.32	8.64	-7.3	8.6
MFS Multimkt **MMT**	6.67	6.20	-7.0	8.6
Nuveen Build Am Bd Fd **NBB**	22.08	21.66	-1.9	5.8
PIMCO Corporate & Incm **PTY**	NA	16.71	NA	10.3
PIMCO Corporate & Incm **PCN**	NA	16.92	NA	10.1
PIMCO HiInco **PHK**	NA	7.63	NA	12.7
PIMCO Inco Str Fd **PFL**	NA	11.89	NA	8.9
PIMCO Incm Strategy Fd II **PFN**	NA	10.54	NA	8.9
Putnam Mas Inco **PIM**	5.06	4.84	-4.3	6.6
Putnam Premier Income Tr **PPT**	5.61	5.43	-3.2	5.8
Wells Fargo Multi-Sector **ERC**	14.36	13.31	-7.3	9.0
World Income Funds				
Aberdeen Asia-Pacific **FAX**	5.45	5.13	-5.9	8.1
Etn Vnc Short Dur Fd **EVG**	NA	14.23	NA	7.0
Legg Mason BW Glbl Incm **BWG**	NA	13.16	NA	7.3
MS EmMktDomDebt **EDD**	8.92	8.02	-10.1	8.2
PIMCO Dynamic Credit **PCI**	NA	22.37	NA	11.2
PIMCO Dynamic Income Fund **PDI**	NA	29.81	NA	13.2
PIMCO Income Opportunity **PKO**	NA	25.91	NA	9.9
PIMCO Strat Income Fund **RCS**	NA	9.11	NA	9.2
Templeton Emerging **TEI**	13.05	11.56	-11.4	4.5
Templeton Global **GIM**	7.45	6.63	-11.0	6.2
Wstrn Asset Emerg Mkts **EMD**	NA	15.68	NA	7.3
Wstrn Asset Gl Def Opp Fd **GDO**	NA	18.29	NA	7.4
National Muni Bond Funds				
AllianceBrnstn NtlMun **AFB**	15.01	13.87	-7.6	4.5
Blackrock Invest **BKN**	16.01	14.93	-6.7	5.3
BlackRock Mun 2030 Target **BTT**	24.25	22.64	-6.6	4.1
BlackRock Municipal Trust **BFK**	14.52	14.13	-2.7	5.6
BlackRockMuni **BLE**	15.10	14.83	-1.8	5.8
BlackRockMuni Tr **BYM**	15.28	14.66	-4.1	5.2
BlkRk MuniAssets Fd **MUA**	14.16	15.15	+7.0	4.5
BlkRk Munienhanced **MEN**	12.02	11.85	-1.5	5.7
BlkRk MuniHldgs Inv **MFL**	14.81	14.95	+0.9	5.7
BlkRk MuniHldgs Qlty II **MUE**	14.13	13.89	-1.7	5.5
BlkRk MuniVest **MVF**	9.68	9.67	-0.1	5.8
BlkRk MuniVest II **MVT**	15.31	15.33	+0.1	5.8
BlkRk MuniYield **MYD**	14.93	14.55	-2.5	5.7
BlkRk MuniYld Quality **MQY**	15.91	15.61	-1.9	5.6
BlkRk MuniYld Qlty II **MQT**	13.97	13.13	-6.0	5.5
BlRkMunyldQltyIII **MYI**	14.54	14.41	-0.9	5.7
Deutsche Mun Income Tr **KTF**	12.66	12.17	-3.9	6.3
Dreyfus Mun Bd Infr Fd **DMB**	14.22	13.20	-7.2	4.8
Dreyfus Strat Muni Bond **DSM**	8.40	8.56	+1.9	5.8
Dreyfus Strategic Munis **LEO**	8.62	8.87	+2.9	5.8
Eaton Vance Mun Bd Fd **EIM**	13.81	12.78	-7.5	5.0
Eaton Vance Mun Income **EVN**	13.47	12.80	-5.0	5.2
EV National Municipal Opp **EOT**	22.02	22.78	+3.5	4.5
Invesco Adv Mun Incm II **VKI**	12.19	11.46	-6.0	5.7
Invesco Mun Incm Opps Tr **OIA**	7.60	7.93	+4.3	5.2
Invesco Mun Opportunity **VMO**	13.57	12.75	-6.0	5.9
Invesco Municipal Trust **VKQ**	13.55	12.62	-6.9	5.7
Invesco Qlty Mun Inco **IQI**	13.69	12.59	-8.0	5.4
Invesco Inv Grade Muni **VGM**	14.04	13.35	-4.9	5.7
Invesco Value Mun Incm Tr **IIM**	16.33	14.84	-9.1	4.9
MainStay DefinedTerm **MMD**	20.20	19.71	-2.4	5.3
MFS Munl Inco **MFM**	7.38	7.12	-3.5	5.3
Nuveen AMT-Free Quality **NEA**	15.15	13.75	-9.2	5.4
Nuveen AMT-Free Mun **NVG**	16.48	15.44	-6.3	5.7
Nuveen Mun Credit Incm Fd **NZF**	16.11	15.13	-6.1	5.8
Nuveen Enhncd Mun Val Fd **NEV**	15.09	14.54	-3.6	5.6
Nuveen Intermed Dur Mun **NID**	13.84	13.27	-4.1	4.8
NuveenMuniIncoOpp Fd **NMZ**	13.54	13.67	+1.0	6.0
Nuveen Muni Value Fund **NUV**	10.33	10.27	-0.6	3.8
Nuveen Qual Mun Incm Fd **NAD**	15.48	14.07	-9.1	5.5
Nuveen Sel Tax Free **NXP**	15.48	14.85	-4.1	3.6
Nuveen Sel TF **NXQ**	14.88	14.07	-5.4	3.5
PIMCO MuniFd **PMF**	NA	13.54	NA	5.8
Pimco Muni Inc II **PML**	NA	13.25	NA	5.9
PIMCO Muni Inc III **PMX**	NA	11.85	NA	5.8
Pioneer Mun Hi Inc Adv Tr **MAV**	11.93	11.45	-4.0	5.4
Pioneer Mun Hi Incm Tr **MHI**	12.81	11.99	-6.4	5.0
Putnam Tr **PMM**	8.00	7.53	-5.9	5.3
Putnam Muni Opportunities **PMO**	13.40	12.70	-5.2	5.1
Wstrn Asset Mngd Muni **MMU**	NA	14.05	NA	5.4
Western Asset Mun Tr Fund **MTT**	NA	22.67	NA	4.7
Single State Muni Bond				
BlackRock CA Municipal Tr **BFZ**	15.36	14.48	-5.7	5.1
BlkRk MuniHldgs CA Qlty **MUC**	15.57	14.81	-4.9	4.9
Blkrck MunHl NJ Qlty **MUJ**	15.72	14.47	-8.0	5.5
BlRk MuHldg NY Qlty **MHN**	14.93	14.00	-6.2	4.9
BlkRk MuniYld CA Fd **MYC**	15.66	15.51	-1.0	5.0
BlkRk MuniYld CA Quality **MCA**	15.80	15.28	-3.3	5.0
BlkRk MuniYld MI Qlty **MIY**	15.53	14.03	-9.7	5.5
BlRk Muyld NY Qlty **MYN**	14.31	13.16	-8.0	4.9
Eaton Vance CA Mun Bd **EVM**	12.48	12.30	-1.4	4.8
Invesco CA Value Mun Incm **VCV**	13.49	13.04	-3.3	4.8
Invesco PA Value Mun Incm **VPV**	14.06	12.23	-13.0	5.1
Invesco Inv Grade NY Muni **VTN**	14.66	13.69	-6.6	5.0
Nuveen CA AMT-Free Qual **NKX**	15.82	15.80	-0.2	5.0
Nuveen CA Muni Value **NCA**	10.45	10.53	+0.8	3.9
Nuveen CA Quality Muni **NAC**	15.70	14.81	-5.7	5.4
Nuveen MD Qual Muni **NMY**	14.59	12.81	-12.2	5.0
Nuveen MI Qual Muni **NUM**	15.45	13.64	-11.7	4.8
Nuveen NJ Qual Muni **NXJ**	15.88	13.81	-13.0	5.1
Nuveen NY AMT-Free **NRK**	14.51	13.09	-9.8	4.8
Nuveen NY Qual Muni **NAN**	15.14	13.99	-7.6	5.0
Nuveen OH Qual Muni **NUO**	16.75	14.98	-10.6	4.6
Nuveen PA Qual Muni **NQP**	15.27	13.60	-10.9	5.2
Nuveen VA Qual Muni **NPV**	14.46	13.13	-9.2	4.2
PIMCO California Muni **PCQ**	NA	17.23	NA	5.3
PIMCO California Mun II **PCK**	NA	10.15	NA	5.6

Fund (SYM)	NAV	Close	Prem /Disc	52 wk Ttl Ret
General Equity Funds				
Specialized Equity Funds				
Griffin Inst Access RE:A	26.75	NA	NA	6.0
Griffin Inst Access RE:C	26.32	NA	NA	5.2
Griffin Inst Access RE:I	26.90	NA	NA	6.3
Griffin Inst Access RE:L	26.73	NA	NA	NS
Griffin Inst Access RE:M	26.62	NA	NA	NS
NexPointRlEstStrat;A	20.01	NA	NA	5.9
NexPointRlEstStrat;C	19.95	NA	NA	5.1
NexPointRlEstStrat;Z	19.97	NA	NA	6.3
Resource RE Div Inc:L	NA	NA	NA	NS
SharesPost 100	26.22	NA	NA	-2.5
Tot Inc+ RE:A	29.32	NA	NA	6.7
Tot Inc+ RE:C	28.57	NA	NA	5.9
Tot Inc+ RE:I	29.65	NA	NA	6.9
Tot Inc+ RE:L	29.29	NA	NA	NS
USQ Core Real Estate:I **USQIX**	25.09	NA	NA	NS
USQ Core Real Estate:IS **USQSX**	25.08	NA	NA	NS
Versus Cap MMgr RE Inc:F	27.40	NA	NA	5.4
Versus Cap MMgr RE Inc:I	27.46	NA	NA	5.7
Versus Capital Real Asst **VCRRX**	25.04	NA	NA	NS
Wildermuth Endwmnt Str	12.81	NA	NA	11.9
Wildermuth Endwmnt S:C	12.64	NA	NA	11.0
Wildermuth Endwmnt S:I	12.86	NA	NA	NS
Income Preferred Stock Funds				
The Relative Value:CIA **VFLEX**	25.43	NA	NA	NS
Convertible Sec's. Funds				
Calmos Dyn Conv and Inc **CCD**	20.98	20.64	-1.6	16.3
World Equity Funds				
BMO LGM Front ME	10.21	NA	NA	11.8
CalamosGlbTotRet **CGO**	13.28	13.60	+2.4	18.1

Fund (SYM)	NAV	Close	Prem /Disc	12 Mo Yld
U.S. Mortgage Bond Funds				
Vertical Capital Income	12.53	NA	NA	3.2
Loan Participation Funds				
504 Fund	9.75	NA	NA	3.7
FedProj&TrFinanceTender	10.04	NA	NA	NS
Invesco Sr Loan A	6.66	NA	NA	4.3
Invesco Sr Loan B	6.66	NA	NA	4.3
Invesco Sr Loan C	6.67	NA	NA	3.5
Invesco Sr Loan IB	6.66	NA	NA	4.5
Invesco Sr Loan IC	6.66	NA	NA	4.4
Invesco Sr Loan Y	6.66	NA	NA	4.5
RiverNorth MP Lending **RMPLX**	25.04	NA	NA	6.6
Sierra Total Return:T **SRNTX**	NA	NA	NA	NS
Voya Senior Income:A	12.56	NA	NA	5.4
Voya Senior Income:C	12.53	NA	NA	4.9
Voya Senior Income:I	12.52	NA	NA	5.7
Voya Senior Income:W	12.56	NA	NA	5.7
High Yield Bond Funds				
Griffin Inst Access Cd:A	NA	NA	NA	NS
Griffin Inst Access Cd:C	NA	NA	NA	NS
Griffin Inst Access Cd:F	NA	NA	NA	NS
Griffin Inst Access Cd:I	NA	NA	NA	NS
Griffin Inst Access Cd:L	NA	NA	NA	NS
PIMCO Flexible Cr I;Inst	NA	NA	NA	NS
PionrILSInterval	9.54	NA	NA	10.4
WA Middle Mkt Dbt	NA	NA	NA	8.6
WA Middle Mkt Inc **WMF**	NA	NA	NA	8.5
Other Domestic Taxable Bond Funds				
Capstone Church Capital	11.44	NA	NA	1.5
CION Ares Dvsfd Crdt;A	NA	NA	NA	NS
CION Ares Dvsfd Crdt;C	NA	NA	NA	NS
CION Ares Dvsfd Crdt;I	NA	NA	NA	NS
CNR Select Strategies	7.84	NA	NA	NS
GL Beyond Income	3.68	NA	NA	NE
Palmer Square Opp Income	NA	NA	NA	5.1
Resource Credit Inc:A	NA	NA	NA	6.4
Resource Credit Inc:C	NA	NA	NA	5.7
Resource Credit Inc:I	NA	NA	NA	6.7
Resource Credit Inc:L	NA	NA	NA	NS
Resource Credit Inc:W	NA	NA	NA	6.3

Insider-Trading Spotlight

Trading by 'insiders' of a corporation, such as a company's CEO, vice president or director, potentially conveys new information about the prospects of a company. Insiders are required to report large trades to the SEC within two business days. Here's a look at the biggest individual trades by insiders, based on data received by Thomson Financial on October 20, and year-to-date stock performance of the company

KEY: B: beneficial owner of more than 10% of a security class **CB:** chairman **CEO:** chief executive officer **CFO:** chief financial officer **CO:** chief operating officer **D:** director **DO:** director and beneficial owner **GC:** general counsel **H:** officer, director and beneficial owner **I:** indirect transaction filed through a trust, insider spouse, minor child or other **O:** officer **OD:** officer and director **P:** president **UT:** unknown **VP:** vice president Excludes pure options transactions

Biggest weekly individual trades

Based on reports filed with regulators this past week

Date(s)	Company	Symbol	Insider	Title	No. of shrs in trans (000s)	Price range ($) in transaction	$ Value (000s)	Close ($)	Ytd (%)
Buyers									
Oct. 11	Globalstar	GSAT	J. Monroe	CEOI	27,608	1.57	43,275	1.55	-1.9
Oct. 12-13	Ulta Beauty	ULTA	C. Heilbronn	DI	128	191.63-195.90	24,966	204.84	-19.7
Oct. 12	KalVista Pharmaceuticals	KALV	R. Shah	DOI	850	8.50	7,225	11.26	59.3
Oct. 12			R. Aldrich	DI	565	8.61	4,867		
Oct. 16	IMPAC Mortgage Holdings	IMH	R. Pickup	BI	494	12.25	6,052	13.81	-1.5
Oct. 12	Accelerate Diagnostics	AXDX	J. Schuler	DOI	276	19.74	5,452	19.85	-4.3
Oct. 16			J. Schuler	DOI	60	20.07	1,203		
Oct. 13			J. Schuler	DOI	61	18.81-19.72	1,182		
Oct. 11			J. Schuler	DOI	52	20.27	1,046		
Oct. 19	QAD Inc	QADA	K. Lopker	CEO	121	36.70	4,441	37.20	22.4
Oct. 19			P. Lopker	P	121	30.04	3,635		
Oct. 16-17	Concurrent Computer	CCUR	J. Singer	BI	286	6.16-6.26	1,786	6.49	21.3
Oct. 12-13	Conn's	CONN	H. Stephens	BI	42	25.36-25.50	1,067	27.60	118.2
Oct. 12-13			W. Stephens	BI	42	25.36-25.50	1,067		
Oct. 16			W. Stephens	BI	23	25.50	586		
Oct. 16			H. Stephens	BI	23	25.50	586		
Oct. 13	Tandem Diabetes Care	TNDM	K. Blickenstaff	CEOI	286	3.50	1,000	2.53	-88.2
Oct. 16	Akamai Technologies	AKAM	F. Leighton	CEOI	20	50.83	1,000	51.87	-22.2
Sellers									
Oct. 11-13	Willis Towers Watson	WLTW	J. Ubben	DI	288	156.04-157.34	45,066	162.82	33.2
Oct. 11-12	Facebook	FB	M. Zuckerberg	CEOI	246	172.00-173.52	42,499	174.98	52.1
Oct. 11-12	Marvell Technology Group	MRVL	S. Sutardja	BI	1,425	18.48-18.52	26,389	18.41	32.7
Oct. 12	CR Bard	BCR	T. Collins	O	56	322.03	17,975	330.16	47.0
Oct. 17	Square	SQ	J. Mckelvey	D	400	32.68-33.19	13,088	32.50	138.4
Oct. 13	HP Inc	HPQ	D. Weisler	CEO	526	20.97	11,024	22.02	48.4
Oct. 13-16	Constellation Brands	STZ	T. Mullin	GC	50	208.47-210.42	10,472	211.25	37.8
Oct. 13	Avis Budget Group	CAR	R. Nelson	OD	250	41.02	10,255	41.20	12.3
Oct. 16	ON Semiconductor	ON	K. Jackson	CEO	476	19.59	9,326	20.07	57.3
Oct. 11	CBS Corp	CBS	L. Moonves	CEO	164*	56.69	9,297	58.92	-7.4
Oct. 12	Delta Air Lines	DAL	E. Bastian	CEO	159	53.06	8,449	53.27	8.3
Oct. 16	Weyerhaeuser	WY	R. Holley	D	227	35.05	7,969	35.28	17.2
Oct. 11-12	Twitter	TWTR	E. Williams	D	409*	17.58-18.42	7,345	17.87	9.6
Oct. 12-16	Amicus Therapeutics	FOLD	J. Crowley	CEO	449	14.25-14.75	6,437	13.59	173.4
Oct. 16	Carnival	CCL	A. Donald	CEO	91	67.41	6,128	65.88	26.5
Oct. 13	Dollar Tree	DLTR	M. Brock	CB	63	91.04	5,735	92.37	19.7
Oct. 16	Broadcom	AVGO	H. Tan	CEO	20	247.27-249.06	4,957	244.24	38.2

* Half the transactions were indirect ** Two day transaction
p - Pink Sheets

Buying and selling by sector

Based on actual transaction dates in reports received this past week

Sector	Buying	Selling	Sector	Buying	Selling
Basic Industries	66,440	39,682,953	Finance	6,395,174	19,283,205
Business services	0	6,929,811	Health care	10,152,424	24,568,323
Capital goods	0	0	Industrial	259,022	8,899,625
Consumer durables	0	2,422,894	Media	0	458,640
Consumer nondurables	0	18,591,230	Technology	6,444,246	47,320,953
Consumer services	3,335,449	35,588,360	Transportation	0	10,952,633
Energy	58,156	3,245,160	Utilities	30,827	7,763,976

Sources: Thomson Financial; WSJ Market Data Group

A Week in the Life of the DJIA

A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA gained 456.91 points, or 2.00%, on the week. A $1 change in the price of any DJIA stock = 6.89-point change in the average. To date, a $1,000 investment on Dec. 31 in each current DJIA stock component would have returned $35,533, or a gain of 18.44%, on the $30,000 investment, including reinvested dividends.

The Week's Action: Pct chg (%)	Stock price change	Point chg in average*	Company	Symbol	Close	$1,000 Invested (year-end '16)
10.18	14.97	103.08	IBM	IBM	$162.07	$1,004
7.78	14.97	103.08	UnitedHealth Group	UNH	207.49	1,312
5.25	6.65	45.79	Travelers	TRV	133.32	1,108
4.38	5.97	41.11	Johnson & Johnson	JNJ	142.40	1,260
4.08	2.08	14.32	Nike	NKE	53.06	1,054
3.81	3.65	25.13	J.P. Morgan Chase	JPM	99.51	1,179
3.70	0.85	5.85	General Electric	GE	23.83	774
3.49	1.67	11.50	Verizon	VZ	49.53	973
2.60	6.20	42.69	Goldman Sachs	GS	244.73	1,032
2.33	0.78	5.37	Cisco Systems	CSCO	34.25	1,174
2.07	2.02	13.91	Walt Disney	DIS	99.40	961
1.92	0.76	5.23	Intel	INTC	40.43	1,139
1.86	2.21	15.22	United Technologies	UTX	120.93	1,122
1.70	1.32	9.09	Microsoft	MSFT	78.81	1,290
1.65	3.60	24.79	3M	MMM	221.32	1,262
1.54	4.01	27.61	Boeing	BA	264.75	1,739
0.95	0.82	5.65	Wal-Mart Stores	WMT	87.44	1,291
0.85	0.70	4.82	Exxon Mobil	XOM	83.11	947
0.77	0.49	3.37	Merck	MRK	63.88	1,109
0.56	0.93	6.40	McDonald's	MCD	166.30	1,393
0.50	0.65	4.48	Caterpillar	CAT	131.36	1,459
0.43	0.20	1.38	Coca-Cola	KO	46.38	1,147
0.22	0.08	0.55	Pfizer	PFE	36.42	1,155
-0.35	-0.25	-1.72	DowDuPont	DWDP	71.18	1,271
-0.44	-0.52	-3.58	Chevron	CVX	118.64	1,039
-0.47	-0.74	-5.10	Apple	AAPL	156.25	1,366
-0.63	-1.04	-7.16	Home Depot	HD	163.43	1,241
-0.83	-0.77	-5.30	American Express	AXP	92.09	1,263
-1.02	-1.11	-7.64	Visa	V	107.55	1,386
-5.15	-4.79	-32.98	Procter & Gamble	PG	88.25	1,082

*Based on Composite price. DJIA is calculated on primary-market price.
Source: WSJ Market Data Group; FactSet.

IPO Scorecard

Performance of IPOs, most-recent listed first

Company SYMBOL IPO date/Offer price	Friday's close ($)	% Chg From Offer price	% Chg From 1st-day close	Company SYMBOL IPO date/Offer price	Friday's close ($)	% Chg From Offer price	% Chg From 1st-day close
RISE Edu **REDU** Oct. 20/$14.50	16.61	14.6	...	OptiNose **OPTN** Oct. 13/$16.00	19.01	18.8	0.1
Sea Ltd. **SE** Oct. 20/$15.00	16.26	8.4	...	CarGurus **CARG** Oct. 12/$16.00	29.19	82.4	5.8
MongoDB **MDB** Oct. 19/$24.00	30.68	27.8	-4.3	OrthoPediatrics **KIDS** Oct. 12/$13.00	18.42	41.7	-4.2
Mosaic Acquisition **MOSC.U** Oct. 19/$10.00	10.13	1.3	-0.2	Restoration Robotics **HAIR** Oct. 12/$7.00	6.96	-0.6	-29.8
Qudian **QD** Oct. 18/$24.00	33.00	37.5	13.1	Switch **SWCH** Oct. 6/$17.00	19.30	13.5	-7.4

Sources: WSJ Market Data Group; FactSet Research Systems

Former Energy Trader Bets on Bitcoin

New fund dedicated to cryptocurrencies to open to outside investors next month

By Stephanie Yang

J. Robert Collins Jr. joins a growing number of traditional financiers investing in virtual currencies.

PAUL COHEN FOR THE WALL STREET JOURNAL

J. Robert Collins Jr. spent most of the past 25 years trading commodities. He nearly went broke a decade ago in one of the biggest energy hedge-fund meltdowns, before raiding his retirement savings to make some of it back.

Now Mr. Collins, known as "Bo," is making a big bet on something that makes commodity trading look almost tame: the roaring market for bitcoin and other cryptocurrencies.

Next month, Mr. Collins plans to open up to outside investors his new cryptocurrency fund, which he called Morpheus Asset Strategies after a character in the dystopian film "The Matrix."

In March he put his own money into a portfolio trading bitcoin, other virtual currencies and initial coin offerings. In a sign of how these cryptocurrencies have taken off, he says the value of his holdings has risen more than fivefold since then.

"Virtual currency for me is a deep passion," he said. "We're just now beginning to turn it into a business."

He plans for the fund to be part of a new firm focused on investing in blockchain technology called Renovatio Puerto Rico, which means "rebirth" in Latin and is based in the U.S. territory.

By embracing cryptocurrencies, he joins a small but growing group of traditional financiers who have become vocal proponents of an investment that many on Wall Street consider a dubious fad. J.P. Morgan Chase & Co. Chief Executive James Dimon recently called bitcoin a "fraud."

Not everyone is so skeptical. Goldman Sachs has said it is considering starting a trading operation for bitcoin and other digital currencies.

Few investments have experienced more dramatic price swings this year. Bitcoin plunged 25% from its prior peak to $3,490 in September after China cracked down on domestic trading and exchanges. It has since bounced back and more, trading at an all-time intraday high on Friday of more than $6,000.

Mr. Collins is unfazed, recalling the wild swings that took place in 1996 when futures launched for the power market.

"I was there on day one and I lost money so fast it was crazy," he said. For any new market, he added, "there's usually radical volatility."

There is an estimated $2.2 billion under management in funds that focus on cryptocurrencies, according to Autonomous NEXT. The vast majority of the 110 funds tracked by the research firm started up this year.

Some traders say digital currencies look enticing at a time when volatility in other assets, from stocks to bonds to commodities, has been muted. They consider the transition from trading commodities to bitcoin a natural move.

"Bitcoin appears to be on a cycle of growing maturity in the same way that I saw the crude oil market, the natural gas market, the metals market go on," said Daniel Masters, a former oil trader who launched a bitcoin fund three years ago.

Mr. Collins, 52 years old, began trading on the floor at the New York Mercantile Exchange in cotton, crude oil and natural-gas markets for Pioneer Futures. He then headed the natural-gas trading desk at El Paso Corp., which was acquired by **Kinder Morgan** in 2011.

Looking to move on from trading, he joined the Nymex board in 2001 and was elected president later that year. He took over right as the collapse of energy giant Enron roiled markets. Shortly after, Mr. Collins helped launch the ClearPort electronic clearing service to mitigate counterparty risk, which was lauded as an innovative initiative for derivatives trading.

With commodity prices soaring, Mr. Collins returned to trading. In 2005, he launched a fund called MotherRock to trade energy derivatives.

The fund was up more than 20% its first year but closed down a year later after losing more than $500 million from natural-gas bets, making it one of the biggest and most high-profile shutdowns ever by an energy fund.

Mr. Collins liquidated about $400,000 he held in a retirement plan to start another fund to trade energy arbitrage. That closed when banks called on credit lines in 2007, Mr. Collins said.

He retreated to a family farm in Farmersville, Texas. There he discovered a white paper detailing bitcoin while surfing the web one night. In the midst of global financial instability, an alternative, decentralized currency didn't seem far-fetched.

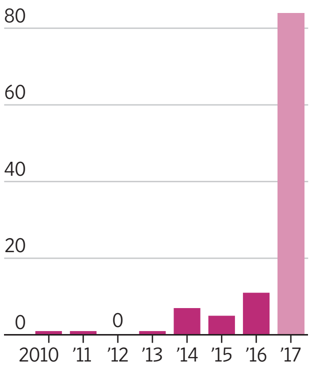
Growing up in Plano, Texas, Mr. Collins recalls an early affinity for technology and electronics. His mother taught high-school computer science and his father worked at Texas Instruments.

His first job after college was at the Federal Reserve Bank of Dallas in the payments division, helping convert U.S. savings bonds from paper into electronic records. Seeing that transition helped smooth over doubts about the idea of virtual money, he said.

"It all synchronized for me," he said. "It made sense."

Taking Off

The vast majority of funds that trade cryptocurrencies started this year.



Note: The total for 2017 is as of Oct. 20.
Source: Autonomous Next
THE WALL STREET JOURNAL.

United, J.P. Morgan Renegotiate Terms of Co-Branded Card Pact

By AnnaMaria Andriotis

United Continental Holdings is one of J.P. Morgan Chase's biggest co-brand card relationships.

DAVID WILLIAMS/BLOOMBERG NEWS

United Continental Holdings Inc. is in discussions with **J.P. Morgan Chase** & Co. to renegotiate terms of their co-branded card partnership, a move some analysts fear could suppress revenue at the bank.

United executives said on their earnings call last week that they are focusing on terms of the partnership with J.P. Morgan as one way to try to increase profitability. With the airline facing competition from low-cost carriers as well as higher costs in certain areas, Chief Executive Oscar Munoz said United dug itself "in a hole from a competitive perspective" and that it was working on getting out of that.

On the same call, United President J. Scott Kirby said the airline is "working on" a renegotiation with J.P. Morgan that he believes "will get to, ultimately, a much better result." He added: "It's a great partnership, but it is a disadvantage for us as we sit here today compared with our competitors."

J.P. Morgan and United announced in 2015 that they extended their partnership. The companies didn't say how long that extension would last, though the bank says its co-brand agreements generally range from three to 10 years. J.P. Morgan has been issuing United credit cards for 30 years.

United is one of J.P. Morgan's biggest co-brand card relationships. As a result, reworking agreement terms could affect the bank's card business and growth there.

On J.P. Morgan's recent earnings call, executives talked about rewards costs declining in the second half of 2017 and 2018. Falling rewards costs, the executives said, would boost results.

That happened in the third quarter when J.P. Morgan's net revenue rate for its card services, including non-co-brand cards like Sapphire Reserve, increased from the prior quarter. It mostly declined over the past year largely due to more generous rewards the bank was paying some cardholders.

J.P. Morgan finance chief Marianne Lake said on the bank's call that the net revenue rate, which came in at just shy of 11% in the third quarter, is expected to reach about 11.3% in the first half of 2018. It last peaked at about 12.8% in 2013's first quarter.

Reworking terms with one of its largest partners could reverse the improvements, said Charles Peabody, managing director at Compass Point Research & Trading LLC. Although the two companies only recently extended the deal, contracts can allow a partner to renegotiate terms if they put it at a competitive disadvantage, Mr. Peabody added.

J.P. Morgan typically provides a mix of three incentives to its co-brand partners. Reworking some of those could involve the bank giving up revenue or adding to costs.

Competition among big banks for travel co-brand cards has intensified in recent years. Banks are attracted to these deals because frequent travelers are often affluent consumers with good credit scores.

Plus, there have been fewer of these contracts to go after because of airline consolidation. Other large categories in the co-brand sector include hotels and retail stores.

One downside, though, is that co-brand cards have become less appealing to some consumers who are opting to use premium credit cards, like J.P. Morgan's Sapphire Reserve or the Platinum card from American Express Co.

Third Point Takes Stake In Dover

By David Benoit

Activist investor Daniel Loeb's Third Point LLC has taken a stake in industrial conglomerate **Dover** Corp., calling on the company to separate its energy business and improve results.

The hedge-fund manager said in a letter to his investors that he has been in constructive talks with the company and believes it is already taking the right steps.

Dover last month announced a strategic review for the energy business, which makes equipment and products used in exploration and production of oil and gas.

The business, which Dover calls Wellsite, is expected to take in about $1 billion in revenue and $250 million in earnings, before interest, taxes, depreciation and amortization in 2017, Dover says. Dover as a whole is expected to earn about $7.8 billion in revenue and $1.4 billion in Ebitda.

A representative for the Downers Grove, Ill., company, which has a market capitalization of $14 billion, said it has a "strong and substantive dialogue" with shareholders, including Third Point, and welcomes constructive discussions.

Shares of Dover rose 6.1%, to $94.95, on Friday.

ECB

Continued from page B1

And the ECB keeping its rates low has left swaths of Europe with low rates even as other countries, including the U.S. and Canada, lift theirs.

Analysts predict the ECB will announce on Thursday that it will begin tapering by cutting down its bond purchases and signaling how long the bond-buying program will continue. Currently, the central bank buys €60 billion ($70.7 billion) of bonds each month.

Many expect the size of purchases to be reduced for a fixed period before bond-buying is stopped entirely.

ECB President Mario Draghi has said interest rates are unlikely to rise until that buying has stopped, so the decision this week will offer clues to investors as to when an increase may finally come.

When it comes to raising rates, central banks in many countries appear to be waiting for the ECB to move first.

Over much of Eastern Europe, interest rates are still at post-financial-crisis lows. Hungary has negative interest rates, the only emerging-market country in that situation.

Even nations with stronger economic growth than the eurozone have had to resist raising their interest rates. Increasing rates is likely to boost their currencies against the euro, making their goods less competitive while importing the eurozone's low inflation.

Switzerland's economy has grown by around 11% in real terms since the beginning of 2008, compared with just 4% for the eurozone. Typically rates rise when an economy is doing well. But at minus-0.75%, the Swiss National Bank's deposit rate is even lower than in the ECB's minus-0.4% rate.

"The SNB won't act for as long as the ECB doesn't act, they just don't want a strong Swiss franc," said Christophe Donay, head of macro research and asset allocation at Pictet Wealth Management.

A strong Swiss franc has helped to hold down inflation for years, complicating the job for the country's central bankers.

Low inflation in the eurozone means muted price gains in its imports, keeping inflation lower in the nonneuro countries that buy them. A rate increase would likely strengthen those countries' currencies, encouraging even more imports from the monetary union, and putting even more downward pressure on inflation.

Still, many analysts believe investors have already priced in what the ECB will do on Thursday.

For some, signals of tighter ECB monetary policy would offer an opening to make bullish bets on Eastern European currencies, like the Polish zloty.

That is because as the ECB tightens policy it will boost the euro, dragging the currencies that track it higher, they say.

The ECB has a mandate to target inflation at close to, but below, 2% in the eurozone, taking into account economic conditions at home. The central bank, like the Fed, has no official responsibility over any spillovers its policies cause abroad.

In debt markets, Marcin Kujawski, emerging Europe economist at Nomura, believes Romania is the most exposed to tapering from the ECB.

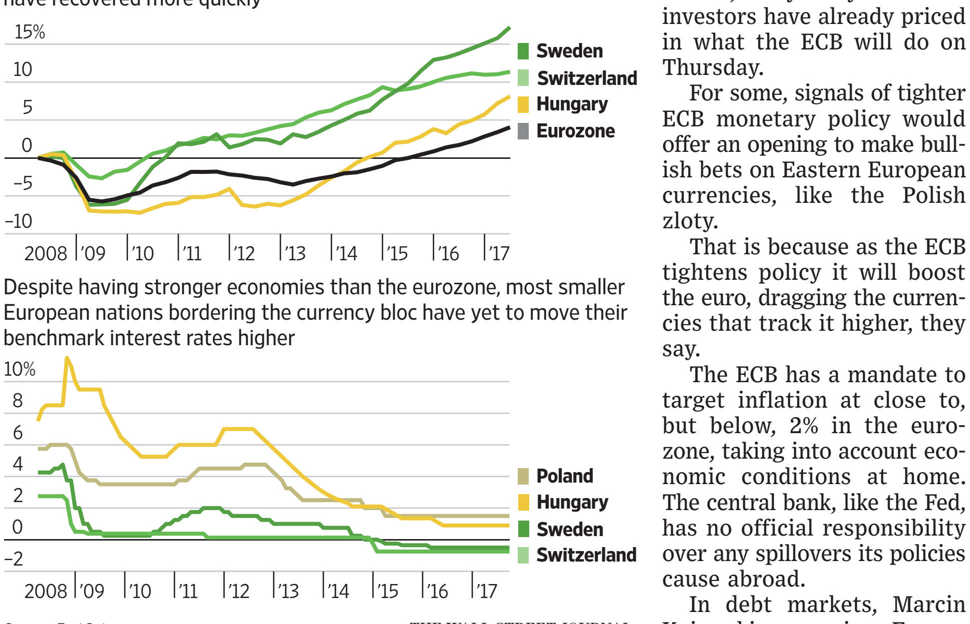
"About half of their debt is foreign currency-denominated, mostly in euros, and about half is owned by nonresidents," he said.

When a country issues debt in a foreign currency, it is exposed to any appreciation in its value.

Repaying investors in euros will cost an increasing amount of Romanian leu if the rollback of ECB bond buying drives the euro higher.

Laggard

GDP growth in the eurozone since the beginning of 2008 has been particularly weak, and the bloc's immediate neighbors have recovered more quickly



Source: FactSet
THE WALL STREET JOURNAL.

Currencies of African Blocs Take Cue From Euro

For 14 countries in Africa, the link with the euro is even tighter.

There are two monetary unions that peg their currencies—the central and west African franc—to the euro.

Both have their own central banks and interest rates that move independently of the ECB, but shifts in the euro's value have an economic knock-on effect.

When the ECB introduced negative interest rates and started buying bonds, between March 2014 and March 2015, the euro fell from around $1.39 to as low as $1.05.

That offered a lift to countries using the African francs, which followed the euro lower, making their exports more competitive.

If the euro rises as the ECB tightens policy, that would have the opposite effect.

"They appreciate against the dollar when the euro does, and that raises questions about the impact on their economies," said Victor Lopes, senior economist covering sub-Saharan Africa at Standard Chartered.

—Mike Bird

Tax-Overhaul Plan Could Disappoint Financial Markets

By Chelsey Dulaney

Analysts have a warning for investors betting a tax overhaul will boost financial markets: Don't get your hopes up.

The Senate passed a budget blueprint late Thursday that could help unlock a procedure that Republicans plan to use to rewrite the tax code with just GOP votes. The plan, sketched out by Republicans last month, includes lower taxes on corporate profits, incentives for businesses and fewer and lower individual income-tax brackets.

The critical step forward on a tax overhaul sent the dollar, Treasury yields and U.S. stocks higher Friday. But analysts warn that, if implemented, the plan's benefit to financial markets may fall short of investors' expectations.

The Dollar

The dollar jumped Friday as investors cheered progress on the Trump administration's legislative agenda. Hopes surrounding the plans for fiscal stimulus and tax overhaul initially helped propel the U.S. currency to a 14-year high after the election, but the dollar has unwound all those gains this year.

If Republicans succeed in the tax overhaul, analysts see a mixed outlook for the dollar. While changes to how overseas earnings are taxed could bolster demand for dollars, the plan is also expected to increase the deficit by $1.5 trillion over the next decade. A bigger deficit has historically weighed on the greenback, according to research from Nomura.

"The budget deficit could at least initially worsen, which does not look good for the dollar," said Nomura analysts.

Treasurys

Treasury yields also got a boost on Friday. In theory, Treasury yields should benefit from stronger economic growth and inflation, which would allow the Fed to raise interest rates at a faster pace. But Nomura sees only a marginal increase to yields, with the bank forecasting a $1 trillion tax cut tax would send the 10-year Treasury yield up by 0.07 percentage point.

Stocks

Analysts agree that U.S. stock markets would likely get some lift from the plan as many companies would benefit from lower tax rates.

Goldman Sachs Group Inc., for example, is forecasting that the S&P could rise an additional 3% by the end of the year if the tax-overhaul bill passes.

For shares of small U.S. companies, which were seen as bigger beneficiaries of the plan because they typically have higher tax rates, the impact could also be relatively muted. "Prospects of a corporate tax cut fanned the flames in the U.S. given small-caps' higher tax burden," said BlackRock Inc. chief investment strategist Richard Turnill in a research note. "But we believe a sustained run will require more than lower taxes."

Economic Growth

Many economists believe an initial increase to U.S. gross domestic product growth is likely to be short-lived. Nomura forecasts that a $1 trillion tax cut will add about 0.12 percentage point to real GDP growth, which came in at 3.1% in the second quarter. The bank adds that "the stimulative effect quickly fades," fully receding by around 2022.


ALAA AL-MARJANI/REUTERS
Smoke rises from Iraqi oil wells last week. That country's oil production was cut by clashes between Iraqi and Kurdish forces.

Iraqi Fighting Lifts Crude

Production in northern part of the country plummets amid conflict with Kurds

By Christopher Alessi

Oil prices rose Friday, boosted by disruptions to production in Iraq amid geopolitical conflict.

COMMODITIES

Light, sweet crude for November delivery gained 18 cents, or 0.4%, to $51.47 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, rose 52 cents, or 0.9%, to $57.75 a barrel.

Crude prices climbed last week as clashes between Iraqi government troops and forces from the semiautonomous Kurdish region disrupted some oil production and exports. Kurds voted nearly unanimously to break away from Iraq in an independence referendum late last month.

As operations have restarted in Iraq's northern oil fields, about half of production capacity in the region's largest fields appears to be down, according to oil consultancy Kayrros.

On Thursday, oil supplies that flow from Kurdistan, in northern Iraq, through Turkey fell to around 196,000 barrels a day, compared with a usual supply of around 600,000 barrels a day, according to Dutch bank ING Group.

"A prolonged disruption to this supply could tighten the oil market in Europe," analysts at ING said.

Meanwhile, the head of the Organization of the Petroleum Exporting Countries said Thursday that there is "no doubt the oil market is rebalancing at an accelerated pace."

Speaking to a gathering of oil-industry executives and experts in London, OPEC Secretary General Mohammed Barkindo insisted that the cartel's plan to cut output and rein in the global supply glut was paying off.

OPEC and 10 producers outside the cartel, including Russia, first agreed late last year to cap their production at roughly 1.8 million barrels a day lower than peak October 2016 levels, with the aim of alleviating global oversupply and boosting prices.

The deal was extended in May through March 2018 and a number of participants have in recent weeks indicated a willingness to prolong the deal through the end of next year. OPEC is set to officially debate an extension at its next meeting in Vienna in November.

—Benoit Faucon and Stephanie Yang contributed to this article.

A Strengthening Dollar Weighs on Gold

By Amrith Ramkumar

Gold prices fell Friday, hurt by a stronger dollar after Senate Republicans adopted a budget for the next fiscal year, clearing a hurdle in the GOP push to overhaul the tax code.

Gold for December delivery closed down 0.7% at $1,280.50 a troy ounce on the Comex division of the New York Mercantile Exchange. The precious metal has fallen in five of the past six weeks.

The dollar rose Friday, making gold more expensive for foreign buyers, after the Senate's passing of a budget blueprint helped unlock a procedure that Republicans plan to use to rewrite the tax code with just GOP votes. The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, was up 0.6%.

The dollar's strength and investor bets that the Federal Reserve will stick to its plan to gradually raise interest rates moving forward have weighed on gold prices since they hit their highest level in more than a year in early September. Some analysts said progress in Washington could support the dollar moving forward and keep weighing on gold.

"Our view on tax reform is that short term, it's a headwind," said Marcus Garvey, commodities strategist at ICBC Standard Bank.

Still, the medium- or long-term impact of tax cuts on gold would depend on the nature of the bill, Mr. Garvey said.

$1.9 billion

Amount of revenue banks got from U.S. block trades during the past three years

Block Trades Bust Loose

The biggest investment banks have turned to block trades as U.S. equity issuance slowed in recent years.

After last year's record level, block trade volume is on pace for its third-biggest year on record after 2015 and 2016. Through Friday, U.S. companies have issued $187 billion of stock through block trades since the start of 2015, accounting for 31% of U.S. equity issuance during that period, according to Dealogic.

Yet the uptick in block trades hasn't had a similar impact on the top lines of banks. Companies paid $1.9 billion in fees to Wall Street firms for block trades in the past three years, accounting for just 12% of revenue from equity sales.

Banks traditionally line up buyers to purchase shares directly from companies. With a block trade, a bank buys stock

MONEYBEAT

from a public company, or one of its big investors, at a discount and then tries to flip it at a profit. If the share price falls before it can move the stock, however, the bank faces a possible loss. That makes block trading a riskier proposition for banks than traditional underwriting.

For companies needing to raise capital quickly, block trades guaranteed a set price, and if the shares subsequently fall, they don't take the hit.

Such deals have surged in popularity as volatility fell and stock markets marched higher in the years since the financial crisis. U.S. companies have issued $370 billion worth of stock through block trades since the end of 2010, accounting for 24% of all equity sold.

From 2000 through 2010, the value of stock sold through U.S. block trades totaled $167 billion and made up just 7.4% of all U.S. equity issuance. Over that period, these equity sales produced $2 billion in investment-banking revenue, or just 3% of fees generated from selling stock, according to Dealogic.

—Stephen Grocer

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Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US$	Fri per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso	.0574	17.4143	**9.7**
Brazil real	.3132	3.1925	**–1.9**
Canada dollar	.7920	1.2627	**–6.1**
Chile peso	.001591	628.60	**–6.2**
Colombia peso	.0003408	2934.00	**–2.3**
Ecuador US dollar	1	1	**unch**
Mexico peso	.0527	18.9925	**–8.4**
Peru new sol	.3090	3.237	**–3.5**
Uruguay peso	.03372	29.6600	**1.1**
Venezuela b. fuerte	.100100	9.9901	**–0.1**
Asia-Pacific			
Australian dollar	.7816	1.2794	**–7.9**
China yuan	.1510	6.6221	**–4.6**
Hong Kong dollar	.1282	7.8033	**0.6**
India rupee	.01536	65.115	**–4.2**
Indonesia rupiah	.0000739	13523	**–0.01**
Japan yen	.008809	113.52	**–3.0**
Kazakhstan tenge	.002978	335.75	**0.6**
Macau pataca	.1247	8.0201	**1.3**
Malaysia ringgit	.2367	4.2250	**–5.8**
New Zealand dollar	.6952	1.4384	**–0.4**
Pakistan rupee	.00949	105.350	**0.9**
Philippines peso	.0194	51.542	**3.9**
Singapore dollar	.7346	1.3612	**–5.9**
South Korea won	.0008832	1132.31	**–6.3**
Sri Lanka rupee	.0065066	153.69	**3.5**
Taiwan dollar	.03307	30.237	**–6.8**
Thailand baht	.03013	33.190	**–7.3**
Vietnam dong	.00004402	22719	**–0.2**
Europe			
Czech Rep. koruna	.04587	21.799	**–15.1**
Denmark krone	.1583	6.3187	**–10.6**
Euro area euro	1.1783	.8487	**–10.7**
Hungary forint	.003827	261.31	**–11.2**
Iceland krona	.009482	105.46	**–6.6**
Norway krone	.1252	7.9861	**–7.6**
Poland zloty	.2782	3.5943	**–14.2**
Russia ruble	.01740	57.484	**–6.2**
Sweden krona	.1225	8.1651	**–10.3**
Switzerland franc	1.0158	.9844	**–3.4**
Turkey lira	.2724	3.6714	**4.2**
Ukraine hryvnia	.0377	26.5400	**–2.0**
UK pound	1.3188	.7583	**–6.4**
Middle East/Africa			
Bahrain dinar	2.6515	.3772	**–0.01**
Egypt pound	.0567	17.6450	**–2.7**
Israel shekel	.2865	3.4900	**–9.3**
Kuwait dinar	3.3069	.3024	**–1.1**
Oman sul rial	2.5988	.3848	**–0.04**
Qatar rial	.2642	3.785	**4.0**
Saudi Arabia riyal	.2666	3.7504	**–0.01**
South Africa rand	.0733	13.6459	**–0.3**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	87.00	0.49	0.57	**–6.39**

Sources: Tullett Prebon, WSJ Market Data Group

THE TICKER | Market events coming this week

Monday

Earnings expected*

	Estimate/Year Ago($)
Halliburton	**0.37**/0.01
Illinois Tool Works	**1.64**/1.50
Kimberly-Clark	**1.54**/1.52
State Street	**1.61**/1.35
V.F. Corp.	**1.12**/1.20
Whirlpool	**3.93**/3.66

Tuesday

Short-selling reports
Ratio, days of trading volume of current position, at Sept. 29

NYSE	5.2
Nasdaq	4.4

Earnings expected*

	Estimate/Year Ago($)
3M	**2.21**/2.15
AT&T	**0.75**/0.74
Eli Lilly	**1.03**/0.88
McDonald's	**1.76**/1.53
Texas Instruments	**1.12**/0.94
United Tech.	**1.69**/1.76

Wednesday

Mort. bankers indexes

Purch., previous	up 4%
Refinan., prev.	up 3%

EIA status report
Previous change in stocks in millions of barrels

Crude oil	down 5.7
Gasoline	up 0.9
Distillates	up 0.5

Durable-goods orders

Aug., previous	up 2.0%
Sept., expected	up 1.0%

New-home sales

Aug., previous	560,000
Sept., expected	555,000

Earnings expected*

	Estimate/Year Ago($)
Amgen	**3.11**/3.02
Boeing	**2.65**/3.51
Coca-Cola	**0.49**/0.49
Thermo Fisher	**2.24**/2.03
Visa	**0.85**/0.78
Walgreens	**1.21**/1.07

Thursday

Initial jobless claims

Previous	222,000
Expected	235,000

EIA report: natural gas
Previous change in stocks in billions of cubic feet

up 51

Earnings expected*

	Estimate/Year Ago($)
Alphabet	**8.32**/9.06
Altria Group	**0.88**/0.82
Amazon.com	**0.03**/0.52
Comcast	**0.49**/0.46
Intel	**0.80**/0.80
Microsoft	**0.72**/0.76

Friday

GDP deflator

2nd qtr., final	up 1.0%
3rd qtr., adv. est.	up 1.8%

Gross domestic product:
Percentage change, annual rate

2nd qtr., final	up 3.1%
3rd qtr. adv. est.	up 2.7%

U.Mich. consumer index

Oct., prelim.	101.1
Oct., final	100.9

Earnings expected*

	Estimate/Year Ago($)
AbbVie	**1.38**/1.21
Chevron	**0.97**/0.72
Colgate-Palmolive	**0.73**/0.73
Exxon Mobil	**0.86**/0.63
Merck & Co.	**1.03**/1.07
Simon Property Group	**1.58**/1.61

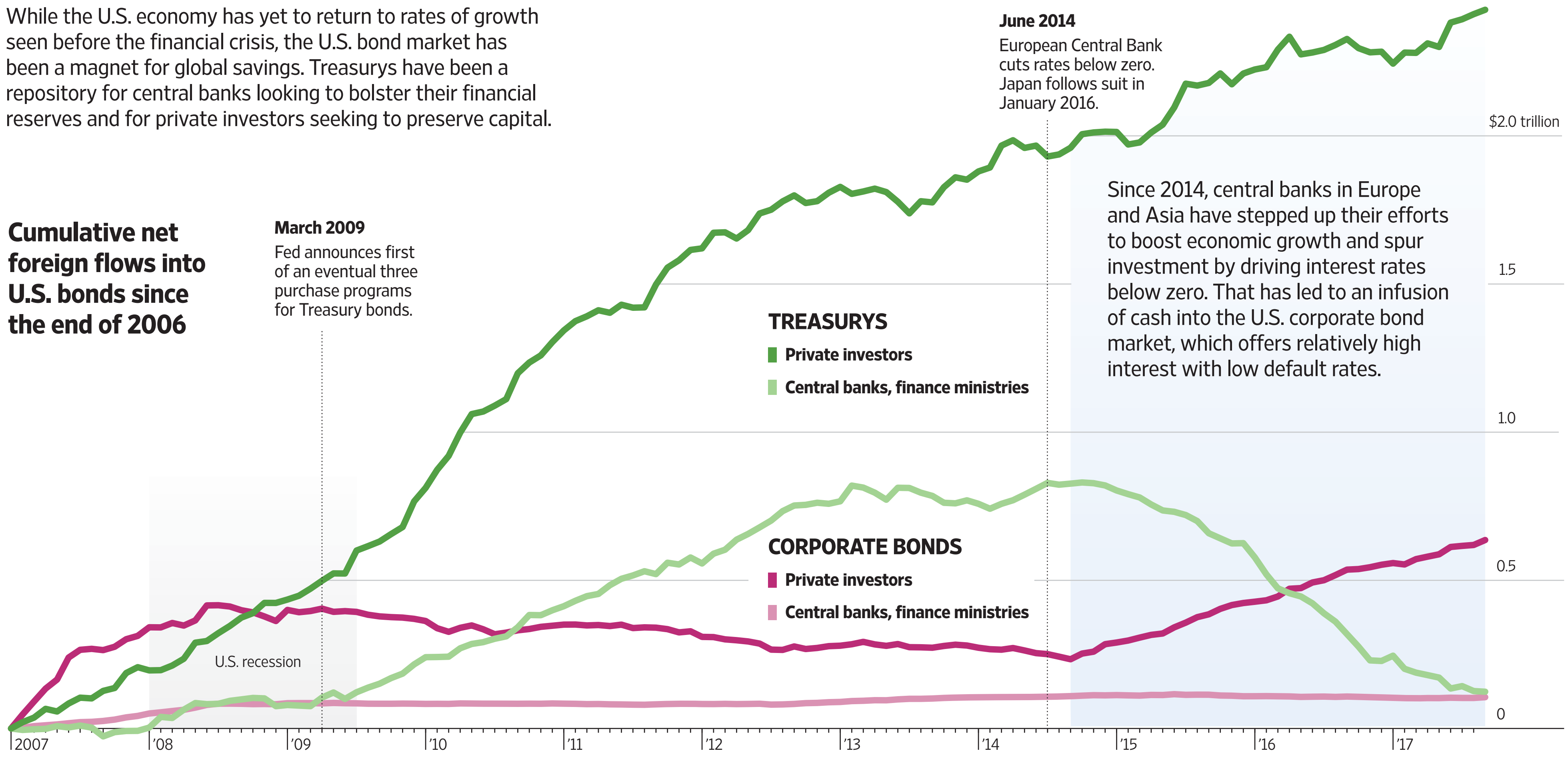
* FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES) ◆ ADJUSTED FOR STOCK SPLITNOTE: FORECASTS ARE FROM DOW JONES WEEKLY SURVEY OF ECONOMISTS

FRANCK FIFE/AGENCE FRANCE-PRESSE/GETTY IMAGES
Soft-drink maker Coca-Cola Co. reports its quarterly results on Wednesday. Analysts anticipate a profit of 49 cents a share.

MARKETS

Global Investors Chase Safety, Yield in U.S. Bonds

While the U.S. economy has yet to return to rates of growth seen before the financial crisis, the U.S. bond market has been a magnet for global savings. Treasurys have been a repository for central banks looking to bolster their financial reserves and for private investors seeking to preserve capital.

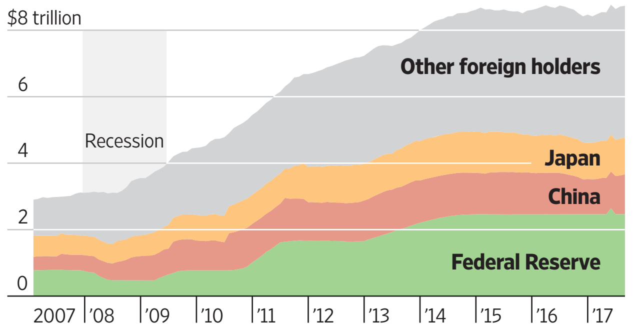


While central banks have slowed their accumulation of Treasurys, improvements in the global economy could reverse that trend.

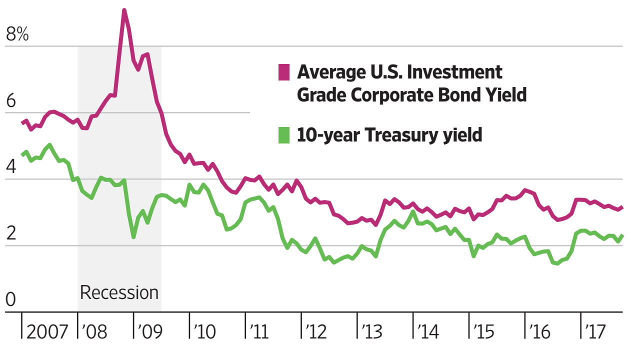
After initial spasms of concern about the health of U.S. corporate credit during the recession, investors—abetted by trillions of dollars of Fed bond purchases of Treasurys and mortgage-backed securities—piled into company bonds.

Many foreign investors came to hold Treasury bonds because of a trade surplus with the U.S. For China, owning Treasurys has also often been a way to prevent its currency from appreciating.

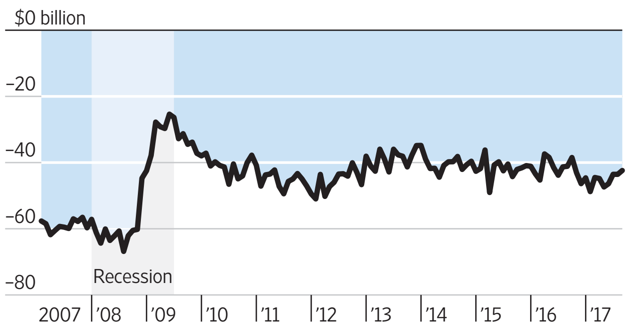
Treasury holdings



Bond yields, monthly



U.S. trade balance, monthly*



*Seasonally adjusted

Sources: Treasury Department (flows, foreign holdings); Federal Reserve (Fed holdings); Ryan ALM (10-year yield); Bloomberg Barclays (Average U.S. Investment Grade Corporate Bond Yield); Commerce Department (trade balance)

Daniel Kruger/THE WALL STREET JOURNAL.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY **WSJ.com/Heard**

How Will Next Fed Chief Handle Stocks?

With the Federal Reserve likely to be under new leadership next year, investors are asking how the central bank will approach the economy. They should also be asking how the Fed will deal with asset prices.

President Donald Trump has narrowed his search for who will next lead the Fed to five finalists, including current Fed Chairwoman Janet Yellen, and is expected to make a decision by early next month. Any candidate Mr. Trump picks will be confronted with an economy that has generated strong jobs growth, driving the unemployment rate down to 4.2%, but failed to push inflation up to the Fed's 2% target. What has gone up are assets such as stocks and bonds.

Fed policy makers think inflation is coming and plan to raise rates steadily in the years ahead. But that is starting to look more like a guess than a forecast. As former Fed governor Daniel Tarullo said in a recent speech, economists "do not, at present, have a theory of inflation dynamics that works sufficiently well to be of use for the business of real-time monetary-policy making." Investors agree and see just two rate increases between now and the end of next year, versus Fed policy makers' median projection of four rate increases.

The Cost

S&P 500 forward price/earnings ratio

Source: FactSet

THE WALL STREET JOURNAL.

If rates stay low, the risk is that asset prices soar. By most measures stocks are expensive to very expensive. Corporate bonds, too, are pricey.

Asset prices aren't part of the Fed's mandate to promote price stability and full employment. But the housing bubble made it clear that financial-market excesses can cause severe economic problems. Harvard economist and former Fed governor Jeremy Stein says that if the only trade-off the Fed was facing was unemployment versus inflation, he would agree with the market's view on rates. But with asset prices where they are, he would be inclined to follow Fed policy makers' median projection.

How the different candidates for the Fed job would factor asset prices into their thinking isn't clear when it comes to former Fed governor Kevin Warsh and White House economic adviser Gary Cohn, but, for the others there are hints.

Ms. Yellen has said she prefers addressing serious excesses with regulation but wouldn't rule out using interest-rate policy. Fed governor Jerome Powell might see things like Mr. Stein: The two of them, along with former Fed governor Elizabeth Duke, had financial-stability concerns during the lead-up to the 2013 taper tantrum, prompting Fed spokeswoman Michelle Smith to dub them "the three amigos."

Stanford University economist John Taylor has in the past said he doesn't think it is right for the Fed to prick bubbles but has also argued that if the Fed had followed his "Taylor Rule" for setting interest rates it would have raised rates more swiftly in the early 2000s, preventing the housing bubble. His rule would put rates about 2 percentage points higher than where they are now.

If the central bank's leadership next year does get worried about rising asset prices and opts to lean against them, investors could be in the uncomfortable position of fighting the Fed. But if the Fed decides instead to look the other way, it could be off to the races—for a while, at least.

—Justin Lahart

OVERHEARD

Maybe it's just sour grapes.

Attorney General Jeff Sessions told the Senate Judiciary Committee last week that he was very concerned that criminals can use untraceable financial instruments such as bitcoin. He also boasted that his department had shut down two illegal marketplaces on the so-called Dark Web that used the cryptocurrency.

What he failed to mention is that his department may be good at seizing bitcoin but it isn't very good at trading it. A Sept. 29 release by the U.S. Attorney's Office for the Southern District of New York announced the forfeiture from the sale of $48 million of bitcoins from Silk Road. Read the release, though, and one can see that these proceeds came from 144,336 bitcoins, which at Friday's record price of $6,000 each, would have been worth more than $860 million.

Investors Keep Delivering for Meituan

Combine **Grubhub** and **Yelp**. Throw in **Groupon** and **Expedia**. That hints at the breadth of China's **Meituan-Dianping**—one of the biggest private companies you may never have heard of.

Meituan is known, however, to the likes of **Priceline**, **Sequoia Capital** and **Canada Pension Plan Investment Board**, which were among the investors putting up the $4 billion the company announced Thursday.

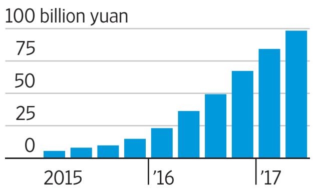
Meituan's valuation is now $30 billion—ahead of **WeWork** and **SpaceX**, according to CB Insights. **Tencent**, China's second-largest company, is a key investor.

Meituan processes up to 21 million orders a day, and 280 million people used it in the past year to order takeout, buy movie tickets and book hotels, all on their smartphones. It also offers discounts for services from karaoke to renovation.

What it probably doesn't offer is a profit. Meal delivery is fiercely competitive in China. Search engine **Baidu** dropped out of the race in August.

What's Not Cooking

Takeout ordered online in China, by quarter



Note: 1 billion yuan = $151 million

Source: BigData Research

As for the discount-deal business, Groupon's experience suggests it is not a sure path to riches. The company, which in 2010 turned down an offer of nearly $6 billion from Google, is now worth less than half that.

Meituan is taking a familiar tech approach: Rack up users now and worry about profits later.

Perhaps investors won't have to wait for it to figure out a sustainable business model before they can cash in. Nothing attracts fresh money like a star-studded lineup of investors. As long as the market is flush with cash, Meituan investors are likely to be able to sell at a profit—perhaps even in an IPO.

—Jacky Wong

Big Insurers Could Weather Catastrophes

The world's biggest insurers are counting the costs of the terrible storms that hit the U.S. and Caribbean this year—and what is surprising is their estimates still vary wildly.

This makes it tricky for investors to work out the prospects for an industry that has been flush with capital and competing hard on pricing for weakening returns over the past several years.

Swiss Re, one of the biggest providers of insurance cover to insurers themselves, is the latest to put a number on the damage done by hurricanes Harvey, Irma and Maria plus the Mexican earthquake and other events.

It expects to pay net claims of $3.6 billion before taxes, it said Friday, based on an industrywide loss estimate of $95 billion.

This compares with an industry loss estimate of $100 billion from **Everest Re**, a smaller U.S.-listed Bermudian reinsurer, which forecast its own costs at $1.2 billion pretax.

XL Catlin Group, also U.S.-listed, estimated its costs at $1.5 billion but put the total industry loss at a much lower $75 billion to $90 billion.

These groups will give sharper detail in third-quarter results, starting with XL on Tuesday. But the important thing for investors here is that all of them have the total industry cost at $100 billion or less. Analysts and industry executives have long said losses beyond that figure would eat into the industry's capital base and prompt a turn in insurance pricing.

The further below $100 billion those claims costs turn out to be, the more likely it is that recent industry trends of low pricing and falling returns continue.

Much uncertainty remains around the costs that will fall on investors in the catastrophe-bond industry instead of traditional reinsurers, or how much capital in such products will be held back from investors until the costs are finalized. But for the big traditional groups like Swiss Re and XL, the storm damage may not be that bad.

—Paul J. Davies

JOURNAL REPORT

WEALTH MANAGEMENT

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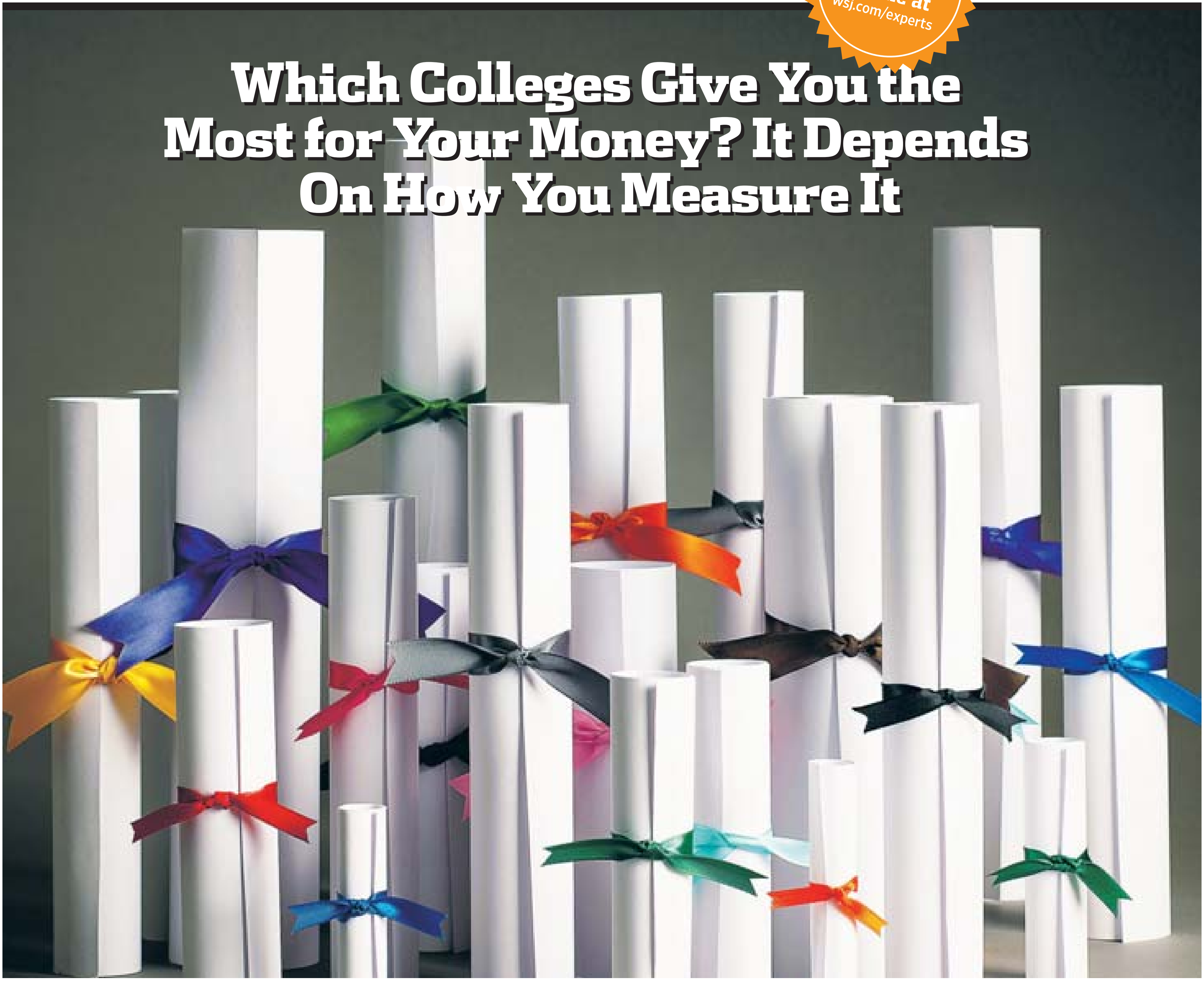
THE WALL STREET JOURNAL. Monday, October 23, 2017 | R1

Which Colleges Give You the Most for Your Money? It Depends On How You Measure It



KEVIN VAN AELST

We look at different ways to run the numbers—and find the school that fits what you're looking for

BY GEORGE ANDERS

CHOOSING A COLLEGE MEANS balancing a lot of priorities and figuring out which matters most. Does a good location matter more than a top graduation rate? Are potential postcollege earnings a bigger deal than life-changing new experiences or a prestigious name?

The "best" choice depends on which priority a family chooses. And now there have never been so many tools to figure that out.

For anyone wanting to compare schools' educational outcomes in terms of graduation rates, postcollege earnings or alumni debt loads, detailed statistics now are just a mouse click away. Information about schools' true costs, factoring in financial aid, is equally abundant.

This data boom is being led by the **U.S. Department of Education**, which launched an early version of its College Scorecard in 2013, and has been refining the 7,700-institution dossier ever since. Other sources of school-by-school data on graduates' earnings include **PayScale** Inc., a Seattle labor-data specialist, and **Brookings Institution**, a Washington, D.C., think tank. In addition, The Wall Street Journal and other publications include graduates' economic outcomes as significant factors in annual college rankings.

For families building their own cost-benefit analysis for specific colleges, here are five factors to keep in mind:

GRADUATION RATES

Completing college can boost lifetime earnings as much as $800,000 beyond what's possible with a high-school diploma, according to a 2014 study by the Federal Reserve Bank of San Francisco. Most of those benefits, however, vanish for students who don't earn a diploma.

As a result, each school's graduation rate is a useful data point, regardless of whether a family is doing a cost-benefit analysis of attending a particular college or simply trying to get a sense of where a student is most likely to thrive.

Because institutions vary widely in terms of how college-ready their typical admitted students might be, there's no single graduation percentage that represents a sharp demarcation between reassuring and troubling. It's more useful to focus on how a specific school's graduation rate compares with a cohort of similar schools.

High rates may correlate with a welcoming community and strong academic support; lower rates could signal greater risks that students fall through the cracks. Ivy-caliber schools enjoy six-year graduation rates of 95% or higher. (Perhaps they offer great learning environments; perhaps they simply fill each class with students highly likely to succeed in any setting.) Flagship state universities generally are at 80% or better. Community colleges may post rates of 50% to 60%. Some for-profit colleges have graduation rates as low as 9%.

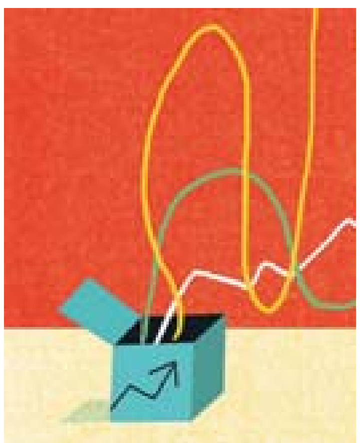
Bear in mind that schools like to highlight six-year graduation rates, which give full recognition to students who needed an extra semester (or several extra semesters) to finish their course work. If you're not in the mood to pay for more than four years of college, dig deeper on school websites to look for four-year graduation rates, which must be reported as well.

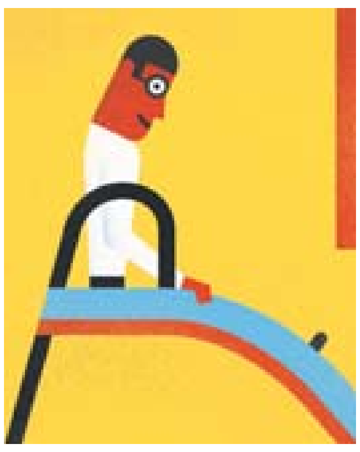
Of course, adjust your calculations for an honest assessment of how steadfast

Please turn to the next page

Mr. Anders is a writer in northern California. He is the author of "You Can Do Anything," a book about the college-to-career pathway. Email him at reports@wsj.com.

INSIDE





ASK ENCORE | GLENN RUFFENACH

Why Retirees Should Consider a Financial Adviser

Also: We answer readers' questions on SEP IRAs and Social Security benefits

My question is about financial advisers. Specifically: Do I need one? I know that such help is important, but paying 1% of my assets annually, which appears to be the going rate, seems steep. My wife and I have adequate retirement savings, our mortgage is paid off, we have virtually no debt, and we are invested almost exclusively in index funds with low fees. Our estate-planning documents are in order, as well. So, what would I gain from working with a financial adviser?

I certainly have met and spoken with retirees who have the skills and time to manage their finances in later life. And yes, many advisers typically charge, annually, 1% of assets under management. If the value of your nest egg is, say, $1.5 million, then $15,000 goes to your adviser. (Check carefully if an adviser tells you: "My help is tax-deductible." Some, but not all, adviser fees fall under that heading.)

That said, there are several reasons why most people approaching retirement or already retired should at least consider meeting and possibly working with a financial adviser.

Most important, a good adviser will keep you from doing something stupid with your money. And most people, even those who have, or think they have, a good handle on their finances, trip up at some point. That includes me.

Several years ago, a close family member approached me about investing a sizable amount of money in a supposedly can't-miss opportunity. Even though I was aware of the risks involved in lending money to family and friends (you tend to follow your heart rather than your head), I wrote the check. Well, the can't-miss investment missed. And my wife and I paid the price. Very dumb.

And don't assume that simply because you're invested in index funds or other seemingly straightforward products you must know what you're doing. Barry Kaplan, a certified financial planner and principal with Modera Wealth Management in Atlanta, recalls meeting a young lawyer who confidently explained that 75% of his nest egg was invested in an S&P 500 index fund and 25% in a Wilshire 5000 index fund. The latter, the lawyer said,

SONIA PULIDO

represented the small-cap portion of his holdings.

The problem: The Wilshire 5000 is a total-market index, not a small-cap index. The lawyer assumed that one-quarter of his money was invested in small-cap stocks, when, in reality, the figure was closer to 5%.

"He didn't understand that index investing, while simpler than traditional active investing, isn't that simple," Mr. Kaplan says. "You have to determine which indexes. What's the overlap between the indexes? What are the gaps? And what about foreign [funds]? It's even more complicated there."

A good way to gauge your financial smarts: What did you do as markets were crashing in 2008 and 2009? Run for the hills? Sit tight? Tweak your investment strategy? Says William J. Bernstein, a neurologist, investment adviser and author: "You are not as good looking, as charming, or as good a driver as you think you are. The same goes for your investing abilities."

Two additional reasons why retirees might benefit from working with an adviser are taxes and spouses. Many retirees have two or more different types of savings or sources of income: taxable accounts, tax-deferred accounts, Roth IRAs, pensions, Social Security, etc. Ensuring that your nest egg lasts as long as you do is the biggest financial challenge most of us face in retirement, and tapping various assets in the most tax-efficient way possible is crucial to that. Here, a good adviser can be invaluable.

As for spouses, most couples seem to have one person who handles and understands retirement finances. If that person dies suddenly, the surviving spouse could benefit from having an adviser in place.

Finally, if fees are the primary sticking point in deciding whether to work with an adviser, financial players old and new—**Vanguard Group**, **Charles Schwab**, **Betterment**, and **Wealthfront**, among others—are now competing for your business with fees considerably lower than 1%. That fact isn't lost on traditional advisers, some of whom are beginning to lower their prices, as well. In short: shop around.

* * *

"I am 72 years old and mostly retired but still have some income from consulting fees. Can I still contribute to my SEP IRA?"

Yes, you can. But you also must take required distributions from the same account.

A person who has earned income can continue contributing to a SEP IRA almost indefinitely. In 2017, those contributions can't exceed the lesser of 25% of your compensation or $54,000.

But, unlike some company retirement plans, a SEP doesn't have a "still working" exception, which allows a person to delay required minimum distributions. With a SEP, you must begin RMDs after reaching 70½.

* * *

Do you have any suggestions on where my wife and I can get Social Security benefit estimates? We were fortunate to retire in our mid to late 50s, and we will have no Social Security wages in the future. We are both 60 years old. I would like to estimate our benefits for age 62 and our full retirement age of approximately 66.

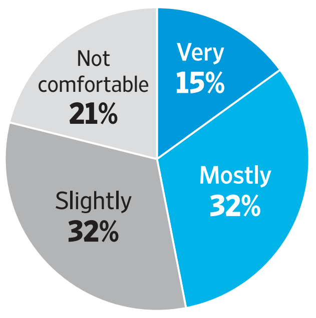
If you haven't already, you should set up a "my Social Security" account with the **Social Security Administration**. (Go to socialsecurity.gov/myaccount.) Here, you will find "Your Social Security Statement," which the agency used to mail to people each year, and a quick estimate of future benefits.

Then, depending on how much time you have and how much work you want to do, three calculators on the agency's website—a Retirement Estimator, an Online Calculator and a Detailed Calculator—can help estimate what your benefits might be at various ages. (Go to: socialsecurity.gov/planners/benefitcalculators.html.) Each tool asks you to provide different amounts of information, which, ideally, generate increasingly precise estimates.

Mr. Ruffenach is a former reporter and editor for The Wall Street Journal. His column examines financial issues for those thinking about, planning and living their retirement. Send questions and comments to askencore@wsj.com.

Money Management

When asked how comfortable they are making investment decisions with their retirement accounts,* account holders were split. About 47% said they're mostly or very comfortable, but 53% said they're either not comfortable or only slightly comfortable.



* Self-directed accounts, including IRAs, 401(k)s, 403(b)s and related retirement savings

Source: Federal Reserve's "Report on the Economic Well-Being of U.S. Households in 2016"

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Which College Gives You the Most for Your Money?

Continued from the prior page

your student is likely to be in a college setting; if the ability or desire to do the work is lacking, outcomes can be disappointing.

STUDENT DEBT

It's easy to shudder at nationwide statistics for U.S. student debt. Overall borrowings top $1.4 trillion, with 11.5% of all loans being either at least 90 days delinquent or in default, according to the U.S. Department of Education. That said, borrowing to reap the benefits of a college education can be a winning strategy, if students earn enough after college to pay down their debts on a timely basis.

The College Scorecard reports three gauges of the student-debt picture at each school. Of these, the most valuable is the percentage of graduates whose debt repayments are brisk enough each year to shrink their total balance owed. The national average for paying down loans is 46%, but school-by-school percentages vary hugely.

Think of it as a rough proxy for students who land good jobs (or enjoy lavish family support). If graduates can rapidly erase debt from their lives, that's a good signal that schools are helping prepare them for strong careers. If debt loads don't budge, that suggests graduates are more likely to be scrambling to make ends meet.

Geographic factors matter, too. For students attending college in places where economies are strong such as Seattle, 75% or more are able to pay down their loans in any given year. In weaker economies such as Detroit, paydown rates can be below 40%.

It's hard to imagine choosing a college just because of its students' impressive success in handling educational debt, college planners say, but the opposite situation, in which many students are struggling to manage their debts, could be a red flag.

POST-GRADUATION EARNINGS

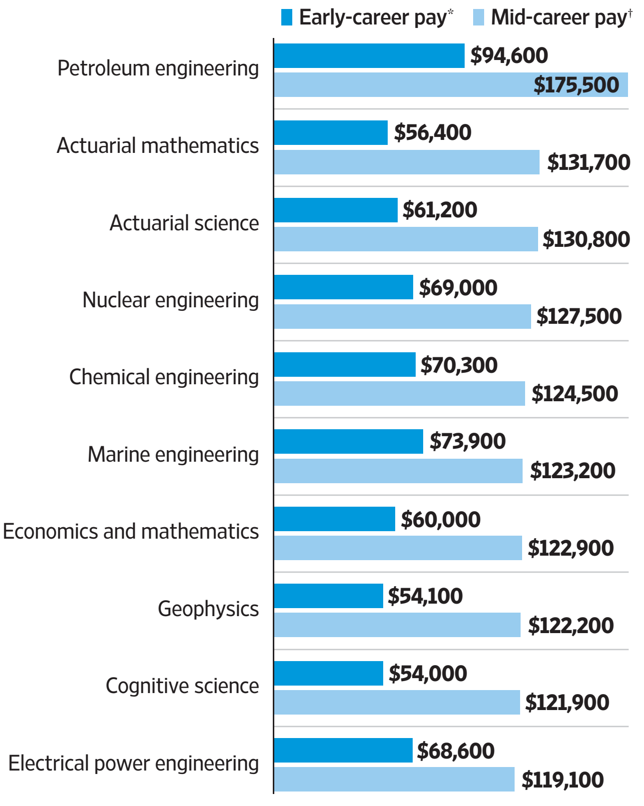
A generation ago, when economists tried to identify colleges with the best economic payoffs for graduates, most attention focused on a school's academic prestige. Data at the time showed that students graduating from Ivy League schools earned more than alumni of leading state universities. Each of those groups, in turn, earned more than people with diplomas from less selective schools.

As robust new data emerges, however, researchers are opting for more nuanced conclusions. Students' choice of a major can outweigh academic prestige in shaping future income, for example.

To pick an extreme case, according to College Scorecard, the college with the highest-earning graduates isn't a super-selective school such as **Princeton University**, **Stanford University** or the **Massachusetts Institute of Technology**. It's the **Albany College of Pharmacy and Health Science**. By focusing exclusively on high-paying specialties, Albany's

Pay Day

Highest paying bachelor's degrees by salary potential



* Median salary for those with degrees in the subject and 0-5 years work experience
† Median salary for those with degrees in the subject and 10 or more years work experience

Degree in Hand

States with the highest and lowest six-year graduation rates for bachelor's degree students

HIGHEST GRADUATION RATES	
Massachusetts	70.9%
Connecticut	67.5
Rhode Island	67.5
Maryland	66.4
Iowa	66.3
California	66.3
Pennsylvania	65.9
Delaware	65.9
New Jersey	64.8
Vermont	64.4

LOWEST GRADUATION RATES	
Alaska	32.1%
Nevada	32.6
Georgia	38.7
New Mexico	40.1
Arkansas	42.6
Oklahoma	43.5
West Virginia	43.6
Montana	43.8
Hawaii	45.9
Idaho	46.0

Sources: PayScale 2017-2018 College Salary Report; The National Center for Higher Education Management Systems

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alumni average $122,600 in yearly earnings 10 years after enrolling, according to the College Scorecard. None of the more famous, multidepartment universities average more than $100,000, though some of their top achievers doubtless make far more.

If you want to probe the impact of different college-major choices more deeply, PayScale has free information on its website showing early-career and mid-career earnings by major. The results are as you might expect.

Science and engineering majors are top earners at all stages. Vocational majors provide solid first-job income, but flatter earning curves over the long run. Average salaries in fields such as nursing, hospitality and accounting top out well short of the $100,000-plus that pharmacy graduates enjoy. Liberal-arts majors start slowly but then enjoy earnings surges later in their careers.

For students who aren't likely to attend famous-name, ultraselective institutions, it can be valuable to seek out data on schools that do the most to help those who arrive with middle-of-the-pack high-school records and modest family circumstances.

Several researchers—including Jonathan Rothwell, a Brookings alumnus now working at Gallup Inc., and Robert Kelchen, an assistant professor of higher education at **Seton Hall University**—have created "value-added" metrics for ranking schools' ability to boost the earnings power of average students. Mr. Kelchen's approach highlights less well-known schools such as **Berea College**, **Cal State Bakersfield** and **College of the Ozarks** as standouts in delivering maximum value for students with modest beginnings.

LIKELY COST FOR LOWER-INCOME FAMILIES...

In 2004, Harvard University began rolling out some of America's most-generous financial-aid programs for families earning less than $80,000 a year. The result: it currently costs just $17,882 for needy students to attend the elite Massachusetts university, according to the College Scorecard. That's barely one-quarter of the official price of $65,609 for tuition, room and board.

Harvard isn't alone. Browse through College Scorecard data, and you will find that for many lower-income families, it's cheaper to attend **Amherst College** than **Allegheny College**; less costly to enroll at Stanford than nearby **Santa Clara University**. As family incomes rise, such bargains disappear. But as college costs have soared, the upper boundaries for need-based aid have climbed to levels that would have been unimaginable a generation ago.

Clayton Rose, president of **Bowdoin College**, says 20% of the Maine school's financial-aid recipients come from families that earn at least $152,000 a year. With Bowdoin's tuition now totaling $51,344 a year, Mr. Rose observes, even families that are decidedly upper middle class may need help paying the bills, especially if they have multiple children in college.

The government's Free Application for Federal Student Aid (Fafsa) provides bare-bones calculators that crunch your family's income, assets, household size and other data—yielding estimates of your student's need-based aid and your family's overall expected contribution. The exact extent of aid, however, is hard to pinpoint until each school has analyzed your family finances in more detail.

Sharpen your research by web searches for schools that have spoken prominently in support of more need-based aid. Look up the size of the school's endowment per student, too. Big endowments often generate the income needed to provide more help to lower-income families.

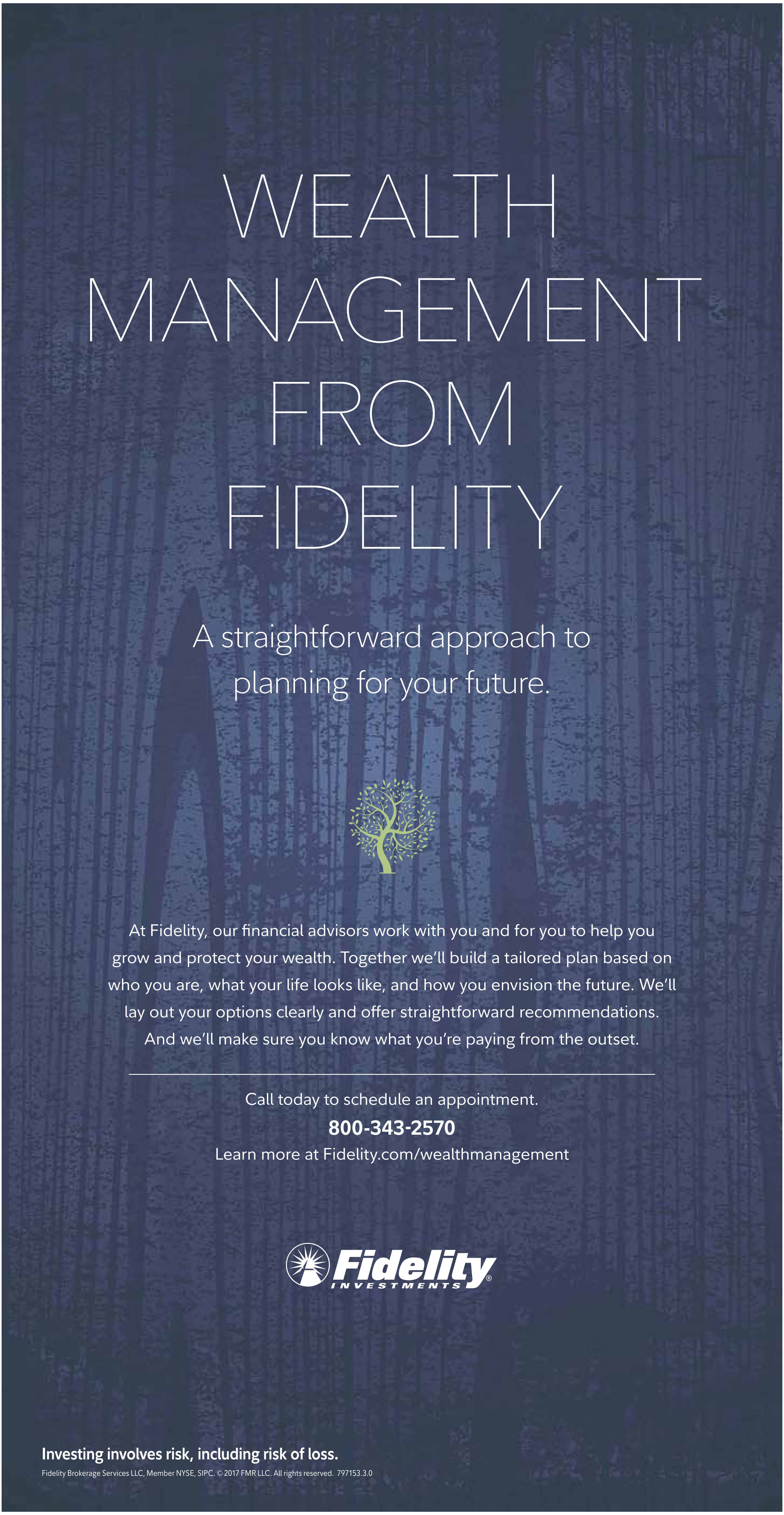
...OR HIGHER-INCOME FAMILIES

For many affluent families, need-based aid is out of the question. If that's your situation, don't necessarily resign yourself to paying the full sticker if well-known private schools look enticing. Tuition discounts or merit scholarships often are available for strong students, regardless of family income. Savings vary from a few thousand dollars to $20,000 or more a year.

You can find some information about such programs on campus websites, or you can browse a nationwide list, compiled by USNews & World Report, of the colleges most inclined to offer merit aid. Among the standouts are schools such as the **University of Puget Sound**, **Furman University**, **Gonzaga University** and **Oberlin College**, all of which provided grants or merit aid to at least 40% of students in the 2016-17 academic year, according to USNews.

When Bloomfield Hills, Mich., high-school student Greer Clausen was getting ready to go to college, her parents hunted for colleges most likely to provide merit aid for their daughter, a National Merit Scholar. That drew them toward private schools such as **Tulane University** and the **University of Southern California**; and to forgo any of the Ivy League schools.

Ultimately, the Clausens chose **Michigan State University**, where merit scholarships halved the standard in-state tuition of $13,000 a year. Getting an "excellent education for less than the rack rate" is appealing, says Ms. Clausen's mother, Virginia Clausen. Besides, her daughter's job opportunities so far have been "on par with what students from much more expensive universities receive."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To Maximize College Aid, Timing Is Key

The best time to make financial moves is when your child is in 10th grade

BY VERONICA DAGHER

IF YOU WANT to get the most financial aid for your child's freshman year of college, don't wait until his or her senior year of high school to make important financial moves.

The fall term of 10th grade is a key time to make changes that can put a family in the optimal position to get financial aid.

The reason: Families now fill out the Free Application for Federal Student Aid, the form used to determine grants, loans and other forms of federal aid, based on their "prior-prior year" income. That means high-school sophomores who graduate in 2020 will use 2018 as the base year in reporting family and student income on their first Fafsa.

"Starting Jan. 1, families of high-school sophomores will need to be more careful," says Mark Kantrowitz, publisher of Cappex.com, a website that connects students with colleges and financial aid.

With that in mind, here's a look at some financial steps parents of high-school sophomores can take before the end of 2017 and some they should defer until after Jan. 1.

One caveat: Families should check with a financial adviser and accountant to understand how these financial moves could affect their taxes, because they may run contrary to traditional tax-planning strategies.

1. ACCELERATE INCOME

Since your 2017 income won't appear on the Fafsa, any additional income you can shift from 2018 into 2017 may help you qualify for more aid.

If possible, ask to receive any year-end bonus by Dec. 31.

If you have to withdraw funds from your retirement account, from a financial-aid perspective, it's better to do so this year. (However, you generally must take required minimum distributions from a retirement account annually if you are 70½ or older or face big penalties.)

If you're thinking about converting a traditional individual retirement account into a Roth IRA, a move that increases taxable income, try to do it before year-end, Mr. Kantrowitz says.

Meanwhile, individuals planning on taking an unpaid leave of absence from work should delay it until 2018, if possible, he adds.

2. REALIZE CAPITAL GAINS

With the extended bull market, families may have sizable gains in their brokerage accounts. From a financial-aid standpoint, it's best for parents of high-school sophomores to take those gains now, says Mr. Kantrowitz. The Fafsa adds a family's adjusted gross income to untaxed income and benefits to yield total income, which is then used in the formula.

If you need to take gains next year, aim to offset them with losses so the impact on any financial aid isn't as damaging, he adds.

3. MANAGE EXPENSES

Families already planning on making a large purchase, such as a car, should try to do so before filing the Fafsa. The same goes for any costly home-improvement expenses, such as replacing an air-conditioning and heating system or a roof. Using cash on hand for those expenses will reduce a family's reportable assets on the Fafsa, says Deborah Fox, founder of Fox College Funding LLC.

There's no benefit to having debt, as far as the Fafsa is concerned. But cash in the bank counts against you, so use some of that money to pay down debt before applying for aid, Mr. Kantrowitz says.

One thing to keep in mind: The Fafsa allows parents to shelter roughly $20,000 to $35,000 in assets from being considered part of their expected family contribution.

In Hindsight

What parents with children in 10th grade and higher wish they had done 10 years earlier to better prepare for college costs

24% | Opened a 529 college-savings account earlier

24% | Treated saving for college like paying a bill to myself

21% | Made automatic monthly deposits into a dedicated college-savings account

21% | Increased my savings by 1% or more each year

17% | Prioritized college savings over impulse purchases over time

11% | Met with a financial professional to create a plan

11% | Paid more attention to my investment choices

7% | Asked friends and family to gift/contribute to my child's college savings account

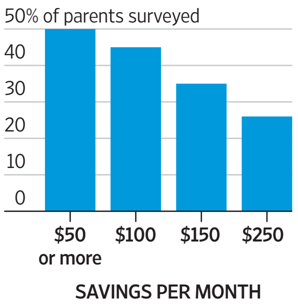
6% | Opened a cash-back credit card, with rewards saved to a dedicated college account

5% | Created an annual reminder to make a lump sum contribution

Source: Fidelity Investments 10th Annual College Savings Indicator (2016)

Monthly Savings

Fifty-two percent of parents with 10th graders and higher said they could have saved more money each month toward college. Specifically, they could have saved:



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4. SAVE STRATEGICALLY

For financial-aid purposes, it's generally best to save in the parent's name, not the child's, says Mr. Kantrowitz, since the Fafsa weighs assets in the child's name far more heavily than those in the parent's name. Parent assets are assessed at a maximum 5.64% rate, while student assets are assessed at a 20% flat rate.

To that end, parents should consider converting any certificates of deposit or savings in the child's name to a 529 college-savings plan this year, he says. Many plans have low-risk investment options for people concerned about putting those funds at the mercy of a market downturn with only a few years left until the tuition bill comes due.

But don't use a grandparent-owned 529, as it has a harsh impact on eligibility for need-based aid. While grandparent-owned 529s aren't reported as assets on the Fafsa, distributions count as untaxed income to the beneficiary, which can reduce aid eligibility by as much as half of the distribution amount, Mr. Kantrowitz says.

Another option: Use some savings to boost contributions to a qualified retirement account this year. Money in a qualified account, such as a 401(k), IRA and Roth IRA, isn't counted as an asset for students or parents. If the child earned money from a part-time or summer job this year, consider opening a Roth IRA in his or her name.

However, contributions to and distributions from a retirement plan are reported as income on the Fafsa for the year they're made. So using this strategy is ineffective unless you wait to make a contribution or take a distribution until it will no longer affect aid eligibility, Mr. Kantrowitz says.

Ms. Dagher is a reporter for The Wall Street Journal in New York and host of the Secrets of Wealthy Women podcast. Email her at veronica.dagher@wsj.com.

Airbnb and Home Prices

PETER FOLEY FOR THE WALL STREET JOURNAL

Airbnb lets homeowners generate income from their homes, making them even more valuable, says UCLA's Edward Kung.

BY LISA WARD

COULD THE USE of Airbnb increase home prices and rental rates?

A new, not-yet-published working paper suggests the popular home-sharing service might do just that.

The researchers looked at rents and home prices in the 100 largest metro areas in the U.S. between 2012 and 2016. They found that a 10% increase in Airbnb listings leads to a 0.39% increase in rents and a 0.64% increase in house prices.

"That may sound minuscule, but between 2012 and 2016, rents rose by about 2.2% annually [on average in the 100 areas], so a 0.39% increase in that context isn't very small at all," says Edward Kung, an assistant professor of economics at the University of California Los Angeles and one of the study's authors.

The same is true for home prices, which rose by an average of about 4.8% annually in the 100 areas, he adds.

The Wall Street Journal spoke to Dr. Kung about the study. The other co-authors are Davide Proserpio, an assistant professor of marketing at University of Southern California's Marshall School of Business, and Kyle Barron, research assistant at the National Bureau of Economic Research.

Below is an edited transcript of the conversation with Dr. Kung.

The effects of sharing

WSJ: *Why are policy makers concerned about Airbnb's effect on home prices?*

DR. KUNG: There is an affordability crisis. In an earlier study, we found the number of people spending more than 30% of their income on rent increased by 9 percentage points over 14 years, from 30% in 2000 to 39% in 2014. And it isn't just renters. In 2015, about a third of Americans spent more than 30% of their income on rent or mortgages, according to a study done by the Harvard University's Joint Center for Housing Studies. Airbnb is pushing up rent and home prices is a public concern, and it's really the impetus for many cities wanting to regulate Airbnb.

WSJ: *How does Airbnb affect home prices and rental rates?*

DR. KUNG: We hypothesize Airbnb takes supply out of the long-term rental market, which caters to residents looking to rent permanent homes, and reallocates it to the short-term rental market, which caters to tourists or other temporary visitors. This reduces the supply of long-term rental units and increases the price for residents looking for long-term housing. Home prices rise with rents. And above and beyond that simple relationship, Airbnb enables homeowners to generate income from their property, making their homes even more valuable.

WSJ: *Is it surprising that Airbnb has an effect on rental rates and home prices?*

DR. KUNG: We didn't know what to expect. Some people would say Airbnb isn't a big enough player to affect house prices and rental rates, but if a local resident looks for a long-term rental unit they will find that about one in 13 potentially available homes are being placed on Airbnb instead of being made available as a long-term rental. And that's the median. For neighborhoods in the 90th percentile, where the number of Airbnb listings is very high, it's almost one for one, where for every one unit listed on Airbnb, you see one unit listed on the long-term market.

WSJ: *Airbnb's effect on home and rental prices differed by neighborhood, even between neighborhoods within the same city. How come?*

DR. KUNG: We think owner occupancy is a big reason for that. We find that Airbnb listings are more highly correlated with higher house prices and rental rates in neighborhoods with fewer owner-occupiers. That is one of the key points in our analysis, and it's consistent with the hypothesis. The reasons Airbnb increases rental rates is that nonowner occupiers [landlords] are taking homes out of the long-term market and putting the units into the short-term market. In contrast, if owners are living in their home, they are less likely to rent it to long-term tenants. Instead they are just using Airbnb to rent their home while they are away on vacation or share an extra room.

WSJ: *How does Airbnb affect vacancy rates?*

DR. KUNG: In cities where we saw Airbnb growth, we also saw a decrease in vacant homes for sale or rent. But we saw an increase in the short-term rental market for seasonal or vacation homes, which are classified by the U.S. Census as vacant since they are not in use year round. So again, we saw a reallocation of housing stock.

Should we regulate?

WSJ: *What are the policy implications of this paper?*

DR. KUNG: Policies should try to stop the conversion of properties from long-term rental units to short-term rental units. But regulators should not restrict home sharing for people who would not have made their homes available to long-term renters anyway, such as: owner-occupiers; using Airbnb to share unused rooms or rent their home while they are away; or vacation-home owners, who intend to use their house for part of the year. For these people, home sharing allows them to more fully utilize their homes by generating an additional income stream. The challenge is to fully understand the intent of the homeowner.

Ms. Ward is a writer in Mendham, N.J. Email her at reports@wsj.com.

THE GAME PLAN

A USED-CAR SALESMAN WANTS TO CHANGE HIS SATURDAYS

JAN CHISM

An adviser recommends that Paul Johnson max out contributions to his Simple IRA.

BY CHRIS KORNELIS

Paul Johnson spends his Saturdays with cars. In the 1980s he sold Subarus. In the '90s he sold Fords. And for more than a decade, he has been selling used cars at Jennifer's Auto Sales & Service, a company he started with his then-wife in Spokane Valley, Wash.

Now approaching his 61st birthday, he is starting to think about spending his Saturdays with cars that are not for sale. Specifically, the pair in his garage: a 1968 Mustang GT Fastback and a 1972 Mustang Mach 1.

If he could retire, Mr. Johnson says, instead of selling, he'd rather be at car shows. "I would love to mingle with the people, show and shine the cars, sit back and have a hot dog and a beer and talk to people for four or five hours on a Saturday afternoon."

He hopes to sell cars for just a few more years and retire at 65. For the past five years, he has averaged between $80,000 and $105,000 a year as a commissioned salesman. He has saved $1,000 monthly for retirement for the past 25 years. After his pretax IRA contributions, taxes, health care and other deductions, he says he brings home between $4,500 and $5,000 a month.

He has about $420,000 in a pair of IRAs, including a Simple IRA, a pretax savings vehicle similar to a 401(k), to which the dealership contributes 2% of his salary. He also has $25,000 in his checking account. His home is paid for and he estimates it is worth about $270,000. He estimates that his monthly Social Security benefit will be about $2,300 a month in full retirement.

Mr. Johnson says his TV, media and electronics bills set him back $450 a month. Aside from regular utilities, he doesn't have many regular expenses. He has no children, and he and his girlfriend like to stay in.

He would like to travel in retirement. "It's kind of hard for me to ask for the time off," he says. "But at the same time, I think I'm killing myself by not enjoying myself."

ADVICE FROM A PRO: *Laurie Klein, the principal and founder of Kaizen Financial Advisors in Bellevue, Wash., says Mr. Johnson is well on his way to being able to retire soon. But she thinks he should consider the trade-offs of retiring at 65 and whether he'll be prepared for what could be a very long retirement.*

Healthy people like Mr. Johnson are continuing to travel and spend for longer than previous generations, she says.

Mr. Johnson will reach full retirement at 66 years and four months, she says. If he retires at 65, he'll lose about 7% in Social Security payments every year for the rest of his life. He'll also lose out on an extra year of savings and earnings. In total, she estimates it will cost him about $47,000 to retire at 65 rather than 66-and-change.

If he does retire at 65, he should be willing to live off less than the $5,000 a month he takes home now, she says. He could also take on part-time work to pay for his trips. If he can afford it, she recommends he pad his savings with an extra $500 a month while he's still working. At a minimum, she'd like to see him max out his contributions to his Simple IRA. Account holders over 50 can contribute up to $15,500 a year. Mr. Johnson also needs to keep future medical expenses in mind. She says he's looking at $134 a month for Medicare, and more if he gets a supplemental plan. She also thinks it would be a good idea to look into long-term-care insurance.

Ms. Klein likes that he has $25,000 in cash, though she suggests he move it to a savings account where it can earn some interest. She points out there are banks with savings accounts that now offer more than 1%.

In retirement, she suggests that his portfolio be divided in two buckets. The first is a safe bucket, with between one and three years worth of money he budgets to withdraw from savings every month, divided equally among CDs, cash and short-term bonds, to protect against an extreme market correction. In the other bucket, she'd like to see him exposed to equities in the form of low-cost, diversified ETFs.

"His time horizon is long—20 more years," she says. "So, going all to cash doesn't make sense. Because cash, over time, is the worst performer in an asset class."

Mr. Kornelis is a writer in Seattle. Email him at reports@wsj.com.

New Rules Change Math On Reverse Mortgages

LLOYD MILLER

BY JEFF BROWN

NEW FEDERAL RULES that took effect Oct. 2 will raise up-front costs for some homeowners seeking a reverse mortgage, and reduce maximum loan amounts for most, raising the question: Is a reverse mortgage still worth considering?

Most experts say yes, although the increasingly popular strategy of taking a reverse mortgage line of credit—known as a standby reverse mortgage—may become less useful because credit lines will now grow more slowly.

That type of reverse mortgage "is a much less appealing option moving forward," says Jamie Hopkins, associate professor at the American College of Financial Services in Bryn Mawr, Pa.

A reverse mortgage is a federally backed loan against a home's equity that requires no monthly payments and is available to homeowners 62 and older. Proceeds can be taken as a lump sum, monthly income for life or line of credit. Interest charges are added to the debt, which doesn't have to be paid off until the borrower dies or no longer uses the property as a primary residence. As long as the borrower keeps up with taxes, insurance and maintenance, the lender cannot call the loan, and the lender can never recover more than the home fetches in a sale, even if the debt is larger, protecting the borrower's other assets.

To protect lenders against loss, the federal government limits the initial loan amount and maintains an insurance fund with premiums paid by borrowers. The Department of Housing and Urban Development, which oversees the dominant reverse-mortgage program, has moved to shore up that fund.

As of Oct. 2, the maximum loan amount, called the Principal Limit Factor (PLF), was reduced, so that an applicant who might have been allowed to borrow 60% or 70% of the property's value in the past, will now get something less. The exact amount will vary by borrower because limits are based on the applicant's age and loan rates, as well as property value.

Also, HUD used to charge an upfront insurance premium of 0.5% for borrowers who took less than 60% of the maximum and 2.5% for those taking more than 60%. Now it will be 2% for everyone.

While those changes could make a reverse mortgage less appealing for many borrowers, there is a plus side to the new policies: HUD reduced a separate, annual insurance premium to 0.5% of the debt, from 1.25%. Since the premium is generally added to the debt outstanding, rather than paid from other assets, the reduction means the borrower's debt will grow more slowly, leaving more equity for the borrower or heirs to extract later by selling the home.

"The increase in insurance premiums is designed to augment that [insurance] fund, while the decline in the PLFs is designed to cut losses by reducing the growth of loan balances," says Jack M. Guttentag, a retired professor from the University of Pennsylvania's Wharton School who earns a fee from lenders for recommending mortgage products on his website, mtgprofessor.com.

HUD hasn't said how the changes might affect borrowers in different categories, but loan company Lending Tree figures the average borrower will be able to get 58% of a home's equity, down from 64%, says Sam Mischner, the company's chief sales officer and head of mortgage lending.

Mr. Guttentag says the new standards likely will hit younger borrowers hardest. A 62-year-old with $300,000 in equity could have received a lifetime monthly income of $730 under the old rules, but $613 under the new ones, a 16% drop, he estimates in one example, while an 82-year-old with the same equity would see an almost 14% drop, to $1,180 from $1,370. (Older borrowers get more because there's less time for their loan to grow larger than the property value.)

Many experts agree that the standby reverse mortgage is now less appealing. This involves taking the loan as a line of credit at a relatively young age, tapping it in emergencies or when other retirement assets like stocks are down, and converting unused credit to monthly income years later.

The credit line grows at the loan rate plus the annual insurance premium. With that premium now at 0.5% instead of 1.25%, the credit line will grow more slowly.

"We anticipate more consumers waiting to get [a reverse mortgage] until they actually need it," Mr. Mischner says.

Mr. Brown is a writer in Livingston, Mont. Email him at reports@wsj.com.

New Math

Example of payment and credit-line changes for a homeowner at various ages, with a property valued at $300,000

Previously | With new mortgage insurance premiums | With new premium and PLFs*

		Age 62	Age 72	Age 82
Monthly payment to homeowner	Previously	$730	$937	$1,370
	With new mortgage insurance premiums	639	840	1,263
	With new premium and PLFs*	613	786	1,180
Initial credit line	Previously	$154,080	$174,180	$199,080
	With new mortgage insurance premiums	149,580	169,680	194,580
	With new premium and PLFs*	143,580	158,880	181,680
Credit line in 10 years	Previously	$239,325	$270,545	$309,221
	With new mortgage insurance premiums	216,818	245,954	282,046
	With new premium and PLFs*	208,121	230,299	263,348

*Principal limit factors that determine the draw amounts for a reverse mortgage given the borrower's age, the interest rate and the property value

Note: Calculations based on a 3.195% interest rate, zero origination fee, $1,620 other fees

Source: Mortgage Professor

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ADVISERS' VOICES

MATT FREUND

COMMON MISPERCEPTIONS ABOUT BONDS

Many people think they understand how bond investing works. But they don't—and that can lead to costly errors.

To avoid these pitfalls, it is important to understand how investors' pre-existing notions about bonds often veer from reality.

One common error is assuming we have a unified bond market. When investors say "the bond market is unattractive," they fail to appreciate how at any given point some types of bonds are overvalued while others are undervalued. Investors, for instance, may be concerned about rising rates, but a rising-rate environment causes some bonds—such as high-yield and floating-rate debt—to do reasonably well. So there are plenty of options; the trick is choosing the right one.

Another common error is assuming that multiple Federal Reserve rate increases will always result in big losses for bond investors. People who understand that bond prices fall as rates rise often fail to consider that bonds pay interest that can offset price declines. What's more, as a bond approaches maturity, its duration declines. Duration is the primary measure of a bond's sensitivity to interest-rate changes, and a lower duration equates to less sensitivity.

Together, these factors can minimize losses. They might even provide a positive total return if the investor engages in a strategy known as "rolling down the yield curve," or buying longer-dated bonds and selling them as they get closer to maturity, when the price tends to rise.

Bonds are an investor's best hedge on stocks, and there will always be a place for bonds in a properly balanced portfolio.

Mr. Freund is co-chief investment officer and head of fixed-income strategies at **Calamos Investments** in Naperville, Ill. Email him at **reports@wsj.com**.

A Different Kind of Financial-Literacy Test

It's one thing to know the facts. It's another thing to truly understand them.

BY MEIR STATMAN

JAMES YANG

THERE'S A FINANCIAL-literacy crisis in the U.S. And it is probably even worse than it seems.

Study after study shows how poorly Americans understand money and investing. Consider this common question posed by surveys: "Suppose you had $100 in a savings account and the interest rate was 2% a year. After five years, how much do you think you would have in the account if you left the money to grow: more than $102, exactly $102, less than $102?"

This is one of three questions typically used to measure financial literacy. Incredibly, only one-third of Americans older than 50 answer all three questions correctly.

Moreover, questions such as this one, while important, measure only financial *literacy*. They do little to get at financial *comprehension* and financial *behavior*. That is, even if someone knows financial facts such as the correct answer to this question, they often don't understand why they may be investing the way they do, and what their behavior means for their current and future well-being. And they don't understand that not understanding their actions can be even more damaging than not knowing financial facts in the first place.

We do good when we promote financial literacy. We do even better when we promote financial comprehension and the financial behavior that comes out of that comprehension.

So it is important for people to be able to pass a different kind of financial-literacy test—one whose questions and answers will lead the way to smarter spending, saving and investing. We've put together just such a test that everybody should take. Those who do—and truly understand the answers—will be smarter investors and consumers because of it.

1. *A surgeon perfects her surgeries, and increases her rate of success as she performs surgeries more often. Likewise, an investor perfects his trading and increases his rate of success as he trades more often.*
True or false?

False: The analogy between a trader and a surgeon is one that many investors make. It makes intuitive sense. But it is wrong. The human body doesn't "compete" with the surgeon as she perfects her surgeries; it doesn't switch the heart from left to right. But two traders on the opposite side of a trade compete with each other. A trader might perfect his skills by frequent trading, but will nevertheless lose if the other trader has greater skills or possesses better information.

A trader wrote to me: "Just pay attention. Is the parking lot of Costco totally full 10 hours a day (yes). Did your last two Amazon orders result in (1) A cheaply made item (yes) and (2) An item stolen after Federal Express left it at my door (yes). So why are the experts selling Costco and buying Amazon?"

The answer might be that the experts have more than widely available information about the number of cars in Costco's parking lot, the quality of Amazon's merchandise, and the rate by which they are stolen. They also might have narrowly available information about excellent prospects of Amazon, and poor prospects of Costco.

I don't know. But the point is, neither do you. But rest assured that most professionals on the other side of any trade you make have much better information than you, a nonprofessional. And more often than not, if you're competing against them—no matter how many times you practice—you're going to lose.

2. *Managers of "active" mutual funds are investment professionals who aim to beat the market, whereas managers of index mutual funds aim only to match the market. Active fund managers are experts, with special knowledge, skills and access to narrowly available information not available to amateur individual investors. On average, active fund managers do beat the market. Therefore, amateur individual investors do better to invest in active funds than in index funds.*
True or false?

False: Evidence indicates that, on average, "active" mutual-fund managers do beat the market before costs are accounted for, but it also indicates that the returns they deliver to investors, net of costs, lag behind those of low-cost index funds. Moreover, there is little consistency in the ability of active funds to beat the market, so it is difficult to choose active funds that beat index funds consistently. The Securities and Exchange Commission is right to "require funds to tell investors that a fund's past performance doesn't necessarily predict future results."

3. *Mutual-fund companies regularly include the number of "stars" awarded to mutual funds they advertise. Morningstar awards five stars to top funds in a category. This indicates that it is best to choose funds offered by a fund company advertising five-star funds.*
True or false?

False: "Availability errors" incline us to judge likelihood, such as of finding a winning mutual fund, by information easily available to our minds. Some mutual-fund companies exploit availability errors. One ran an ad promoting its four five-star funds. It turned out that these were four of seven five-star funds among its 139 funds. Morningstar classifies the top 10% of funds into the five-star group, but this mutual-fund company had only 5% of its funds in that group.

4. *Jane is the portfolio manager of the Alpha mutual fund, which beat its S&P 500 index benchmark 10 years in a row. She majored in mathematics at Harvard University, and received her M.B.A. in finance at Columbia University, both with high distinction. This indicates that it is better to invest in the Alpha mutual fund rather than in an S&P 500 index mutual fund.*
True or false?

False: "Representativeness errors" lead us to focus on "representativeness" information and overlook "base-rate" information. Some pieces of information make Jane similar to or representative of what we are likely to think of as excellent portfolio managers. These include her Harvard and Columbia degrees, in addition to beating the S&P 500 index 10 years in a row. Yet "base-rate" information tells us that one of 1,024 people tossing a coin is likely to have 10 heads in a row, and the number of available mutual funds greatly exceeds 1,024.

Future returns of Jane's Alpha mutual fund can be much higher or much lower than those of an S&P 500 index mutual fund. This is good for investors who want a chance to reach high aspirations satisfied by very high returns, but bad for investors whose pain at low return exceeds their joy at high returns.

In other words, just because Jane has done well for 10 years, just because she has two Ivy League degrees, doesn't mean she will continue to beat an index fund. Nor does it mean that it is automatically better to invest with her. It all depends on what you're looking for.

5. *Michael is passionate about protecting the environment and wants his investments to be true to his values. He chooses a mutual fund that excludes stocks of companies harming the environment, knowing that this fund's annual returns are likely to be 1 percentage point lower than those of a conventional fund. This choice makes sense.*
True or false?

True: It's true for Michael, that is. It is important to understand here that money is for satisfying *wants*, whether that means secure retirement income, nurturing children and grandchildren, gaining high social status or being true to our values.

A common way of looking at money is to separate the "production" of money from its "use" in satisfying wants—that is, produce the most money you can in a first step, and use it to satisfy wants in the second step. Yet we also properly commingle production and use—think of a choice between a career where you earn much money but are unhappy to come to work, and one where you earn less money but are happy to come to work.

For some people, it makes sense to invest in a conventional fund, get the highest returns, and donate 1 percentage point of those returns to support environmental causes, being true to your values. But for some people, it makes sense to invest in an environmental fund that earns 1 percentage point less than conventional funds but is true to your values.

6. *You can beat the market by buying and holding FAANG stocks (Facebook, Amazon, Apple, Netflix and Google). "After a decade or so, it has made me stinking rich," Jim says.*
True or false?

False: "Hindsight errors" might well be the most dangerous among the cognitive errors tripping up investors. We know, in hindsight, that FAANG stocks delivered fabulous returns in the recent past. Hindsight errors mislead us into thinking that our foresight is as accurate as our hindsight, but it isn't. FAANG stocks are as likely to deliver terrible returns in the future as they are likely to deliver fabulous returns.

Hindsight errors coupled with our tendency to extrapolate past returns tempt us to "chase winners," buying recent winners and selling recent losers. Yet evidence indicates frequent trading is more likely to reduce returns than increase them.

7. *The correlation between the returns of U.S. stocks and foreign stocks is approximately 0.90. This is a pretty high correlation, knowing that 1.00 is the highest possible correlation. This high correlation means that there is no benefit in diversifying portfolios globally, between U.S. and foreign stocks.*
True or false?

False: Consider the terrible returns of 2008. U.S. stocks, measured by the S&P 500 index, lost approximately 37%, and foreign stocks, measured by the MSCI EAFE Index, lost approximately 43%. The return gap between them is just 6 percentage points, but that indicates substantial diversification benefits. An investor who diversified her portfolio in equal proportions between U.S. and foreign stocks lost 40%, a terrible loss but not as terrible as the 43% loss of an investor who concentrated her portfolio in foreign stocks.

Returns were wonderful in 2009, but this time foreign stocks were the winners, gaining 32% as U.S. stocks rose 26%. The gap between the returns turned out to be 6 percentage points, just as in 2008. An investor who diversified his portfolio in equal proportions between U.S. and foreign stocks gained 29%, a wonderful gain, better than the gain of an investor who concentrated his portfolio in U.S. stocks.

Diversification is guaranteed to bring "mediocre" returns. It will never make you a hero, because you will never have your entire portfolio in the investment with the highest return, but neither will it make you a goat, because you will never have your entire portfolio in the investment with the lowest return. Mediocre looks pretty good when compared to a goat.

If you hate being mediocre, devote 3% of your portfolio to a handful of investments that would make you a hero if you're lucky, and will vanish into thin investment air if you are not. This way you'll enjoy the expressive benefits of being a "player," the emotional benefits of hope, and perhaps all the benefits of being a hero, if you are lucky, with no fear of poverty if you're not.

8. *The price of a venti latte at Starbucks is a bit more than $4, amounting to approximately $500 a year if you drink 10 lattes each month. If you are 25, the $500 from just one year's worth of lattes would compound to a bit more than $5,000 in the 40 years until your retirement at 65, if you save it in an account yielding 6% annually. So it is best that you forgo lattes.*
True or false?

False: Sure, for some people this may make sense. But not as a rule. The price of a box of 240 diapers is approximately $46, amounting to about $500 a year if you use 11 boxes to diaper your baby each year until he is toilet-trained. Yet few would advise you to wait and have your baby at 65. Whether latte or diapers, ask yourself whether $500 at age 25 would serve you better or worse than $5,000 at age 65.

Listen to my mother's advice: "Spend money, but don't waste it." Don't make saving a virtue and spending a vice.

*Dr. Statman is the Glenn Klimek professor of finance at Santa Clara University's Leavey School of Business and the author of "Finance for Normal People: How Investors and Markets Behave." Email **reports@wsj.com**.*

Paying Bills With Artwork

Artists find barter helps them make ends meet

BY DANIEL GRANT

LINDSEY NOBEL

Los Angeles artist Lindsey Nobel has traded as many as 75 of her abstract paintings for various services and discounts.

IT'S FAMOUSLY HARD for artists to pay the bills with income from their work. But some have found a way to do it without having to sell a single piece.

These artists are finding that they can make ends meet by trading their creations for services or items they need, from medical treatments to rent. Meanwhile, the providers of goods and services willing to barter often see it as helping out a struggling acquaintance—with the promise of a windfall if the artist ends up becoming acclaimed.

But for both parties, there are delicate questions to consider before making any deals.

Framing the issue

First, there are the personal implications of accepting art in a barter. It might seem to set a precedent, as other artists would hope for the same arrangement. (Artists are apt to tell their friends.) Does a professional who viewed a swap as a one-time thing say to others, "I wish I could, but I've run out of wall space" or "I've bartered once or twice over the years but not as a regular practice"?

Then there are the financial consequences. The bartered items and services represent income, taxable at state rates, and both parties must report them. That means negotiating the value of the artwork and the services being provided, which can get tricky.

Even though both parties theoretically want the lowest price for the transaction for tax purposes, the professional usually wants to obtain as much art as possible, and the artist as many goods or services. Sparring over how much each person gets will turn a friendly conversation awkward and contentious in a hurry—especially since lawyers, doctors and others are apt to think of the transaction as a favor, and tend to view the artist's work as overpriced.

Because the transaction must be reported as income, "it would also potentially require an appraisal for both income and sales-tax purposes," says John Cahill, a lawyer in New York who represents art collectors, dealers and artists.

Of course, it's vital that both parties report their income. Internal Revenue Service agents are instructed to look at the walls of the homes and offices of the people they audit and ask where certain items came from. When they discover unreported income in the form of artworks or other objects, the taxpayer will be required to pay back taxes, as well as penalties. Additionally, the IRS will have reason to then audit the artists.

For protection, any trade should be formalized with a receipt, listing the goods or services provided and the form of payment for them, just as with any other transaction. Not only is the receipt a record of income for both parties, it is protection for the receiver of art; without the paperwork, it may not be possible to prove at a later date that the artwork has not been stolen, or to prove that it really was created by the artist.

Because of such complexities, some professionals shun barter arrangements. Mr. Cahill says he has turned away offers to be paid in artwork, since the artists don't have an active market or history of cash sales, making valuation difficult. And the process adds formality and cost to what at first seemed like an informal transaction.

A rosy picture

Still, some artists are able to help themselves substantially with these transactions.

Lindsey Nobel, a 48-year-old artist in Los Angeles, says over the years she has traded as many as 75 of her colorful, abstract paintings for various services and discounts. The key to Ms. Nobel's success has been to find the people she needs—landlords, medical professionals and others—who are willing to swap goods and services for works of art.

For instance, a dentist gave her a checkup for a 3'x5' work. A doctor arranged for an outpatient surgery for a 6'x5' painting. Ms. Nobel has even gotten a discount on rent in an apartment complex in Malibu in return for one of her pieces.

"On paper, I don't make much money, but I live pretty well," says Ms. Nobel.

Dar Gadol, owner of Chelsea Healing in New York, agreed to trade three acupuncture sessions for one of Ms. Nobel's small paintings, because he had gotten to know her over the years she lived in the building where he worked. "Lindsey said to me, 'Look, I don't have any funds at the moment. Can I just give you a painting?' " says Mr. Gadol.

He says he has made the same arrangement with others, acquiring sketches, prints and sculptures, as well as handkerchiefs from dressmakers. "I believe in art and in a person's belief in art," he says.

Mr. Grant is a writer in Amherst, Mass. He can be reached at reports@wsj.com.

TAXES | TOM HERMAN

Costly Tax Mistakes and How to Avoid Them

Error No. 1: putting a tax strategy on hold until a clearer picture emerges from Washington

Tax planning and tennis have something in common. Often, the best coaching advice is remarkably simple: Stop trying to hit spectacular winners. Instead, focus on avoiding unforced errors.

Making costly tax mistakes has become much easier over the past few decades as the nation's tax laws have grown increasingly complex. Tax simplification long has been an oxymoron. Many of the biggest tax blunders occur in the final months of the year as investors scramble to take advantage of year-end tax-planning techniques that can unravel because of seemingly small bloopers.

In view of all the uncertainty about what, if any, tax laws might change this year and next, it may be tempting for readers to throw up their hands and not think about the subject until a clearer picture emerges in Washington. "That would be a big mistake," warns Sidney Kess, a senior consultant in New York at **Citrin Cooperman** and of counsel to the law firm **Kostelanetz & Fink** LLP. "There are many things" that taxpayers can do, especially in the realm of avoiding costly bloopers, between now and New Year's Day, he says.

Here are suggestions from tax professionals on how to avoid getting caught in a few painful tax traps.

Taxable Income

Federal income-tax tables for 2017 and 2018, based on current law

	Tax Rate	2017 Taxable Income	2018 Taxable Income
Married filing jointly (and surviving spouse)	10%	$0–$18,650	$0–$19,050
	15%	18,651–75,900	19,051–77,400
	25%	75,901–153,100	77,401–156,150
	28%	153,101–233,350	156,151–237,950
	33%	233,351–416,700	237,951–424,950
	35%	416,701–470,700	424,951–480,050
	39.60%	470,701+	480,051+
Single (excluding surviving spouse and head of household)	10%	$0–$9,325	$0–$9,525
	15%	9,326–37,950	9,526–38,700
	25%	37,951–91,900	38,701–93,700
	28%	91,901–191,650	93,701–195,450
	33%	191,651–416,700	195,451–424,950
	35%	416,701–418,400	424,951–426,700
	39.60%	418,401+	426,701+

Sources: Internal Revenue Service; Wolters Kluwer Tax & Accounting
THE WALL STREET JOURNAL.

MUTUAL FUNDS: Stock prices have surged this year. That may tempt more skeptics sitting on the sidelines to rush into stocks and equity funds. But before pouring large amounts of new money into an equity fund for a taxable account later this year, do some basic research.

Here's why: Mutual funds generally are required to distribute substantially all of their realized net capital gains to investors each year. Large numbers of funds make distributions during the closing weeks of the year. That may sound like a welcome gift. But for investors holding mutual funds in taxable accounts, those distributions typically are subject to tax, even for someone investing in that fund for the first time right before the date to be eligible for the distribution.

Thus, if you're thinking of investing a large amount of new money in a stock fund for a taxable account, check to see whether the fund is planning any payouts between now and year-end. Also check to see the date to qualify for that payment. If that distribution will result in a hefty tax bill, you might prefer to wait to invest in that fund until after the qualifying date, Mr. Kess says.

Naturally, you don't need to worry about this problem if investing for a tax-favored account, such as an individual retirement account.

Some fund groups already have posted preliminary estimates of how much each of their funds will distribute. "The takeaway is doing your homework and being aware" of the possible tax consequences, says Roger A. Young, senior financial planner at T. Rowe Price Associates Inc. in Owings Mills, Md.

WASH SALES: Many investors take advantage of a long-cherished technique known as tax-loss harvesting. This involves selling their investment losers to nail down valuable capital losses. This strategy typically attracts widespread attention around the end of each year. Although losing money is painful, those capital losses can be valuable: They can be used to offset capital gains on a dollar-for-dollar basis—and if an investor's losses exceed capital gains, the net capital loss typically can be used to offset wages and other income up to $3,000 a year ($1,500 for someone who is married and filing separately). Excess losses get carried over to future years.

Harvesting losses can still be a great idea. But beware of the wash-sale rules, warns Amy V. Hollander, a certified public accountant in Clarks Summit, Pa. A wash sale typically occurs when an investor sells or trades stock or securities at a loss and buys the same thing, or something "substantially identical," within 30 days before or after the sale. If that happens, the investor can't deduct the loss.

It's important to note that this rule applies to the time period within 30 days "before or after" the sale, not just 30 days after. Also, you can't try to get around this rule by selling a stock at a loss and acquiring something substantially identical for your IRA within the specified time period.

Here's one way to avoid trouble: If you sell a stock at a loss and then decide to buy it back, wait for more than 30 days, Mrs. Hollander says. If a loss gets "disallowed" because of the wash-sale rules, the investor typically adds the disallowed loss to the cost of the new stock. The result is the investor's "basis" in the new stock or securities for tax purposes.

"This adjustment postpones the loss deduction until the disposition of the new stock or securities," the Internal Revenue Service says in Publication 17. "Your holding period for the new stock or securities includes the holding period of the stock or securities sold."

DONATING STOCK: Late each year, many taxpayers make large donations to their favorite charities and educational institutions to qualify for valuable charitable deductions. The possibility of a reduction in future tax rates makes this strategy even more appealing now, says Mr. Kess. Fine, but many taxpayers should also consider another option: Think about donating some stock that they have owned for more than a year and that has risen in value, says Mr. Kess. That typically will enable the donor to deduct the stock's fair market value—and the donor doesn't have to pay a capital-gains tax on the increase in value.

In view of the extraordinary bull market in stocks since early 2009, "clients probably have some appreciated positions to donate," Mr. Kess says.

But don't make the mistake of donating a stock that is worth less than your cost, he warns. "If the stock went down in value, you're better off selling it, getting a capital loss and then donating the cash to the charity."

IRA DONATIONS. One IRS provision allows many taxpayers age 70½ or older to transfer as much as $100,000 a year from an IRA to charity without having to include any of that transfer as part of their income. But to qualify, that transfer must be made *directly* from the IRA to charity, says Joe Bublé, a partner at Citrin Cooperman and the firm's tax practice leader. If done correctly, the transfer counts toward the taxpayer's required minimum distribution for that year.

For more details on charitable contributions, see IRS Publication 526. See IRS Publication 550 for more on the wash-sale rules and other investment issues, and Publication 590-B on IRA distributions.

* * *

Many important tax-related numbers change each year due to inflation adjustments required by law. The IRS recently released changes for the 2018 tax year, although nobody knows whether Congress will approve major changes. Here are a few:

◆ The personal exemption is scheduled to rise to $4,150 for the 2018 tax year. (This will affect returns for 2018, due to be filed in 2019.) That's a $100 increase from 2017. The exemption phases out for taxpayers with adjusted gross income above a certain level.

◆ The basic standard deduction for the 2018 tax year is scheduled to rise to $13,000 for taxpayers who are married and filing jointly. (This also will affect returns for 2018, due to be filed in 2019.) That's up $300 from tax-year 2017. For singles and married taxpayers filing separately, the basic standard deduction will rise to $6,500, from $6,350. There are additional amounts for taxpayers age 65 or over, or blind.

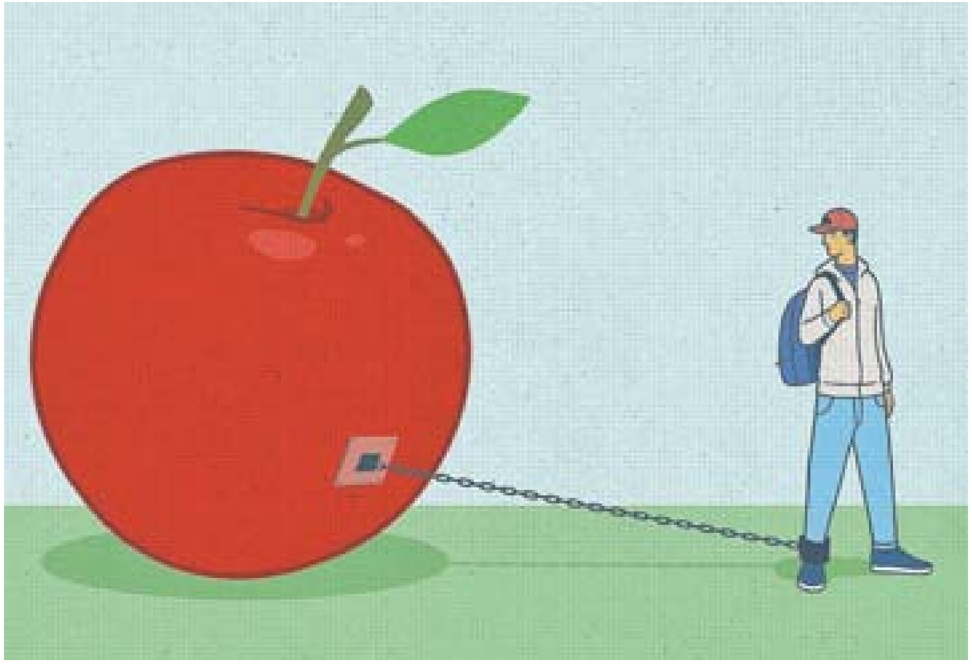
◆ The annual gift-tax exclusion for 2018 is set to increase to $15,000 from $14,000 this year.

Mr. Herman is a writer in New York City. He was formerly The Wall Street Journal's Tax Report columnist. Send comments and tax questions to **taxquestions@wsj.com.**

Schools Help Students Manage Finances

The idea: giving students more information can reduce both debt and spending

BY JILLIAN BERMAN


DAN PAGE

AS CONCERNS GROW ABOUT rising student debt, more schools are stepping in by trying to help students get their act together.

The hope is that by providing students with detailed information and guidance about their finances, it will help them manage their money while in school and after they graduate.

"We focus on laying out the options that they have and then answering the questions they have about them so that they can make an informed decision based on who they are" rather than rely on impersonal formulas, says Phil Schuman, director of financial literacy at Indiana University.

Cutting down borrowing

One purpose of these information campaigns is to encourage students to borrow less when possible.

Indiana University has been a pioneer in this regard. Beginning in 2012, the school started sending students a letter every spring with information about their student loans, including how much they should expect to pay monthly after they graduate. Since implementing the program, the school has seen a reduction of about 17% in total student borrowing, Mr. Schuman says. The letters also have encouraged more students to get in touch with the financial-aid office.

Mr. Schuman says the goal of the program isn't to "parent" students or tell them how to approach their borrowing, but instead to provide them with the data necessary to make an informed decision. "Just giving them the current situation and having them understand this is what it looks like after you graduate can cause them to be both reactive and proactive going forward," he says.

This month, the university also began providing students with guidance on their spending habits, through an online calculator that walks them through many of the possible financial decision-making points of a year at college—including whether to bring a car on campus or what dorm to live in.

Other schools have embraced the debt-letter idea, and some state lawmakers have started requiring schools in their states to send them. The University of Minnesota sends students a debt letter and has looked for other ways to encourage students to borrow less.

For instance, each year it spells out for students what they need to do to complete their degree on time and whether they're ahead, behind or on track in achieving that goal, so that they don't run up additional debt and other costs by extending their stay at school.

The university tries to make clear the real-world implications of taking a year less to finish college with materials that show what students could do—such as take a vacation, buy a car or put a down payment on a home—with the savings, says Julie Selander, director of the school's One Stop Student Services.

One purpose is to encourage students to borrow less when possible.

The school also publicizes data on its students' average debt at graduation, which has been decreasing, as a way to indicate to students that they may not need to borrow as much as they think, Dr. Selander says.

Regulating spending

Some colleges have intervened more directly in students' finances. For instance, the University of Missouri announced earlier this year that it would prohibit students from using their campus IDs, which function as a credit card in certain stores, on expenses that aren't related to education.

The idea came after school officials realized that financial difficulties were one of the major reasons students were struggling to complete school, says Jim Spain, the university's vice provost for undergraduate studies. In response, the college began to audit individual student accounts at the school and found that for 40% of past-due bills from university-owned stores or services were for nonacademic expenses. Those included things like a videogame console and makeup, Dr. Spain says.

"We were actually allowing students to develop habits that were really poor financial management, habits that were then having a negative effect on their financial ability to stay enrolled" in the school, he says.

The program is still in its beginning stages, and Dr. Spain acknowledges that cutting off a line of credit could put students at risk of struggling to pay for basic needs like food while they're in school.

He says the school has convened a working group including student and university representatives to make sure students have a safety net in case of emergency.

"We don't want to place students at risk who are experiencing either a chronic or acute financial crisis," he says.

It's these possible outcomes that worry Sara Goldrick-Rab, a professor at Temple University who studies college students' financial challenges. Her research indicates that often low-income and moderate-income students struggle to find enough aid to pay for food and housing, leading to high levels of homelessness and food insecurity at colleges.

Given that backdrop, colleges should be working to provide students with more resources, not necessarily encouraging them to use as little loan money as possible, she says.

"The reason that you're never going to see big effects from all of this is that people's information about this stuff really isn't the big problem," she says. "It really worries me that we're counseling people into taking less money than they might actually need."

Offering an incentive

At Ohio State University, officials are taking a different approach, using a financial incentive to push students to get more educated about their finances.

The university last year launched a partnership between the bursar's office, which handles students' bills, and the school's Student Wellness Center to offer counseling to students who might be struggling to pay their bills on time.

The program began as a pilot focusing on students paying their bills in installments. Officials sent students who were late making a payment an email inviting them to have their $25 late fee waived in exchange for attending a one-hour financial coaching session.

This fall, officials expanded the program to include students who pay in lump sums rather than installments. They can waive a $100 fee assessed on late payments if they complete two hours of financial counseling.

"We're not in the business of assessing late fees, we're in the business of educating students, and we want this to be part of the education," says Tony Newland, the bursar at Ohio State. "We can see this repetitive habit of students getting assessed these [late fees], and it's really trying to figure out ways that we can help them get out of that cycle."

Students may be struggling to make payments on time for a variety of reasons, according to Bryan Hoynacke, assistant director for financial wellness at the school's Student Wellness Center.

It could be that they're not regularly checking email, they're wrapped up in a school or personal issue, they just forget or they're genuinely struggling.

The financial counseling students receive through the program varies, Mr. Hoynacke says.

Students start out talking with their peer counselor about their budget and life goals and then work from there to discuss other issues like student loans, credit scores, budgeting, savings and retirement.

"It really is a very personal meeting," Mr. Hoynacke says.

Ms. Berman is a reporter for MarketWatch. Email: jberman@marketwatch.com

Fun Once Work Is Done? Well...

Research suggests people should rethink that

BY DEMETRIA GALLEGOS


LUC MELANSON

WORK FIRST, play later. That's the conventional wisdom that promises to make people more productive at work and allow them to enjoy their fun stress-free.

The truth may be very different.

So says social psychologist Ed O'Brien in a recent paper published in the journal Psychological Science on the balance between leisure and work.

"People have this strong intuition that the good stuff will be better if it comes after these difficult things," says Dr. O'Brien, an assistant professor of behavioral science at the University of Chicago Booth School of Business. But instead, he says, "cashing in now feels just as good. What they're missing is that they could have it any time and good stuff will be good, regardless."

If people understand that, it may mean not only more freedom in how they manage their lives but also greater productivity. "If I first have fun, I'm now in a good mood, more relaxed, I have energy, and work may seem easier," says Dr. O'Brien, citing numerous other studies that establish a link between a positive mood and productivity.

Pleasant surprises

Dr. O'Brien and his colleague, Ellen Roney, studied about 1,500 participants in seven separate experiments. Some involved students at the University of Chicago, and some included nationwide online surveys of people from all walks of life who were in their mid-30s, on average.

The research involved controlled experiments such as pairing a fun activity (playing a game) with a work task (completing math and word problems). Participants were asked to imagine both activities and how much they would enjoy them, depending on the order in which they were done. Then they completed both tasks and described their level of enjoyment. The researchers found that the game was as enjoyable to those who played it before the work task as it was to those who played it afterward. In another case, researchers offered some students a spa treatment before midterm exams and others the same treatment after the tests, to see if the looming exams would spoil the massages—they didn't.

Another experiment involved a stressful "cognitive marathon" of hand-held puzzles, logic games and calculations. Subjects were told the challenge would be exhausting and that chocolates, pretzels, popcorn and watching videos on YouTube would be the reward. Those who received the rewards first were much more immersed than they had predicted they would be in consuming snacks and watching funny videos despite the pending work.

Mixing it up

So what's really going on?

"People are terrible about predicting their own feelings and thoughts," says Dr. O'Brien, who admits that when he was in graduate school, he would gird himself for all work and no play, sometimes for weeks at a time, whenever it was time to launch a project.

He says people overestimate the distraction posed by unfinished work and underestimate the level of enjoyment they'll experience from fun activities, which are "so much more absorbing than we can possibly imagine," he says. "When you're imagining something, you're in a totally different mode than when you're experiencing something," he says, pointing to the more primitive "lizard brain" mentality that can become dominant during pleasure over the higher-level cognition that drives imagination.

Dr. O'Brien wants to conduct research to see how his findings hold up when the work tasks people need to complete involve a sense of personal or social responsibility or obligation to a colleague or boss—the kinds of tasks people face in the real world. He's curious about how much of a factor guilt would be in those conditions. "We're testing how we can scale this up in real settings," he says.

Meanwhile, his takeaway is to spread out the fun as he plans his week. He aims for more of a mixed balance instead of backloading the fun moments to Friday night and the weekend, and cuts himself some slack when trying to power through grading, writing papers and taking care of important personal business.

Now that he's focusing on this balance, Dr. O'Brien thinks the boost he can gain from sometimes indulging himself can contribute to work success. "Doing work while you're happy is just such a more productive way of working."

Ms. Gallegos is a news editor for The Wall Street Journal in New York. Email: demetria.gallegos@wsj.com.

ADVISERS' VOICES

TARA MASHACK-BEHNEY

INSTABILITY OF STABLE VALUE

Most retirement plans offer stable-value funds on their menu of investment options as a means of capital preservation. But the structure of these funds can make them more volatile, less liquid and less appropriate as a cash alternative than some investors realize.

Commonly characterized as an alternative to traditional money-market funds, stable-value funds actually are more akin to bond funds, investing in similar short- and intermediate-term fixed-income securities. They are different from bond funds in that a series of insurance contracts insulate them from interest-rate fluctuations in the bond market, making their returns more consistent.

If the securities in a stable-value fund return less than promised in the contract, the insurer pledges to cover the difference. While this insurance wrapper might provide clients with confidence in their investment, it also means the price of the fund doesn't reflect what's happening with the underlying securities. And should the insurer find itself in a position of insolvency during a market downturn, the contract would be worth the value of the underlying assets, which might be less than the investor believes.

While stable-value funds can return more than a money-market fund, the insurance wrapper also puts a cap on the fund's upside. Returns generated above the fund's promised rate are passed on to the insurance company.

For some investors, a high-quality bond fund may be more appropriate. In addition to a portfolio of high-quality, shorter-term bonds, these funds offer far more transparency in terms of investments, fee structure and pricing.

Ms. Mashack-Behney is president of Conrad Siegel Investment Advisors in Harrisburg, Pa. Email her at **reports@wsj.com**.

Roth IRAs Are Great for Teens. But First...

An early start on retirement savings can pay off. Just know what you're doing.

BY DEMETRIA GALLEGOS

FOR YEARS, I've been reading about the huge head start teenagers can get on retirement security by opening up a Roth individual retirement account. This year, with all four of my children making money, I decided to encourage them to take advantage of it.

But getting my children, who range in age from 16 to 21, started on the road to retirement saving wasn't without its challenges. Teens may not have enough cash to meet requirements for an initial investment, and may have such a low balance that they lose a big chunk of their money to fees. Plus, the investment types themselves require homework and understanding.

All of which means parents must be ready to do a great deal of supervision and research to help their teens along in the process.

Roth IRAs are good tools to show teenagers 'the power of compound interest.'

The effort is worth it, though. The financial experts I spoke with unanimously agreed that starting a Roth IRA—and paying into it every year—is an important habit-builder.

"I think that Roth IRAs are great for teens because they really show the power of compound interest," says Sophia Bera, founder of Gen Y Planning, a fee-only advisory with a younger clientele.

She tells clients to start retirement saving as early as possible and to take advantage of the years when their taxes are low—and then to see their savings grow tax-free. Taxes are paid upfront on Roth IRAs, as opposed to deposits in traditional IRAs which can be deducted from taxable income.

A teen who starts making the maximum contribution of $5,500 at age 15—and continues contributing that amount every year—can end up with twice as much money by age 70 ($3.4 million) as someone who starts at age 25 ($1.7 million), according to calculations from Fidelity Investments that assume an annual 7% growth rate.

Here are some of the issues I encountered—and what parents need to consider before opening up a Roth with their children.

AGE OF CHILD. A teen 18 and older can open an account anywhere. A minor, though, will need a custodial Roth IRA, which is controlled by parents. Not every institution I spoke with offers this type of account.

MINIMUM DEPOSIT. One of the first hurdles I encountered when opening a Roth IRA for my children was the required minimum deposit which varies from firm to firm.

My 16-year-old, for instance, earned $750 at her summer job. But the first brokerage I contacted said it would take a $2,500 minimum to get into mutual funds.

At Charles Schwab, Roth IRAs can be opened with just $100. A self-directed Merrill Edge account starts at $500, but some mutual funds have a $1,000 minimum, says Christina Boyd, a Merrill Lynch financial adviser.

Fidelity lets you open up a Roth IRA for as little as $100 a month via automated withdrawal, for a $1,200-a-year minimum. But there can be complications in this arrangement if a child's income is inconsistent or doesn't meet the annual minimum, says Ken Hevert, a senior vice president at Fidelity.

At robo adviser Betterment there is no minimum deposit. But the student's bank savings or checking account, to which the Roth links, may have a minimum automated transaction amount, according to Nick Holeman, a certified financial planner at Betterment.

THE FEES. Fees can quickly eat away at investment returns. That is particularly true for teens who have little money in the accounts to start with. At the firm where I keep my investments, for instance, I was told that the children would be charged a $75 annual management fee. That ruled out this option.

It is important to remember that costs can include loads or commissions, transaction fees and management fees—and all of that expense comes just at the brokerage level. The funds themselves have additional annual fees.

Betterment charges $1.25 a year (0.25%) on an account balance of $500. Charles Schwab charges $4.95 for online equity trades, but their commission-free OneSource platform charges only expense ratios, or the annual fee that all funds or ETFs charge shareholders.

INITIAL INVESTMENTS. Here is where making a choice got tricky. Depending on where you go, the investment options may be few due to a child's initial low balance.

Mrs. Boyd of Merrill Lynch says ETFs can be a low-cost, diversified choice. They trade like an individual stock, but, like mutual funds, they invest in "a basket of several individual securities."

With the Schwab OneSource option, mutual funds are available on accounts as small as $100. The funds on their Select List have been narrowed down "based on factors like cost, performance, manager consistency and past performance," says Abel Oonnoonny, vice president at Charles Schwab.

At Fidelity, Roth holders with lower balances can choose between cash, certificates of deposit, money-market accounts, ETFs and individual securities. With no minimums on deposits, Betterment's choices for a Roth are all ETF funds, which allow fractional shares. They are tailored to each individual's risk profile, from conservative Treasury bonds to aggressive emerging-markets and small-company ETFs.

FINANCIAL AID. Parents may worry about how a Roth IRA will be viewed once it's time for college financial-aid applications. But there isn't much cause for concern.

"Financial aid applications like the most common one, Fafsa, do not even consider retirement accounts in the methodology," according to Rick Ross of College Financing Group, a financial-aid consulting company—unlike regular savings accounts, trusts and college funds such as 529s.

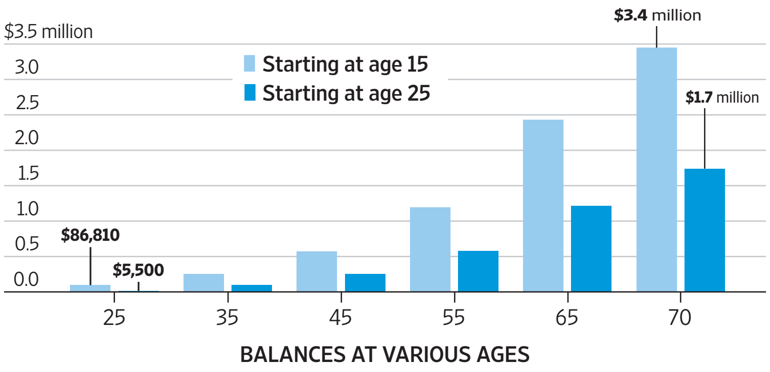
Since Roth IRAs are designated retirement funds, schools wouldn't expect the balances to be available. But if extra funds are needed for college, Roth IRA contributions can be withdrawn, although earnings may be taxed.

For some families, Ms. Bera recommends that students and parents maximize their Roth IRAs first, before funding 529s, if they want to maximize their eligibility for grants.

*Ms. Gallegos is a news editor in The Wall Street Journal's New York bureau. You can email her at **demetria.gallegos@wsj.com**.*

The Long Game

A hypothetical example of contributions and earnings with a Roth IRA over time. The example assumes an annual after-tax contribution of $5,550 on Jan. 1 of each year until age 50, and $6,500 after that, and a 7% annual rate of return.



Note: Amounts don't reflect taxes, fees or inflation.
Source: Fidelity Investments
THE WALL STREET JOURNAL.

THE GAME PLAN

A CAREER MILITARY MAN GOES CIVILIAN

BY LISA WARD


PUDDLE DESIGNS PHOTOGRAPHY

The Mellans need to examine their new health-care costs, says one financial planner.

After 22 years as an aerial porter for the U.S. Air Force, helping to manage the shipment of cargo on flights, Christopher Mellan is ready to retire from the military. But as he transitions into civilian life, he wants to make sure he's saving enough money.

Mr. Mellan, 41 years old, lives in the Phoenix area with his wife, Monica, 43, and their three daughters, 7, 9 and 12. His goal is to retire from the civilian workforce by the time he is 65.

Currently, Mr. Mellan is on active duty, earning about $79,000 a year. He officially retires on Nov. 1 and will begin receiving a pension of $28,000 a year. He also will soon start a job as a logistics specialist for a civilian aerospace and defense company, where he will earn $83,000 annually.

Ms. Mellan earns about $5,000 a year selling oils used for health and wellness. The couple also receives about $18,420 in annual rental income from a home they own in California, which has a market value of about $350,000. They also own the home in Arizona that they live in, which is worth about $379,000.

The couple lack retirement or college savings accounts, though they do have about $66,000 set aside in cash and Mr. Mellan plans to use the GI Bill to help pay for his daughters' college education. He is eligible for 36 months of education benefits through the Post-9/11 GI Bill, which also provides an allowance for education-related housing expenses. He plans to transfer these benefits to his daughters, splitting the total evenly.

The Mellans' monthly expenses include a $1,970 mortgage payment for the home in Arizona; $1,911 for a mortgage on the California house; $882 for a home-equity line of credit on the California property; a $160 car payment on a loan of $10,000; about $300 in maintenance for the California house; about $300 in maintenance for the Arizona home; about $410 on utilities for the Arizona home; almost $400 for internet and cellphone service, and $500 for groceries and eating out. They currently pay nothing for health insurance and about $29 a month for dental insurance. They have no credit-card debt.

ADVICE FROM A PRO: *Josh Andrews is a certified financial planner and director of military advice at USAA, a financial-services company in San Antonio that caters to military families. He advises Mr. Mellan to beware: The family's expenses may change significantly as he transitions to civilian life.*

Mr. Mellan will earn more, but he could end up bringing home less once taxes are withdrawn. Military income usually includes tax-free allowances for housing and food, Mr. Andrews says.

The family will also have to pay for health care, an expense most veterans overlook initially, say Mr. Andrews. ***Tricare****, the health plan managed by the* ***Defense Health Agency****, is still available to the family, but now the family may have to pay premiums and copays that could add up. The financial planner also says it's worth comparing Tricare to the group plan offered by Mr. Mellan's new employer.*

The Mellans also need to rethink life insurance, Mr. Andrews says. The plan offered by the military expires once active duty ends. Relying solely on Mr. Mellan's employer life-insurance program would be a mistake, Mr. Andrews says, because if he stops working for the company, the policy expires. But buying a private plan can be difficult for many veterans because of health conditions that often result from military life, Mr. Andrews says.

If that's the case for Mr. Mellan, he should consider buying a policy through the Veterans' Group Life Insurance program, Mr. Andrews says. But he should be aware that the price of the plan goes up significantly over time, making it less attractive than commercial plans if they're available.

Mr. Andrews also says the family should consider selling the California house. The rent doesn't cover the mortgage and the family is losing at least $5,000 annually on the property. They also should set aside three to six months of expenses and place it in a separate account designated as an emergency fund, Mr. Andrews says.

The couple also needs to begin seriously thinking about saving for retirement. Mr. Mellan should open a 401(k) through his employer and take advantage of any employee match. In addition, both spouses should consider opening a Roth IRA to help catch up on saving for retirement and take advantage of the tax-free growth.

Mr. Andrews says the couple will need to save more money to cover college tuition. They could consider opening tax-advantaged 529 college-savings accounts for each child. But they should beware of saving for college at the expense of saving for retirement, which Mr. Andrews believes should be a higher priority.

"Civilian life is different," he says. "It usually requires a big lifestyle change."

Ms. Ward is a writer in Mendham, N.J. She can be reached at reports@wsj.com.

THE EXPERTS

Tips for Spouses to Start The Money Conversation

The Experts are industry and thought leaders who blog on topics in their expertise. For more, go to **WSJ.com/Experts.**

HERE ARE FOUR exercises to help couples start talking about their finances and their plans for the future.

Ask the lottery question. Ask each other: "If you won $1 million today, what would be the first three things you would do with the money?"

This is a nonintrusive way to get some insight into the other person's view of money and their priorities. Would they pay off the mortgage? Would they donate to a charity? Is there a new car or a luxury item that they would want to buy?

Spouses tend to respond very favorably to this question because it isn't accusatory. It can give a frame of reference for how to enter a serious money conversation.

Ask how their parents spent their money. Explore what your spouse saw as a child when it comes to money—and what it reveals about his or her attitude toward money today. Ask each other things like, Did you know how much your parents earned? Did your family have a budget? Did your parents fight about money?

The reason to ask these questions is that your spouse or partner will typically act right in line with the way he or she was brought up. Or, her or she will do the complete opposite. The way a person answers the questions, and the positive or negative light in which the answers are presented, will give you some real insight into his or her hardwiring about money.

Gauge the desire to be transparent. Being totally transparent about money can be really hard for spouses or partners who want to keep some financial independence. But stashing money the other spouse may not know about can break the trust in a relationship.

One good way to open up the transparency conversation is by asking a hypothetical question such as, "If I charged $100 on a credit card and didn't tell you, would you be angry with me? How about $1,000?" Or, you could ask, "If I lost $100 betting on a football game and didn't tell you, would you be upset with me? How about $1,000?"

The answers can spearhead a conversation about understanding why it's important to be honest about spending and why it's equally important to give each spouse some spending freedom—as long as it's within the family budget.

Show mutual respect. Nothing shuts down a money conversation faster than having one spouse make the other spouse feel clueless. I often meet with client couples where one person ends up saying, "They don't know anything about our money," and then laugh. Of course, there are situations where one spouse or partner is more financially savvy than the other. But it's important to acknowledge that the person with the lesser knowledge still has a say about the family's finances—and that say should be respected.

One way to show this mutual respect is to have spouses tell each other, "I really admire the way you ___." Or, "I think you are really good at___. " (Fill in with a money-related task etc. that you think your spouse does well). Then ask, "What's one money-related thing that you admire about me?"

—Ted Jenkin, blogger, co-CEO and founder, oXYGen Financial