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Last week: DJIA 23434.19 ▲ 105.56 0.5% NASDAQ 6701.26 ▲ 1.1% STOXX 600 393.43 ▲ 0.8% 10-YR. TREASURY ▼ 13/32, yield 2.426% OIL \$53.90 ▲ \$2.43 EURO \$1.1610 YEN 113.67

What's News

Business & Finance

A surge in markets worldwide, reflecting optimism about the economy, has fueled an eagerness by investors to buy assets whenever prices dip. **A1**

◆ Equifax is being probed by state officials into why the credit-reporting firm didn't tell the public about its data breach sooner. **B1**

◆ GE executives didn't tell the board until this month about the practice of flying a spare jet for the CEO. **B1**

◆ Strayer Education is nearing a deal to merge with Capella Education to create a for-profit education company valued at nearly \$2 billion. **B1**

◆ Amazon could find that selling prescription drugs online presents a challenge as the e-retailer considers entering the business. **B2**

◆ Akzo and Axalta are considering a possible merger of equals that would create a coatings and paint giant. **B3**

◆ Constellation agreed to take a stake in a Canadian marijuana firm and develop cannabis-infused drinks. **B3**

◆ Nasdaq accused a little-known New Jersey firm of stealing an ETF franchise worth over \$1 billion. **B9**

◆ "Jigsaw" topped the weekend box office, while Clooney's "Suburbicon" notched one of the weakest debuts in recent years. **B6**

World-Wide

◆ House Republicans are set to launch a giant tax bill Wednesday, but the outlook remains uncertain amid pushback from groups that could have been allies. **A1**

◆ The first defendants in Mueller's probe of Russia's campaign meddling could be taken into custody as soon as Monday. **A1**

◆ Trump's approval rating has fallen to 38%, its lowest level since he took office, according to a new poll. **A4**

◆ Trump this week is likely to name Fed governor Powell as his nominee to head the central bank. **A2**

◆ Catalans held a mass rally in Barcelona in a show of unity with the rest of Spain, rejecting a separatist declaration of independence. **A7**

◆ The Kurdish region's leader quit following a vote on independence from Iraq that angered Baghdad. **A6**

◆ The Navy is investigating the June death of an Army Green Beret in Mali, with two Navy SEALs suspected of strangling him. **A3**

◆ Puerto Rico's governor said he would cancel a power-grid contract after FEMA voiced concerns. **A3**

◆ Mattis said he didn't see a scenario in which the U.S. would accept North Korea as a nuclear power. **A6**

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Resignation Deals New Blow to Kurdish Dreams of Statehood



IN DENIAL: Demonstrators in Duhok, Iraq, gathered in the streets Sunday in support of Masoud Barzani, who resigned as president of Iraq's semiautonomous Kurdish region a month after an independence referendum he orchestrated angered Baghdad and drew fire from the U.S. **A6**

Mueller Tees Up Charges

First defendants in Trump-Russia probe could be taken into custody on Monday

By ARUNA VISWANATHA AND DEL QUENTIN WILBER

WASHINGTON—The first defendants in a criminal investigation of Russia's meddling in the 2016 presidential cam-

paign could be taken into custody as soon as Monday, people familiar with the matter said, though the nature and target of the charges couldn't be determined over the weekend.

Friday, prosecutors led by Robert Mueller, the special counsel in the Russia matter, obtained a grand jury indictment against at least one person. Mr. Mueller's team obtained the charges under seal,

the people familiar said. A spokesman for Mr. Mueller declined to comment. The people familiar with the case declined to identify the person or people who have been charged or to specify what is in the indictment.

The charges would be the first from an investigation that Mr. Mueller took over in May, with his appointment by the Justice Department as a special counsel. That followed

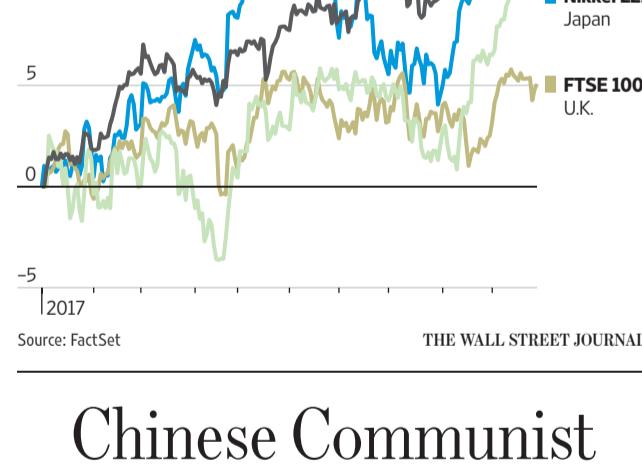
President Donald Trump's firing of James Comey as director of the Federal Bureau of Investigation. Mr. Comey had earlier said the agency was investigating whether members of Mr. Trump's 2016 campaign collaborated with Russia to influence the election. **Please see PROBE page A4**

◆ Russia inquest puts focus on research firm **A4**

◆ Trump's approval rating hits a new low in poll **A4**

Looking Up

Major global stock indexes have made new records or multiyear highs this year, aided by many investors who are ready to buy whenever prices dip.



Source: FactSet THE WALL STREET JOURNAL.

Chinese Communist Party Encroaches On Foreign Workplaces

Emboldened by Xi, activists organize at Western firms in China; Disney's cadres

By CHUN HAN WONG AND EVA DOU

SHANGHAI—The 300 or so Communist Party members who work at Walt Disney Co.'s theme park in China don't keep their politics to themselves.

Many attend party lectures during business hours and display hammer-and-sickle insignia at their desks. Company newsletters and state media praise them as exemplary workers. Party officials help manage staff welfare and arrange activities such as political seminars for members and singing con-

tests for all employees.

In June, Shanghai's flagship party newspaper quoted Murray King, the resort's Canadian vice president for public affairs, as saying its best employees are mostly party members. According to a Disney spokeswoman, Mr. King actually said while some employees belong to the party, Disney doesn't make that a requirement.

The compromises made by Western firms to do business in China are becoming increasingly uncomfortable now that President Xi Jinping is pushing to embed the

Please see CHINA page A10

INSIDE



WHAT IF YOU HIRED THE WHOLE TEAM

JOURNAL REPORT, RI



NEW PRESSURE TO CORRAL FACEBOOK

BUSINESS & FINANCE, BI

The Thrill of Victory in Welding, Baking and Bricklaying

* * *

In the world cup of vocational skills, contestants go for gold in 51 unsung careers

By BILL SPINDLE

ABU DHABI—The finalists in the arena were ready for their starting signals.

On your marks. Get set. Weld!

And bake, dress hair, repair planes, lay tile, design clothes, code software and forward freight.

That's what 1,253 men and women aged 22 and under set off to do after their start signals at the 44th world championship of vocational skills earlier this month known as WorldSkills.

In a desert convention center, contestants from 58 countries—a mix of vocational students and jobholders—vied for the gold in simultaneous com-

Tuesday, its 54th of the year. Japan's Nikkei gained 2.6% this past week to its highest level since 1996, and share indexes in the U.K. and Germany have hit records this month.

The gains reflect both economic optimism and recognition of the strong returns reaped by those who have stayed invested in riskier assets during the rebound from the epic market decline in 2008-2009.

"The investor base has been Please see STOCKS page A8

petitions to test their skills in 51 job categories over four days.

"It's a dream to be able to go to this competition," said 22-year-old Omkar Virendra Savant of India, who qualified to represent his nation in welding.

Athletes have the Olympics. Actors have the Oscars. Why shouldn't bricklayers, cooks and florists have their own world crowns? Even more so, say the competition's organizers, because these unsung jobs are mainstays of the global economy.

"It creates enthusiasm around these skills," said Ranjan Choudhury, who oversees India's WorldSkills program, Please see SKILLS page A10

U.S. NEWS

Firms Tap Workers for Tax Lobby

BY THEO FRANCIS

OMAHA, Neb.—In the parking lot outside Elliott Equipment Co.'s manufacturing plant here last month, more than a hundred employees gathered in front of a banner-decked truck, its raised boom flying an American flag 30 feet overhead, to hear the company's chief executive and the local congressman talk taxes.

As Congress and the White House move this week to overhaul the federal tax code, companies are preparing for what likely will be the most consequential business lobbying effort in years. They are mobilizing one of their most potent tools—their employees.

At rallies, in emails and on customized websites, employers and trade groups are turning their tax wish-lists into talking points, making the case that employees should support their employers on such topics as pass-through taxation and deductions for depreciation, interest payments and research. They are collecting employee contact information and fine-tuning online engines that generate form letters to lawmakers.

"Lobbyists have only a certain amount of juice—the people who really have juice are the people who live in the districts," said a spokesman for the RATE Coalition, a group lobbying for tax-code changes that is composed of large companies and trade groups, including health insurer Aetna Inc., car maker Ford Motor Co. and telecom giant Verizon Communications Inc.

The push also underscores the influence the business community can still wield in Washington, even as its relationship with the White House has frayed. This summer, the administration eliminated several corporate advisory boards after some executives broke publicly with President Donald Trump over issues of race, immigration, climate change and more.

Unions have long talked politics with their members, and many large companies have political-action committees to solicit donations from top managers and other senior employees to spend on elections. Increasingly, however, companies are talking to rank-and-file workers about not just corporate taxes but also international trade, environmental regulations, workplace rules and even elections.



Elliott Equipment Chief Executive Jim Glazer, center left, talked with Rep. Don Bacon (R, Neb.), center, at Elliott's Omaha plant last month.

Lawmakers seem just as enthusiastic about workplace whistle-stops. House Speaker Paul Ryan (R., Wis.) has talked taxes at Intel Corp. and Boeing Co., while Kevin Brady, the Texas Republican who heads the House's powerful budget-writing Ways and Means Committee, went to United Parcel Service Inc. and AT&T Inc.

Rep. Don Bacon, the freshman Nebraska Republican who visited Elliott Equipment, said he prefers meeting constituents at work because he can hear from business owners and voters directly.

Family-owned Elliott Equipment and other small companies often take part through trade associations. The Omaha rally was one of about 35 planned this year by I Make America, an employee-lobbying project of the Association of Equipment Manufacturers begun in 2010. This year for the first time, every workplace event features elected officials.

Bipac, a trade group founded in 1963 as the Business-Industry Political Action Committee, provides a suite of software and Washington policy updates, helping some 300 companies and trade associations frame issues for employees.

Bipac's online tools have helped Scott Hawkins, the

Home Builders Oppose Tax Plan

WASHINGTON—An influential home-building group will oppose the House Republicans' coming tax bill, in a blow to the party's attempt to forge unity among business sectors.

The National Association of Home Builders, which had expressed openness to changes in the mortgage-interest deduction, decided it couldn't back the bill. The association's leaders made the decision after top Republicans this weekend said they wouldn't accept an idea home builders and lawmakers had been working on: repealing the deductions for mortgage interest and property taxes and replacing them with a new tax credit.

group's chairman, organize employees at his group of Alaskan oil-field-services firms, including Associated Service Companies International LLC, as well as a statewide coalition of employers under Bipac's umbrella. He said 30% to 50% of employees typically respond when asked to contact lawmakers.

Elliott Equipment Chief Executive Jim Glazer told Mr. Ba-

nion that taxes, trade, worker training and infrastructure spending were the company's most pressing issues. He noted the firm is an S corporation, meaning its owners are taxed on business profits, rather than the company itself.

Mr. Bacon said House Republicans had S corporation interests in mind, noting their owners can face marginal federal

highest-income households. Such a credit could include property taxes and interest and replace the remnants of the mortgage-interest deduction.

According to the Tax Policy Center—whose estimate makes assumptions about blanks left in the House GOP plan—the current framework would leave 4% of taxpayers claiming the mortgage-interest deduction, down from 21% today.

It wasn't clear whether the new deduction for property taxes would be limited either by amount or household income. As an itemized deduction, it would generally be available only to taxpayers whose combined deductions exceed the standard deduction, which would be \$12,000 for individuals and \$24,000 for married couples.

—Richard Rubin

rate tax rate, lower individual rates for many, fewer individual brackets, simpler tax filing for most and the prospect of faster growth.

Republicans will take shots from Democrats for crafting a plan that benefits the wealthy. But Messrs. Brady and Hatch have tools to make their plans more politically palatable, such as a beefed-up child tax credit. Mr. Brady just offered a carrot to House members from New York and New Jersey, promising to retain an itemized deduction for property taxes even as the plan scales back deductions for state income and sales taxes.

Republicans hope to find a sweet spot that satisfies the party's low-tax-rate faction, provides a middle-class tax cut and avoids stirring up too much business resistance. They will argue everyone will benefit from faster growth and a simpler tax code. Under this scenario, the GOP locks arms, declares it a must-pass bill and muscles it through Congress.

Republicans note they have been working on a tax overhaul for over six years, holding hearings, airing concepts and receiving input from constituents. "The timeline is aggressive, but definitely possible," said Michael Steel, who was an aide to former House Speaker John Boehner (R., Ohio.).

There are three possible paths forward: a rousing GOP victory, a scaled-back compromise or collapse. Here is a look at how each might play out:

GOP

Continued from Page One

ment industry, and the news prompted concern by mutual fund giant Fidelity Investments and others in the retirement business.

Over the weekend, the National Association of Home Builders swung from potential support to opposition after talks with lawmakers collapsed. They had been discussing a new tax credit for homeownership that would have replaced the deductions for property taxes and mortgage interest.

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Fall Festival

House Ways and Means Chairman Kevin Brady (R., Texas) and Senate Finance Chairman Orrin Hatch (R., Utah) have been working together for months as part of secretive "Big Six" talks with congressional leaders and top administration aides to reach common ground. Thanks to that effort, they could release largely similar bills that win widespread GOP support.

The plan taking shape will curb some cherished tax breaks, such as the state and local tax deduction for individuals and interest deductibility on corporate debt. But its provisions could be satisfying enough for Republicans to rally behind: a much lower corporate rate.

At one point this year, a GOP health-care law looked inevitable. It didn't happen. The party is more unified on tax cuts, but the same forces could also blow the whole thing apart.

The risk is especially serious in the Senate, where Republicans have 52 seats, meaning any measure can lose only two votes from their own ranks to survive.

Sen. Bob Corker of Tennessee could bolt over deficit concerns, while Sen. Susan Collins

individuals. Republicans have backed away from all of that.

Now they could be forced to scale back or reject other goals, including full repeal of the estate tax, a cut of top individual rates from 39.6%, big reductions for partnerships and other "pass-through" businesses, or even the 20% corporate rate.

They may also be driven toward a politically easier repeat of George W. Bush's 2001-03 strategy: temporary tax-rate cuts with few breaks taken away from business and households.

As they seek a legislative victory, Mr. Trump and his party have little room for error.

of Maine could walk away if cuts tilt to high earners. Sen. Rand Paul of Kentucky could vote no if tax cuts are too small, while Sens. John McCain and Jeff Flake of Arizona have been critical of Mr. Trump. The president hasn't helped his cause by returning fire with Messrs. Corker, Flake and McCain.

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Powell Is Likely Fed Chairman Choice

BY KATE DAVIDSON AND PETER NICHOLAS

WASHINGTON—President Donald Trump this week is likely to announce Federal Reserve governor Jerome Powell as his nominee to be the next chairman of the U.S. central bank, according to a person familiar with the matter.

The president hasn't made a formal decision and could still change his mind, several people familiar with the matter said.

Mr. Trump said in a video released Friday he had "somebody very specific in mind" for the post and would announce his decision "sometime next week."

"It will be a person who hopefully will do a fantastic job," Mr. Trump said in the video posted to Instagram, adding, "I think everybody will be very impressed."

The day of the announcement was unclear. A Fed spokeswoman declined to comment.

The Fed's policy-setting committee, on which Mr. Powell sits, will hold a two-day meeting Tuesday and Wednesday, and Mr. Trump leaves for a trip to Asia first thing Friday morning, making a Thursday announcement possible.

If confirmed by the Senate, Mr. Powell would take the helm of the central bank in early February, when Chairwoman Janet Yellen's four-year term expires.

Mr. Trump had left open the possibility of renominating Ms. Yellen for another term but said in an interview last week that as president, "you'd like to make your own mark." Stanford University economics professor John Taylor also had been under serious consideration.

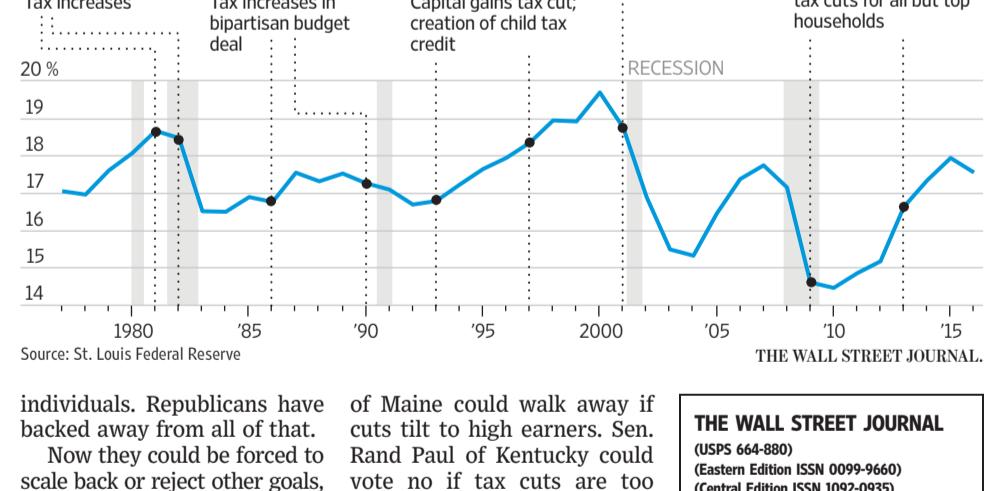
Mr. Powell, a Republican who served as a Treasury Department official in the George H.W. Bush administration, joined the Fed board in 2012.

Mr. Powell likely would continue the Fed's current approach of very gradually reversing its crisis-era stimulus policies by slowly raising short-term interest rates and shrinking its large portfolio of bonds. Mr. Trump has said he favors low rates.

—Ian Tally contributed to this article.

Tax Trajectory

Federal tax receipts as a percentage of gross domestic product



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U.S. NEWS

Homeowners Renovate And Stay Put

Tight market, high prices make it harder to move and hinder renters looking to buy

BY LAURA KUSISTO
AND CHRISTINA REXRODE

Despite rising home prices and a growing economy, U.S. homeowners' mobility rate is stuck at a 30-year low as many opt to stay put rather than move to pursue job opportunities or trade up for more space.

The median duration of owners in their homes in 2017 was 10 years, according to data to be released today by the National Association of Realtors. That matched last year's level, which, along with 2014, was the highest since the NAR started tracking the data in 1985.

Americans aren't moving in part because inventory levels have fallen near multidecade lows and home prices have risen to records. Many homeowners are choosing to stay and renovate, in turn making it more difficult for renters to enter the market.

The lack of inventory "is like

not having enough oil in your car and your gears slowly come to a grind," said Sam Khater, deputy chief economist at data company CoreLogic.

The stagnant housing market means people aren't moving to places where they can get better jobs, or within their own metropolitan area to get closer to their jobs or better schools.

Overall, there is about four months of supply of homes on the market at all price points, much less than the six months economists say is normal. The crunch is most acute for mid-price homes, with only about three months of supply, according to CoreLogic.

Mr. Khater said he and his wife have decided to stay and renovate their home in the suburbs of Washington, D.C., rather than move to a bigger place with a backyard for their daughter, because he can't find anything for less than \$1 million that would fit their needs.

Housing starts fell 4.7% in September, the Commerce Department said, and remain about 40% below the 50-year average, which is especially unusual considering the economy and job markets are expanding strongly. In September, sales of previously owned homes declined on an annual basis for the first time since July 2016 as the shortage of homes continues to take a toll on the market.

The lack of new-home construction has helped create a bottleneck in the market in which owners of starter homes aren't trading up to newly built homes, which tend to be pricier, in turn creating a squeeze for millennial renters looking to get into the market. Economists said baby boomers also aren't in a hurry to trade in the dream homes they moved into in middle age for condominiums or



Americans are moving less and less, as mobility lingers at a 30-year low thanks in part to tight inventory and record home prices.

senior living communities because many are staying healthy longer or want to remain near their children.

Those factors have led Americans to pour record sums into home renovations. Spending, already at record levels, is expected to continue accelerating, according to data released this month by Harvard University's Joint Center for Housing Studies. Total outlays on renovations are expected to grow 7.7% annually in the third quarter of 2018, up from 6.4% in the third quarter of this year.

Mobility rates, which were largely stable from the 1950s through the late 1970s, have been in slow decline for decades, according to Mr. Khater. "It's a bit of a mystery as to why," he said.

One reason appears to be a growing disparity between home prices in the richest states versus those in the poorest ones, fueled by increasing land-use regulations that make it more difficult to build in wealthier places, according to recent research by Daniel Shoag, an associate professor of

public policy at Harvard University and Case Western Reserve University, and Peter Ganong, an assistant professor at the University of Chicago.

Still, economists said they would have expected at least a temporary uptick as the housing and job markets recovered, and people are more likely to move in search of better job opportunities or because their homes are worth more so they can afford to upgrade.

"This is supposed to be an economic recovery, where people are supposed to [trade up] their homes," said Sanjiv Das, CEO of Caliber Home Loans Inc., the eighth-largest mortgage lender in the U.S. by loan volume, according to Inside Mortgage Finance. "And we haven't seen that."

Another reason for the undersupply: Investors snapped up single-family homes during the downturn and converted them to rentals. While some industry observers thought they would sell them as soon as home prices recovered, a booming rental market has meant that most have held on to them.

Appetite for Risk Wanes After Crash

Americans have shown a more cautious attitude toward homeownership in the wake of the housing crash nearly 10 years ago that has made many unwilling to gamble on buying bigger, more expensive homes.

"There's that feeling that 'We survived this last downturn, we're maybe halfway to getting this home paid off, why should we take on another mountain of debt just to get into this bigger home?'" said Daren Blomquist, senior vice president at the housing-research firm Attom Data Solutions.

Mr. Blomquist, who lives in southern California, recently went through that same thought process with his wife, when they considered but ultimately decided not to get a bigger place for their three children. "It's easy to sell," he

said. "The challenge is finding a new home."

Jacob and Stacy Loftin in Somerville, N.J., considered moving to a new home that might be less work than their century-old colonial but were put off by the ferocity of the competition. Some of the houses that did go on the market were snapped up by investment firms that have pushed up prices.

"I think maybe we missed the window to move if we're going to move to a house within our budget," Mr. Loftin said.

Instead, they added an extra half-bathroom, built a small deck and redid their kitchen, after deciding the renovation would be easier to stomach than a move.

"I'm always a little anxious about buying what you don't know," said Mr. Loftin, an operations administrator at an insurance company. "You can never really trust what you're getting."

—Laura Kusisto and Christina Rexrode

Sticking Around

Median number of years homeowners are staying in their homes before selling.



Source: National Association of Realtors
THE WALL STREET JOURNAL

Puerto Rico Governor Cancels Power-Grid Contract

BY ANDREW SCURRIA

Puerto Rico's governor said Sunday he would cancel a \$300 million contract with a little-known Montana energy firm after the Federal Emergency Management Agency said it had "significant concerns" about the deal.

Gov. Ricardo Rosselló announced the cancellation two days after FEMA expressed concern with the decision by Puerto Rico's power authority to award the contract to **Whitefish Energy Holdings LLC**.

In a statement Friday, FEMA said it had questions about how the deal's prices

were negotiated and was talking with the public electricity monopoly known as Prepa about how the contract was procured.

"I petitioned the board of Prepa to invoke the cancellation clause," the governor said Sunday. The controversy over the contract terms had become a distraction that "is interfering with everything," he said.

Questions surrounding the Whitefish deal intensified as federal officials began scrutinizing the U.S. territory's disaster-recovery spending.

The governor's decision is likely to be welcomed by congressional Democrats, who had called for ending and investigating the contract.

The inexcusable Whitefish contract must be terminated

immediately," House Minority Leader Nancy Pelosi (D., Calif.) said in a statement Friday.

Parish Braden, spokesman for House Committee on Natural Resources Chairman Rob Bishop (R., Utah), in a statement Sunday, said "transparent accountability" was necessary for "an effective and sustained recovery in Puerto Rico."

Other House GOP leaders declined to comment Sunday.

Two Democratic senators, Maria Cantwell of Washington and Ron Wyden of Oregon, have asked the U.S. Comptroller General to investigate the use of public money under the Whitefish contract.

Lawmakers with the House Committee on Natural Resources and the House Committee on Energy and Commerce also requested documents surrounding the contract. The Department of Homeland Security inspector general is conducting a separate probe.

"We plan to cooperate with any and all information requests," a Whitefish spokesman said Friday. On Sunday, Whitefish said the governor's decision "will only delay what the people of Puerto Rico want and deserve—to have the power restored quickly in the same manner their fellow citi-

zens on the mainland experience after a natural disaster."

Gov. Rosselló had asked that DHS complete its review by Monday, while noting in a letter last week that the contract "appeared to comply 100% with FEMA regulations."

But FEMA said it hadn't authorized Whitefish's payment terms, despite language in the contract stating the terms had been approved by the agency.

Ricardo Ramos, executive director of Prepa, told The Wall Street Journal on Friday that this language was left in by mistake.

—Kristina Peterson contributed to this article.

Town Reclaims Old Asylum for the Arts

BY SHAYNDI RAICE

For more than a century, the sprawling Fergus Falls State Hospital for mentally ill patients was a mainstay of this small western Minnesota town, a landmark and major employer. The structure has sat vacant since 2009.

Now, the abandoned mental hospital has found a new purpose, as Fergus Falls, population 13,000, becomes home to a burgeoning local arts scene. City leaders hope the town's attention to the arts will help spark economic revitalization.

"Every small community is trying to find ways to set themselves apart right now and have a unique story," said Michele Anderson, rural program director with Springboard for the Arts, a community-development group that hosts an artists residency program and annual arts festival on the hospital grounds.

The hospital was designed in an architectural style promoted by a 19th-century physician, Thomas Kirkbride. In 2015, a residential real-estate developer refurbished a dormitory; Springboard rented some of the apartments to provide housing for some 20 artists a year.

Nik Nerburn, 28, was one of the first people to move in through the Springboard resi-

dency program in 2015. He said he liked living on the campus and found it wasn't spooky, as some suspected. "I didn't see any ghosts," said Mr. Nerburn, who while living at the hospital site shot a documentary about the lives of some former patients.

In 2014, Springboard hosted a movable play about the hospital's history on the grounds, where an audience of 600 on bicycles followed the actors from scene to scene. That performance evolved into an arts festival held every September.

The Fergus Falls revitalization effort is supported in part by a state constitutional amendment under which Minnesota sets aside a portion of sales tax revenue for the arts. Last year, that portion amounted to about \$60 million.

Now, as Fergus Falls begins redeveloping its riverfront, Mayor Ben Schierer said the arts are integral to the plan. "As a community, I don't think we recognized what we had," the mayor said.

Molly Johnston, 29, moved to Battle Lake, a town about

20 miles east of Fergus Falls, in 2015, after studying modern dance in Philadelphia and Eugene, Ore., and working for a couple of years in Minneapolis. She runs a collective called DanceBarn that hosted 25 dancers from across the country this summer in a weeklong festival and does some of its programming in Fergus Falls.

The local community "gave me the confidence that when I moved back, even though I didn't have a plan per se, I knew that there was going to be a support system," she said.

Naval investigators are examining whether there may have been a dispute between the individuals, or whether Sgt. Melgar could have died under a scenario in which roughhousing, potentially as part of a hazing incident, turned deadly, officials said.

Officials have used the word "horseplay" in discussing a potential cause of Sgt. Melgar's death, one official said.

Other officials said Sgt. Melgar's death could be connected to some kind of hazing incident or a disagreement among the men, according to another de-

Green Beret's Death Is Under Investigation

BY GORDON LUBOLD
AND NANCY A. YOUSSEF

WASHINGTON—The Navy is investigating the June death of an Army Green Beret in Mali after two Navy SEALs are suspected of strangling him, defense officials said.

The two SEALs, members of the elite SEAL Team Six, have been placed on administrative leave while under investigation, according to defense officials.

The officials were unclear on the motive in the death of the Green Beret. Staff Sgt. Logan J. Melgar, 34 years old, was found dead in his barracks on June 4.

The investigation was first reported Sunday by the New York Times.

Naval investigators are examining whether there may have been a dispute between the individuals, or whether Sgt. Melgar could have died under a scenario in which roughhousing, potentially as part of a hazing incident, turned deadly, officials said.

Officials have used the word "horseplay" in discussing a potential cause of Sgt. Melgar's death, one official said.

Other officials said Sgt. Melgar's death could be connected to some kind of hazing incident or a disagreement among the men, according to another de-

partment official.

An initial investigation began immediately after Sgt. Melgar's death, led by the Army's criminal investigation command, two defense officials said. But then investigators were urged to take a second look at the initial autopsy report, one of the officials said.

They determined the case should be considered a homicide investigation, and the case was transferred Sept. 25 to the Naval Criminal Investigative Service.

"NCIS can confirm we are investigating the death of SSGT Melgar and that the case was transferred to NCIS from Army CID," NCIS spokesman Ed Buice said in a statement. "Beyond that, NCIS does not discuss details of ongoing investigations."

The Pentagon didn't announce the death of Sgt. Melgar in June, according to the Defense Department's website, which is rare but not unprecedented. Typically when someone dies overseas, the death is announced by the military regardless of how the death occurred.

The Pentagon didn't have an immediate comment on the case or why Sgt. Melgar's death wasn't disclosed at the time.

U.S. Africa Command couldn't be reached for comment on the June 4 incident.



Mary Proenza painting a scene at the former mental hospital in Fergus Falls, Minn., in June.

ness official.

The Pentagon didn't have an immediate comment on the case or why Sgt. Melgar's death wasn't disclosed at the time.

U.S. Africa Command couldn't be reached for comment on the June 4 incident.

U.S. NEWS

Russia Inquest Puts Focus on Firm

BY BYRON TAU

WASHINGTON—Fusion GPS, a Washington research firm that is a central player in congressional probes into Russian activity in last year's election, settled a lawsuit with the House of Representatives over access to banking records this weekend, in the process offering a rare glimpse into its business.

The settlement was between the small Washington, D.C.-based firm and the House Intelligence Committee, which has sought by subpoena to force Fusion GPS to reveal its bank records as part of its probe into Russian meddling in the election. The firm commissioned research into Donald Trump by a former British spy that ended up in a 35-page dossier of unsubstantiated and salacious allegations of ties between Mr. Trump and Russia.

The firm challenged the

subpoena in federal court in Washington, saying it needed to protect client confidentiality.

An attorney for Fusion GPS said the settlement, which is sealed, allows the firm to protect its client privacy and constitutional right to free speech. A spokesman for the House committee said the panel won access to all the documents it needs for its investigation.

Josh Levy, an attorney for Fusion GPS, said the settlement struck "the balance between Congress' right to information and our client's privileges and legal obligations."

The case prompted the revelations of who had hired Fusion GPS to compile opposition research as the 2016 campaign gathered pace. Late last week, the Washington Free Beacon, a conservative publication, said it paid for Fusion GPS's initial 2016 presi-

dential research. Prominent Republican donor Paul Singer, who was vocally anti-Trump during the GOP primaries, helps fund the Free Beacon.

After work for the Free Beacon ended, Hillary Clinton's presidential campaign and the Democratic National

Fusion GPS settles with a House panel over subpoena for it to reveal its records.

Committee paid for research services that would ultimately culminate in Fusion GPS's hiring of ex-British spy Christopher Steele as a subcontractor to compile the allegations.

Democrats paid for the research work that led to the dossier through a law firm, meaning that Fusion GPS's

work wasn't publicly disclosed on campaign-finance reports.

The dossier was from a firm that doesn't primarily do political work.

Mr. Trump posed unique challenges for opposition researchers given the global reach of his business ties and the volume of the public record on him. Fusion GPS, which mostly works with corporate clients, was chosen in part because of its ability to work on business research.

Fusion GPS's Trump project turned to Mr. Steele after researchers ran into trouble getting records in countries with limited open-records laws, a person familiar with the matter said.

Mr. Steele wasn't told Democrats were paying for the work, this person said.

Mr. Steele's memos, which were written between June and December 2016, form the basis for the dossier. Mr. Trump has called it "fake" and

"discredited" and has denied collusion with Russia.

Russia has denied any meddling in the presidential race.

Former CIA Director John Brennan has said the dossier "was not in any way" used as a basis for the January intelligence community assessment that Russia aimed to boost Mr. Trump at the expense of his Democratic rival, Mrs. Clinton.

Before its emergence on the national stage, Fusion GPS was a low-profile firm made up of several ex-Wall Street Journal reporters.

The firm's co-founder, Glenn Simpson, was a veteran investigative reporter who left the paper in 2009—citing declining support of investigative reporting by the newspaper industry.

According to court records, the firm counts about 25 individuals or entities as clients, and 30 entities as contractors.

—Kristina Peterson contributed to this article.

Sanctuary Politics Get a Test In Virginia

BY LAURA MECKLER

WASHINGTON—The candidates for governor of Virginia this fall are battling over the question of "sanctuary cities," and Democrats fear it will become a new cudgel to be used against them in next year's midterm elections, especially if they lose in Virginia.

Republican Ed Gillespie has pressed the matter in TV ads, debates and on the trail, drawing a connection between crime and sanctuary-city policies, which generally involve resistance to immigration enforcement. In one TV ad, Mr. Gillespie ties his Democratic opponent to a notorious gang.

"MS-13 is a menace, yet Ralph Northam voted in favor of sanctuary cities that let dangerous illegal immigrants back on the street, increasing the threat of MS-13," the narrator says.

The ad is referring to a Virginia bill that aimed to prevent local jurisdictions from adopting various sanctuary policies. The bill never became law.

The Northam campaign replied, in its own TV ads, by calling the GOP ads "despicable" and "not true" and touting Mr. Northam's own record. A campaign official said the attacks are backfiring on Mr. Gillespie because they are so "over the top" and false.

Still, even Democrats who strongly support sanctuary policies worry their candidates will be unable to defend themselves against Republican accusations that they are protecting criminals.

"Republicans have figured out how to use the sanctuary-city issue to bring together fears about crime and smash it together with immigration in a way that's really not helpful for Democrats," said Lane Erickson Hatalsky, who oversees social issues at Third Way, a centrist Democratic think tank.

There is no definition of a sanctuary city and no precise count of them, but many communities have adopted policies protecting illegal immigrants, as have the states of California and Illinois.

The subject of how to frame the issue politically came up at a recent meeting of advocates sharing research about public opinion on immigration. "It takes them three words to put it out there and then it takes us three paragraphs to respond," said Angela Kelley, an immigration advocate and former Obama adviser now at the Open Society Foundations.

Republicans pressed the issue in at least two Senate races last year. In Pennsylvania, Republican Sen. Pat Toomey won after accusing his challenger of backing sanctuary policies; in New Hampshire, Republican Sen. Kelly Ayotte tried the same but was narrowly defeated. A range of Republican strategists are looking to deploy the issue in congressional races next year.



Special Counsel Robert Mueller's team has been presenting evidence before a federal grand jury convened in Washington since July.

past that Mr. Manafort didn't collude with the Russian government to help Moscow interfere in the 2016 election. He declined to comment.

Mr. Manafort and Mike Flynn, Mr. Trump's former national security adviser, are also being investigated for potential violations of a law governing the public disclosure of lobbying by foreign powers, according to people familiar with the investigations.

A lawyer for Mr. Flynn declined to comment.

Legal experts said they expect any indictment to be the first in a chain of investigative steps geared toward winning cooperation of potential witnesses in the hopes of building cases against other potential suspects.

"Typically, an investigation such as this is designed to build upon itself," said Steven Levin, a former federal prosecutor. "In other words, the

first indictment is intended to lead to both a guilty verdict and another indictment. Usually, this happens through cooperation. So, prosecutors hope to persuade the first defendant to flip on the next defendant. And so on."

The potential charges come at a key moment, with Republicans set to unveil their tax plan, which they hope to pass by Thanksgiving. Some Republicans over the weekend were taking a wait-and-see stance on Mr. Mueller's investigation.

"I have not yet seen any definitive evidence of collusion," Sen. Susan Collins (R., Maine) said in a weekend CBS interview. "I have seen lots of evidence that the Russians were very active in trying to influence the election."

Maine Sen. Angus King, an independent who caucuses with Democrats, and a member of the Senate Intelligence Committee, took issue with

one of Mr. Trump's recent tweets that said it was "commonly agreed...that there was NO collusion between Russia and Trump."

"It's certainly not commonly agreed in our committee, and we're the ones doing the investigation," Mr. King said Sunday on CNN.

Some Democrats and legal observers say they are concerned that, as the Mueller investigation starts to pursue criminal charges, the president may seek to pardon anyone charged by Mr. Mueller or even fire the special counsel.

Mr. Trump can't pardon people "if it's an effort to obstruct justice, if it's an effort to prevent Bob Mueller and others from learning about the president's own conduct," Rep. Adam Schiff of California, the top Democrat on the House Intelligence Committee, said Sunday on ABC.

Some allies of Mr. Trump's

have suggested Mr. Mueller, a former FBI director under presidents of both parties, isn't impartial.

"If this man's team executes warrants this weekend he should stripped of his authority by @realDonaldTrump. Then HE should be investigated," Sebastian Gorka, a former White House adviser, said in a Friday tweet.

Mr. Trump also has tried to shift the spotlight on his 2016 election rival, Hillary Clinton, saying that her campaign's funding of opposition research that produced a dossier of unverified allegations of Trump-Russia links was a sign that she was working with Russia.

A Clinton campaign spokesman said last week that he didn't learn about the dossier until after the election but said he would have passed it along to reporters if he had.

—Kristina Peterson contributed to this article.

Trump Says JFK Files Release Back On Track

BY LOUISE RADNOFSKY

WASHINGTON—President Donald Trump said he reached an agreement with federal agencies to release all remaining files related to the assassination of President John F. Kennedy, in Twitter messages sent Saturday.

Mr. Trump on Oct. 21 said he wanted to release all classified material relating to the events of November 1963, as the administration neared an Oct. 26 deadline to do so.

He pulled back last week, however, saying that he had "no choice" but to accept redactions amid concerns from the Central Intelligence Agency and Federal Bureau of Investigation about sensitive information.

According to the tweets, all of the documents are again on track for release, except for parts containing the names and addresses of living people.

Trump's Approval Rating Hits a New Low in Poll

BY PETER NICHOLAS

President Donald Trump's approval rating has fallen to its lowest level since he took office, with Americans disapproving of his performance as commander in chief and handling of some policy issues, though he has better marks for his stewardship of the economy, a new Wall Street Journal-NBC News poll finds.

Mr. Trump's job-approval rating stood at 38%, a five-point drop from September, the poll showed. Over all, 58% said they disapproved of the job Mr. Trump has done.

More than 8 in 10 Republicans continue to approve of Mr. Trump's job performance. Still, the survey found a decline in his support among political independents—and signs of erosion among some of the president's core voters.

In particular, his job approval among white women who don't have a four-year college degree stands at 40%, compared with 54% who disapprove. That is a sharp swing from the previous month, when 50% approved and 46% disapproved.

In the Red

More Americans approve than disapprove President Trump's handling of the economy, but views are more negative on many other issues and events.

Do you approve/disapprove of Trump's handling of these issues?

	Disapprove	Approve
Hurricanes Harvey (Texas) and Irma (Florida)	27%	48%
The economy	37	42
Role as commander in chief	53	35
North Korea	51	34
Mass shooting in Las Vegas	33	33
NFL players protest	59	30
Hurricane Maria (Puerto Rico)	54	29
Health care	57	27
Iran nuclear agreement	45	24

Note: Not sure/No opinion numbers not charted

Source: WSJ/NBC News telephone poll of 900 adults conducted Oct. 23-26; margin of error +/-3.27 pct. pts.

THE WALL STREET JOURNAL.

Trump's core campaign promises.

Mr. Trump often highlights the nation's low unemployment rate and surging stock market, and the message seems to be sinking in among some. More Americans in the survey approved than disapproved—42% to 37%—of Mr. Trump's handling of the economy.

While 36% of people in the survey viewed Mr. Trump in a positive light, nearly 80% of Republicans or those leaning toward the GOP held a favorable view of the president. Some 54% of people over all and 13% of Republicans said they held an unfavorable view of the president.

Mr. Trump's popularity within the party could prove useful as he tries to cement a Republican coalition to enact a tax plan. Unless he gains Democratic support, Mr. Trump can afford to lose no more than two Republican votes in the Senate if he is to win the first major legislative victory of his tenure.

The poll comes amid news that the U.S. economy expanded at a 3% annual rate in the third quarter, following 3.1% annual growth in the spring, marking the best six-month stretch in three years. Economic growth has been a bright spot that has helped support the president's approval rating, pollsters said.

If the economy weakened, there would be more slide," Mr. McInturff said.

On foreign-policy matters, Americans in the survey gener-

ally gave Mr. Trump poor marks. Some 35% approved of his handling of the role as commander in chief, while 53% disapproved.

By about the same margin, people in the survey disapproved of his approach to North Korea.

People in the survey disapproved of Mr. Trump's handling of the Iran nuclear deal, negotiated under President Barack Obama, by a margin of 45% to 24%.

By a margin of 21 percentage points, survey respondents approved of Mr. Trump's handling of the hurricanes that struck Texas and Florida. By contrast, his handling of Hurricane Maria, which devastated Puerto Rico, drew a negative response. Some 29% approved of his handling of the aftermath of the hurricane, while 54% disapproved.

Mr. Trump didn't draw much support for his campaign to require NFL players to stand for the national anthem at games, rather than be allowed to kneel in protest. By a 2-to-1 margin, Americans in the survey disapproved of his handling of the matter.

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.



A handwritten signature in black ink.

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WORLD NEWS

Embattled Kurdistan President Resigns

Independence advocate Barzani's departure could lead to improved ties with Baghdad

By ISABEL COLES
AND ALI NABHAN

ERBIL, Iraq—Masoud Barzani resigned as president of Iraq's semiautonomous Kurdish region, a month after an independence referendum he orchestrated angered Baghdad, reversing years of political and military gains by the Kurds and dashing their dreams of statehood.

In his first public address since the setbacks, Mr. Barzani, who has been president of the Kurdish region for more than 10 years, on Sunday said he had asked the parliament not to extend his mandate as president beyond Nov. 1. Kurdish officials said he would continue to play a role in politics.

"I wrote a letter to parliament saying that I will in no way accept for my mandate to be extended," Mr. Barzani said in a televised speech. "I will remain as Masoud Barzani in the service of my people."

Some Iraqi lawmakers said the resignation of Mr. Barzani, who was the most outspoken symbol of the Kurds' long quest for independence, could clear the way for an easing of tensions with Baghdad.

"Barzani's stepping down is like an indirect confession of his mistake of holding the referendum against the will of others," said Khalid al-Alwani, a Sunni lawmaker in the federal parliament from the city of Fallujah.

Mr. Barzani has often butted heads with Baghdad and is described by other politicians as intransigent or uncompromising. Divisions among Kurds themselves could, however, undermine efforts to reconcile with Baghdad.

In a sign of how much he has polarized politics in the



Supporters of Masoud Barzani protested outside the Kurdish regional parliament on Sunday after he announced his resignation.

AZAD LASHKARI/REUTERS

semiautonomous region, supporters of Mr. Barzani stormed parliament during a session convened to vote on legislation that would redistribute the powers of his office after several lawmakers criticized him.

The president's resignation is the latest fallout from the Sept. 25 referendum, which brought Iraq to the brink of civil war, altered the balance of power in the country and shook up politics within the semiautonomous region.

As the campaign against Islamic State was entering its final stages, Mr. Barzani insisted on holding the referendum de-

spite objections from Baghdad, regional powers, the U.S. and even some of his own associates. Opponents had warned the vote would alienate Kurdish allies and further antagonize their enemies.

In response to the vote, Iraqi Prime Minister Haider al-Abadi mobilized troops to retake a swath of disputed territory the Kurds had effectively annexed to their semiautonomous region in the north of the country.

Within weeks, Kurdish Peshmerga fighters were forced to relinquish most of those areas, including oil fields

accounting for about 40% of their revenue.

That retreat has shifted power in favor of the central government in Baghdad. It has also shaken politics within the Kurdish region, where Mr. Barzani and the Kurdistan Democratic Party (KDP) of which he is head have been dominant for years, potentially giving its rivals a chance to gain advantage.

The Kurds now have few options but to negotiate with Baghdad from their weakest position since the U.S.-led invasion of 2003 when their region began its transformation from an impoverished backwa-

ter to an increasingly confident player in the politics of Iraq and the Middle East.

Meanwhile, inside the region the referendum has exposed long-running divisions among—and within—the main Kurdish political parties, which could complicate negotiations with Baghdad.

A parliament session on how to redistribute the president's powers devolved into violence after several members of opposition parties criticized Mr. Barzani. Dozens of supporters of Mr. Barzani stormed the parliament, said one lawmaker who was

trapped inside. Videos circulated online showed some of the assailants wielding sticks and Kalashnikov assault rifles. There were no immediate reports of injuries.

In his televised speech, Mr. Barzani didn't acknowledge any responsibility for the consequences of his decision to go ahead with the vote, saying Iraqi forces would eventually have moved against the Kurds anyway and the referendum was merely a pretext.

—Ghassan Adnan in Baghdad and Ben Kesling in Washington contributed to this article.

Mnuchin Denies Threat Of Turkish Bank Sanctions

BY IAN TALLEY

ABU DHABI—U.S. Treasury Secretary Steven Mnuchin said he didn't threaten to sanction Turkish banks in a recent conversation with a senior government official, dispelling rumors that had jarred the country's markets last week.

"Turkey is not the focus right now, for the moment," Mr. Mnuchin told reporters traveling with him on his weeklong trip through the Middle East on Saturday.

"There is no truth to those rumors," he said of his talks on the sidelines of a global finance ministers' meeting in Washington this month. "I did have discussions with them," but, "I did not have specific conversations on sanctions."

Amid an escalation of U.S. sanctions against Iran for its ballistic-missile program, Turkish media reported that the U.S. would impose sanctions on six of the country's banks that maintained business relations with Iran's

sanctioned military unit.

Those rumors also followed federal prosecutors charging a former Turkish minister and three others for an alleged scheme involving hundreds of millions of dollars of financial transactions to help the Iranian government evade U.S. sanctions.

The administration has signaled that under its new Iran sanctions regime, it could target banks, firms and individuals that continue to do business with the Islamic Revolutionary Guard Corps.

Mattis: Nuclear Pyongyang Unfeasible

BY JONATHAN CHENG
AND GORDON LUBOLD

SEOUL—U.S. Defense Secretary Jim Mattis said he didn't see a scenario in which the U.S. would accept North Korea as a nuclear power, even after a year of dramatic advances for North Korea's weapons program.

Mr. Mattis, speaking at a press briefing on Saturday in Seoul with his South Korean counterpart at the end of a three-country swing through Asia, reiterated the longtime U.S. goal of denuclearization on the Korean Peninsula.

But he played down chatter about a reintroduction of U.S. tactical nuclear weapons into South Korea, after the head of South Korea's conservative opposition party urged the Trump administration to do so.

The remarks came even as Pyongyang reassessed its status as a nuclear power.

"The DPRK has already attained its final goal in its great cause of building the state nuclear force," Pyongyang's main party newspaper, the Rodong Sinmun, wrote, using the acronym



Jim Mattis, right, with Defense Minister Song Young-moo in Seoul

only accept talks to cement its status as a nuclear state.

The Pentagon chief has been meeting defense ministers in the region to coordinate ways to counter North Korea's nuclear-weapons program.

During his two-day trip to South Korea, Mr. Mattis struck a tough tone against Pyongyang, denouncing North Korea in a Friday speech at the demilitarized zone that divides the Korean Peninsula.

Meanwhile, Mr. Mattis sought to reassure a close ally that has been unsettled by President Donald Trump's remarks hinting at military strikes on North Korea—an option strongly opposed by Seoul.

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WORLD NEWS

WORLD WATCH

EGYPT

President Shakes Up Army, Security Teams

President Abdel Fattah Al Sisi appointed a new armed forces chief of staff, while several top officials in the security apparatus were also replaced, as the country faces a rampant insurgency.

The president issued a decree appointing Lt. Gen. Mohamed Farid Hegazi as the new chief of staff of the armed forces, succeeding Lt. Gen. Mahmoud Ibrahim Hegazi, Mr. Sisi's office said.

Shortly afterward, the Interior Ministry said on its Facebook page that the minister ordered "limited changes" in its ranks.

The new appointments included the head of the National Security Agency and the deputy minister for the agency's Giza governorate. The minister also replaced the director of special operations of the Central Security Forces.

The shake-up comes a week after the bloodiest clash with militants in the country's Western Desert region. At least 16 police officers were killed in an ambush while on a raid in an area that falls under the Giza governorate.

—Dahlia Kholailf

LIBYA

Mass Grave Found Near Benghazi

Authorities in the eastern part of the country have found an open mass grave in a quarry containing 36 bodies, the largest such discovery since the country's civil war.

Awad Aladouli, a spokesman for the eastern interim government's Ministry of Interior, said the bodies were found in Al-Abbar City southeast of Benghazi overnight into Friday morning.

The dead included people shot in the head, blindfolded and with hands tied behind their backs.

Investigations continue, with 22 bodies identified.

—Associated Press



Thousands of protesters assembled in Barcelona on Sunday to reject independence, two days after Catalonia's parliament voted for the region's separation from Spain.

Catalans Hold Big Rally for Unity

By OLIVER GRIFFIN

BARCELONA—Hundreds of thousands of people gathered in Catalonia on Sunday in a show of unity with the rest of Spain, rejecting the declaration of independence made by Catalan separatists on Friday.

The rally, which took place in Catalonia's capital, Barcelona, followed a similar demonstration held by unionists this month that denounced the regional government's push for a split from Spain after a controversial referendum.

Organizers said 1.3 million people attended the gathering. Local police in Barcelona put the figure closer to 300,000.

The organizers said Sunday's march was to give voice to those Catalans who don't want to split from Spain, and who reject independence cam-

paigners' claims that the streets belong to them. Separatist leaders have repeatedly staged mass rallies in Catalonia over the past month, sometimes bringing hundreds of thousands of people to the streets.

"All of us are Catalans," said Álex Ramos, one of the leaders of Sunday's demonstration. "The streets are for all, not only for one [group] of Catalans."

The demonstrations come amid a tense standoff between Madrid and the separatist leaders following Friday's independence declaration.

That day, the government of Spain's Prime Minister Mariano Rajoy moved to impose direct rule on the region, replacing about 150 officials associated with the separatist government.

On Saturday, Carles Puigdemont, the leader of the separatist movement, called on Catalans to resist the takeover. Madrid removed Mr. Puigdemont from the Catalan presidency.

A test of the central government's ability to impose direct rule on the region could come as soon as Monday, when regional offices will reopen under new leaders that Madrid has appointed.

Meanwhile, pro-union Catalans are hoping for a solution to the crisis. Mr. Ramos said it was time to focus on building a united and prosperous Catalonia. "It is time to build something tangible and positive," said Mr. Ramos. "[We want] a prosperous Catalonia in a rich Spain."

The streets of central Barcelona were filled with flags,

representing both Spain and Catalonia. Jubilant crowds sang and cheered every time helicopters from Spain's national police forces flew overhead.

Miguel Ruiz, a 49-year-old owner of a local construction firm, said the protest represented a celebration of democracy and would demonstrate to the rest of the region that there was more than just independent Catalonia.

"We feel Catalan and Spanish," he said. He decried the Oct. 1 referendum organized by separatist groups where—according to pro-independence forces—more than two million Catalans cast a ballot, with the overwhelming majority voting in favor of secession. Spanish authorities declared the ballot illegal and opposition parties boycotted it.

Mr. Ruiz said a national vote on whether Catalonia should secede could offer an end to the impasse. "I could support a referendum that considers all of Spain, not just Catalonia, because it affects all of Spain," he said.

Sandra Sánchez Fernández, a 22-year-old financial-administration student who attended the rally, said she hopes new elections for Catalonia's regional government could help to restore order. As part of the emergency measures, Mr. Rajoy has scheduled new elections for Catalonia's regional assembly for Dec. 21.

"On Dec. 21 we will choose our next government," Ms. Sánchez Fernández said. "I believe we will have a government that isn't for independence, and from there we can start again, bit by bit."

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WORLD NEWS

Tribal Tensions Flare After Kenya Vote

Procedural delays, opposition boycott fan concerns as president looks set for victory

BY MATINA STEVIS-GRIDNEFF

KOGUTA, Kenya—A messy election set to give President Uhuru Kenyatta another term is threatening to revive long-simmering tribal tensions in pockets of the country, as procedural delays and an opposition boycott plunged Kenya deeper into division over the weekend.

A turnout of just 40% and the fact that the electoral commission remained unable to organize polling in four counties in Western Kenya that are opposition strongholds raised new questions about the legitimacy of Thursday's rerun vote.

In Nairobi's Kawangware neighborhood, one of the capital's big slums, and the village of Koguta in Western Kenya's Kisumu County, rising tribal tensions have fueled concerns that the contested election could unleash violence.

The vote went ahead after a series of twists in recent weeks that have deepened a rift be-



BAZ RATNER/REUTERS

Luo tribesmen ran after a standoff with the Kalenjin tribe near Muhoroni, Kisumu County, on Saturday.

tween the two main parties and hindered the chances of unifying the East African nation.

The Supreme Court in September annulled Mr. Kenyatta's Aug. 8 victory, citing widespread irregularities, and the new vote was scheduled. But opposition leader Raila Odinga and his supporters boycotted it, claiming the government

planned to rig the poll and become an "electoral dictatorship."

The electoral commission chairman, Wafula Chebukati, who last week had said he wasn't able to guarantee a credible vote because of pressure from both sides, on Sunday said it had been above board. He didn't say when a winner would be declared, or

whether the attempt to hold a vote in the four western counties would proceed.

Young men have clashed with police in Mr. Odinga's home county of Kisumu in recent days, resulting in at least four deaths, bringing the countrywide total to at least eight since Thursday.

Kenya's complex tribal rela-

tions have sparked bloodshed in the past and tarnished the image of a country that is an investment magnet and relatively stable democracy.

In 2007 and 2008, following a presidential election that Mr. Odinga lost, more than 1,000 people lost their lives in tribal violence, and thousands were displaced. Resentment has grown among Mr. Odinga and his tribe, the Luos, and smaller tribes aligned with them.

Mr. Kenyatta, who comes from the dominant Kikuyu tribe, and his deputy William Ruto, who is from the smaller Kalenjin tribe, were put on trial at the International Criminal Court for crimes against humanity for the violence. The charges were dropped against Mr. Kenyatta; Mr. Ruto's trial ended for lack of evidence, but the charges against him weren't dropped and the case could be revived.

In the 2007 election, Mr. Ruto was aligned with Mr. Odinga. He switched support to Mr. Kenyatta in the 2013 vote, which he and Mr. Kenyatta won against Mr. Odinga.

At the border between the Luo-dominated Kisumu County and the Kalenjin-dominated Kericho County, a killing on

Saturday threatened to unravel a fragile balance.

George Ojuang Odumbe, a 64-year-old laborer at a sugar-cane factory, was shot and killed with arrows. The Kalenjin community across the plantation was blamed, and tensions flared.

On Sunday, Mr. Odumba's community was armed and ready to avenge his death.

"The women and children have been moved and we are getting ready for war," said Brother Onditti, 72, a Luo elder.

Just over a mile away, in a green field, 200 Kalenjins sat holding bows, arrows and spears. "This community had to defend itself, we are peaceful people," said Julius Kipkoech, 40, surrounded by young men leaning on their spears.

Both sides agreed that the protracted political crisis was deepening their longstanding disputes over land and cattle.

"It gets worse around elections, but it's always there," Mr. Onditti said.

"We will be very happy when the election is over," the Kalenjin Mr. Kipkoech said. "The longer the election, the problem continues; the shorter the election, the better."

Somali Forces Retake Hotel After Extremists' Attack

Associated Press

MOGADISHU, Somalia—Security forces regained control of a hotel here after a suicide car bomber detonated an explosives-laden vehicle at the entrance gate on Saturday afternoon, killing at least 23 people, and five extremist attackers stormed the building.

Somali troops retook the popular Nasa-Hablood hotel on Sunday morning, having killed three attackers and captured two alive, Capt. Mohamed Hussein said.

Al-Shabaab, Africa's deadliest Islamist extremist group last year, claimed responsibility for the attack.

The assault started Saturday afternoon with the suicide blast, which destroyed vehicles and caused massive damage to nearby buildings.

The attackers invaded the hotel and gunfire continued as security forces fought them. Two more blasts were heard, one when an attacker detonated a suicide vest.

Saturday's attack came two weeks after more than 350 people were killed in a massive truck bombing on a busy Mogadishu street.

Minister of Electricity and Water Salim Aliyow Ibrow was rescued from the hotel as heavy gunfire continued in the shootout. Some extremists

hurled grenades and cut off the building's electricity as night fell.

A mother and three children, including a baby, were among the dead, all shot in the head, Mr. Hussein said. Other victims included a senior Somali police colonel, a former lawmaker and a former government minister.

Saturday's bomber had acted as if his truck had broken down outside the gate, said police Col. Mohamed Abdullahe. The bomber stopped outside the heavily fortified hotel and pretended to repair the vehicle before detonating it, he said.

Al-Shabaab often targets high-profile areas of Mogadi-

shu. Although it claimed responsibility for Saturday's attack, it hasn't commented on the massive attack two weeks ago; experts have said the death toll in the earlier bombing was so high that the group hesitated to alienate Somalis.

Somalia President Mohamed Abdullahi Mohamed said the new attack was meant to instill fear in Somalis who united after the Oct. 14 bombing, marching in the thousands through Mogadishu in defiance of al-Shabaab.

Since the blast two weeks ago, the president has visited regional countries to seek more support for the fight against al-Shabaab.



People in Mogadishu on Sunday walked past the scene of an attack at a hotel on Saturday that was claimed by al-Shabaab.

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STOCKS

Continued from Page One

conditioned to buy the dip," said Mohamed El-Erian, chief economic adviser at Allianz SE. "And the reason why they have been conditioned is because it has been an extremely profitable trade."

With interest rates still low and valuations on many stocks, bonds and other assets looking stretched, many investors seem willing to buy anything that gets knocked down and suddenly looks cheaper, betting the most probable outcome will be a rebound.

On Wall Street, the phrase "Fed put"—a bet that the central bank would deploy monetary policy to help reverse a stock sell-off—has become common parlance.

"If you want to make a return, you've got to buy risky assets," said Jeffrey Knight, co-head of global asset allocation at Columbia Threadneedle Investments. He expanded bets on positions in commodities this summer after worries about an oversupply of oil led to a sell-off.

In the stock market, investors are buying the dip more quickly than they used to. The S&P 500 recouped the bulk of its 5.3% two-day post-Brexit decline, in June 2016, in only three trading days.

It took just three days for the S&P 500 to recover from a 1.8% drop in May—its largest one-day decline of the year—following reports that President Donald Trump asked then-FBI Director James Comey to drop an investigation into former National Security Adviser Michael Flynn.

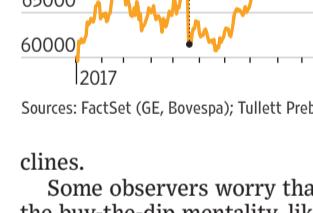
That is a faster recovery than when the S&P 500 fell 11% over a six-day stretch in August 2015 and then took until November of that year to get back to its pre-selloff level.

Even when prices drop, declines that in prior years might have deepened or spread more broadly are now quickly contained, investors say. Riskier assets such as the Turkish lira and Brazilian exchange-traded funds have bounced back almost immediately following recent de-

A Buy-the-Dip World

Assets across the globe have rebounded quickly after sudden selloffs. GE shares declined but closed up after the company fell short of earnings expectations. Turkey's lira bounced after a dispute with the U.S., and Brazil's stocks rebounded after corruption allegations against the president.

General Electric's share price on Oct. 20



Sources: FactSet (GE, Bovespa); Tullett Prebon (lira)



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clines.

Some observers worry that the buy-the-dip mentality, like the persistent decline over the past year in daily stock-price swings known as volatility, could point to an underlying complacency that will end with a big selloff.

"People have just gotten so immune to any pain and anguish in any of these markets that when it happens it is going to be very psychologically painful," said Marilyn Cohen, the Los Angeles-based president and owner of Envision Capital Management.

In the case of General Electric Co., shares tumbled 6.3% in early trading on Oct. 20 after the conglomerate missed analyst earnings expectations and slashed its forecasts. But buyers quickly stepped in on GE's heaviest trading volume session in nearly two years, and the stock ended 1.1% higher.

An analysis of the type of the size of trades made that day indicate that most dip buyers were smaller investors or high-frequency professionals that trade in quick bursts, rather than large institutions that tend to transact in larger chunks.

In the days that followed, GE shares resumed their fall after several analyst downgrades and concerns that the company would have to cut its dividend. Shares closed Friday at \$20.79, below the \$23.58 they settled at the day before

GE reported earnings. The Brazilian real plunged against the dollar, while Brazilian shares tumbled 8.8% on May 18, after the country's Supreme Court approved an investigation of President Michel Temer amid bribery accusations. Three months later, the Bovespa Index was back at records and the volatility failed to weigh on other emerging-market stocks.

The Turkish lira fell 2.3% against the U.S. dollar on Oct. 9, a day after the U.S. and Turkey stopped issuing nonimmigrant visas to each other's citizens—and then bounced back two days later, erasing more than half of the declines.

Isolated drops in major developing markets were less typical in prior years, said Seema Shah, global investment strategist at Principal Global Investors.

"Hot money is not what it once was," she said. "Investors are starting to think about whether these political crises are really going to affect the underlying economies."

Some investors say this danger could intensify if an upsurge in inflation prompts the Fed and other central banks to raise interest rates or pare back bond buying more quickly than investors expect.

That could drive bond yields higher, which could make stocks and riskier bonds less appealing than safer assets that for years have carried ultralow yields.

WORLD NEWS

Bombing Suspect Arrested In Greece

BY NEKTARIA STAMOULI

ATHENS—Greek antiterrorist police arrested a man on suspicion he was involved in sending letter bombs that injured a former Greek prime minister and an employee of the International Monetary Fund.

The 29-year-old man is suspected of being a member of a Greek far-left anarchist group, Conspiracy of the Cells of Fire, a police official said.

The man was spotted bringing parcels to the post office on five occasions, according to the official. He was arrested in an apartment in central Athens that was rented with a false identity.

Former Prime Minister Lucas Papademos was rushed to hospital in May with leg and torso injuries when he opened a letter bomb in his car in central Athens. He was in hospital for more than a month.

In March, an IMF staff member at the organization's Paris office suffered injuries to her hands and face when a parcel exploded as she opened it. Another had been delivered to the German Foreign Ministry addressed to the then finance minister Wolfgang Schäuble.

Greek authorities also intercepted another eight parcel bombs addressed to European Union leaders, institutions and large companies.

The Conspiracy of the Cells of Fire group claimed responsibility only for the Berlin letter bomb, but vowed to widen their attack on Greece's "oppressors." Due to the similarity of the letters, Greek police believe the group was also behind the rest.

Greek police say the group was responsible for a wave of parcel bombs sent to embassies in Athens in 2010.

Italy Faces Life Without Stimulus

BY GIOVANNI LEGORANO

ROME—When European Central Bank President Mario Draghi embarked on a policy of buying government bonds, it was an especially welcome lifeline for Italy, then reeling from soaring interest rates and trapped in its worst economic crisis since the war.

Now, as the central bank unwinds the stimulus program known as quantitative easing 2½ years later, Italy is an important test case for the long-term success of Mr. Draghi's policy.

Years of cheap money and a robust recovery elsewhere in Europe is nudging Italy to its fastest economic growth in seven years. But while thriving on stimulus, Italy has failed to take big steps on changes such as cutting red tape and reducing the cost of labor.

"QE has been important, but that's enough," said Carlo Messina, CEO of Italian banking group Intesa Sanpaolo SpA. "Italy has got to get used to living without it. It has to learn that reforms are important."

Quantitative easing was instrumental in helping Italy pull itself out of its worst downturn since the war. Low rates helped kick-start the economy; mortgages as low as 1% helped housing prices recover. Companies renegotiated their debt; corporate interest rates fell to an average of 1.60% this summer from 3.60% in 2012.

The weak euro kick-started exports. The trade surplus with non-European countries widened by almost 50% to €40 billion (\$46 billion) in 2016 from two years earlier. All that bumped Italy to its current growth rate of 1.5%—good for Italy, but the worst in the euro zone.

The sharp fall in interest rates under QE provided a windfall to the Italian government, which shells out €70 billion a year to service its debt, the world's third-highest.



Monti, who held the post for 17 months from 2011 to 2013.

Several efforts to cut public spending have fallen well short of their goals, with the government concerned that tighter budgets would choke off the recovery.

Italy's banks are slated to sell about €60 billion in bad debts this year, but that leaves them with more than €200 billion. And they remain among the least-profitable lenders in Europe.

The stronger euro is already starting to bite in a country that depends on external demand to stimulate growth. "For people like us [a few cents] count a lot," said Enore Ceola, chief executive of Mionetto USA, a distributor of Prosecco sparkling wine. He says that if the euro remains around current levels his costs will rise by about 7% next years.

"Tapering is a much bigger problem for Italy than for the eurozone as a whole," says Jack Allen, economist at Capital Economics.

And now, political concerns loom. National elections, currently expected in March, are expected to produce a hung parliament, according to analysts including Lorenzo Codogno, founder of LC Macro Advisors Ltd..

That could mean a broad left-right coalition that is too weak to push through unpopular measures such as a reform of Italy's civil service or opening up closed professions. Nervousness about tapering and the elections have already driven a slow-motion flight out of government debt.

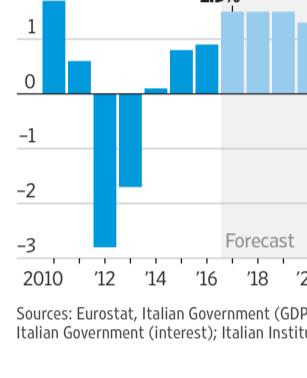
"Everyone in Italian politics thinks...the situation isn't as critical as it [is]," said Klaus Schrader, an economist at the Kiel Institute for the World Economy. Thus, Italy's economic decline is "a sluggish lingering process....This is a danger."

—Todd Buell
contributed to this article.

Jolt From Frankfurt

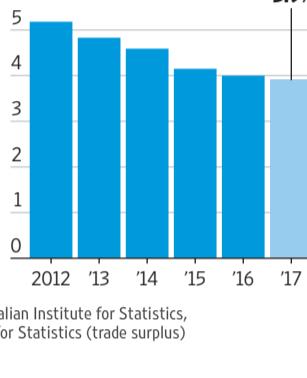
The European Central Bank's stimulus policy helped Italy recover from recession, supporting growth by pushing down interest rates and boosting exports.

GDP growth rate



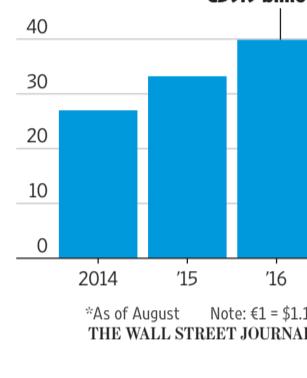
Sources: Eurostat, Italian Government (GDP); Italian Institute for Statistics, Italian Government (interest); Italian Institute for Statistics (trade surplus)

General government interest payments as percentage of GDP



*As of August 2016 Note: €1 = \$1.16

Italian trade surplus with non-EU countries



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From the time QE was introduced in March 2015, the Italian Treasury made its debt cheaper for Italy by lengthening the average duration of Italian debt to 6.9 years from 6.4 years at lower interest rates.

The Treasury even sold €5 billion in 50-year bonds last year at just 2.85%, a price it paid for three-month Treasury bills at the height of the sovereign-debt crisis. Italy saved roughly €15 billion in interest

payments during QE, some of it plowed into measures that stimulated hiring.

Italian banks also have used the rally in bond prices during QE to reduce their holdings of Italian government debt, a major worry during the sovereign-debt crisis. They have cut their holdings by 30% on average.

UBS economists said they expect interest rates to remain low for some time and Italy's debt to be sustainable for the

medium-term.

But without the tailwinds of ultraloose monetary policy, the government expects Italy's growth to fall back to 1.3% by 2020, citing a slowdown in domestic demand.

"While necessary and beneficial, quantitative easing has had to some extent an anesthetic effect in Italy, quelling the impulse to do more and more quickly in terms of structural reforms," said former Prime Minister Mario

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IN DEPTH

CHINA

Continued from Page One
Communist Party deeper into the world's second-largest economy.

Mr. Xi emerged from a recent party congress with five more years as leader and power comparable with that of Chairman Mao Zedong. One of his top priorities is to restore the party as a force in people's lives and recapture its revolutionary sense of mission.

Under Mr. Xi, the party has pushed to exert greater state control over the economy and rein in some market-oriented experiments of recent years. Chinese regulators recently proposed that the state take 1% stakes in major Chinese internet companies.

Friction created by the party's more assertive presence is rippling across China's corporate landscape. One area of tension is whether party members should be allowed to meet during work hours, conduct meetings on company premises or be given time off for party activities, executives and party officials say. Some foreign companies are concerned that party operatives, over time, may gain influence over management decisions or create an alternative power center.

Foreign companies haven't publicly criticized China over the initiative. Several Western executives said in interviews that open dissent would be corporate suicide in a critical market.

The party's inroads into foreign operations are often very visible. At the Chinese arm of French cosmetics firm L'Oréal SA, communist employees decorate their desks at the company's Shanghai headquarters with stickers saying, "If there's a problem, look for a party member."

In June, L'Oréal China placed signs featuring hammer-and-sickle emblems at its Shanghai staff cafeteria. In Chinese, the signs say that the cafeteria serves the party and other groups, while in English they call it an "employee service station." A L'Oréal spokeswoman says the cafeteria is open to all staff.

French auto maker Renault SA's Chinese joint venture this year started organizing lectures to educate new foreign staff on the party and its role in Chinese society. Party members at the Beijing arm of German engineering firm Bosch Rexroth AG often spend Saturdays studying Mr. Xi's speeches.

Bosch Rexroth says its associates in China are free to "follow their diverse interests," including party activities. Renault didn't respond to requests for comment.

Dow Chemical Co. and insurer Prudential Financial Inc. both initially resisted party work in their China ventures, according to Chinese officials who now praise the two U.S. companies for subsequently embracing the party's presence. A Dow spokeswoman said the party unit at its main Chinese plant isn't involved in operational management. Prud-



Visitors to Walt Disney Co.'s theme park in Shanghai, where the local staff includes around 300 Communist Party of China members.

WANG GANG/ZUMA PRESS

dential, which is involved in a joint venture, declined to comment.

The intrusion of politics into the workplace adds to the challenges faced by foreign businesses in China, including intellectual-property theft and sharper competition from local firms.

The Chinese government's information office, in response to queries, described the party's role in private business as a positive force, like an auxiliary human-resource department. It said party organizations advise company managers on government policies, help businesses cultivate talent and resolve friction with workers. The party, the office says, doesn't interfere with the management of foreign companies and joint ventures.

In the Mao era, the Communist Party reached into every corner of Chinese life. That influence receded as the command economy was dismantled and private enterprises and foreign businesses—organizations prohibited for decades—made a comeback.

Rejuvenating the party as a force in people's lives is a priority for President Xi. The Communist Party now numbers about 89 million—about 6.5% of China's population. Among them are corporate leaders and entrepreneurs, who were officially welcomed into the party in the early 2000s.

Some employees go away for weeks to take political classes at a party academy.

Some employees go away for weeks to take political classes at a party academy.

A May 2015 edict from the Politburo led by Mr. Xi ordered organizations and businesses to set up party cells to strengthen the party's leadership across Chinese society.

Last year, Mr. Xi told a group of business leaders to guide staff to honor the "glorious tradition of listening to the party's words and following the party's path."

Officials stepped up enforcement of a decades-old rule saying all organizations with three or more party members should set up party cells.

These vocational games were the brainchild of a Spanish youth-group leader in the late 1940s. The first was in 1950 between Spain and Portugal. Today, the biennial event is organized by the private international WorldSkills committee and funded by governments, corporate sponsors and host countries. The 2015 championships were in Rio de Janeiro. In 2019, the host will be Kazan, Russia.

The group's stated mission: "Advocate the need, value, and results of skilled work and professional training for young people so that industries, regions, and countries will thrive in the global economy."

Winners get medals—gold, silver, bronze—and bragging rights. Some countries reward their winners with cash or scholarships for further training. Nearly all contestants get an edge in their professions, say contestants and country representatives.

For Mr. Savant from India, the goal was to beat his predecessor's sixth-place finish in

Mixing Business and Politics

China's President Xi Jinping is pushing to expand Communist Party influence over privately owned businesses.

Chinese Communist Party composition, 2016



Source: Organization Department of the Communist Party of China

Chinese law requires eligible businesses to set up party organizations and facilitate their activities, which mainly involve study sessions on Beijing's latest directives and collection of membership fees.

Party data show 68% of non-state-owned enterprises had set up party organizations by the end of 2016, up from 54% four years earlier. Among companies in China with full or partial foreign ownership, roughly 74,000 firms—70% of the total—had set up party units as of last year, compared with 47,000 firms that did so by the end of 2011.

"The Communist Party is becoming a new stakeholder in businesses," says Andy Mok, managing director of Beijing-based business consultancy Red Pagoda Resources. "This introduces the risk of tensions arising in companies over policy and personality clashes, as the party becomes a more dynamic actor in businesses."

Mats Harborn, president of the European Union Chamber of Commerce in China, says more pressure is being exerted on private Chinese companies and Chinese-foreign joint ventures than on wholly foreign-owned businesses to allow party activities.

In July, the European Chamber met with executives from seven companies facing more assertive party organizations.

Many faced demands from Chinese partners to amend joint-venture agreements to enshrine formal roles for in-house party groups, people familiar with the matter say.

Executives at a major European manufacturer argued with party officials at its Chinese joint ventures after company managers tried to set limits on party activities, according to a veteran executive at the company. The company held firm and allowed only three party meetings a year on its premises, and only after business hours, the executive says.

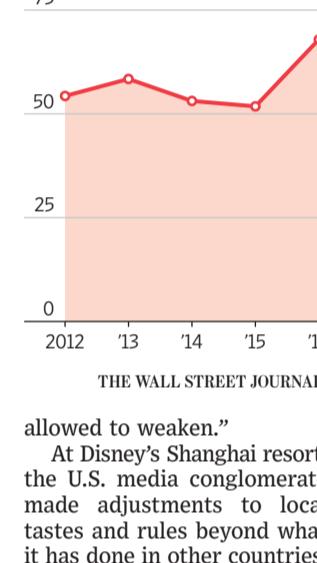
'Pushing envelope'

"We're concerned that the party is pushing the envelope and creeping into the company," he says.

Chinese authorities have complained about some Western business practices. The Beijing Investment Promotion Bureau, a municipal agency, said the foreign corporate tradition of keeping staff salaries secret makes it harder to assess party dues, which are pegged to members' wages.

"Party cells at foreign firms face a special work environment," Xu Ying, a Beijing party official overseeing personnel matters, said in March, according to a bureau notice. "But the political leadership that party cells provide cannot be

Percentage of privately owned enterprises with party branches



THE WALL STREET JOURNAL.

allowed to weaken."

At Disney's Shanghai resort, the U.S. media conglomerate made adjustments to local tastes and rules beyond what it has done in other countries. Disney has a minority stake in the park itself, but owns 70% of the joint-venture company that runs it.

Its Chinese partner, state-owned Shendi Group, says Chinese negotiators required the joint venture to guarantee the right to set up a Communist Party unit and hold activities. State media described the park's party organization—established in 2011 with 14 members—as a "bridge of enchantment" between the American and Chinese management.

"At the time, the American management didn't quite understand this," Shendi Chairman Fan Xiping told *Jiefang Daily*, Shanghai's flagship party newspaper, in a June report marking the resort's first anniversary. It quoted Mr. King, the resort's vice president for public affairs, as saying that the party organization has created value for shareholders.

A Disney spokeswoman said the company has "always been fully aware of the laws and regulations in whatever country we operate in, and always adhere to them." A Shendi spokesman said his company must consult Disney before commenting, as they "cooper-

ate closely" on party affairs. He didn't respond to further queries.

The resort has roughly 300 party members now, about double the number from three years ago, out of its 11,000 full-time and 7,000 contract employees. A party-activity center, adorned with Mickey Mouse silhouettes, opened this year in an administrative area outside the park.

April meeting

Days after The Wall Street Journal contacted Shendi, the company removed from its website several photos related to an April meeting on the resort's party activities. One photo showed Mr. King sitting beside the resort's deputy general manager and party chief, Jean Zou. A screen behind them read "party-building" meeting.

Mr. King told the Journal the photo was taken when he spoke about the resort's operations at a media gathering organized by Shendi.

One workday afternoon in August, more than 70 party members gathered at the resort's party-activity center to hear a retired Shanghai propaganda official share his views on international affairs. Ms. Zou, a party member of two decades, presented the speaker with a Mickey Mouse doll as a token of appreciation.

At one joint venture between a European company and China's state-owned energy giant China Petroleum & Chemical Corp., some young employees who were party members went away for weeks to attend political classes at a party academy, according to a former European executive who recently left the venture, in which the Chinese firm—also known as Sinopec—held the majority stake. Sinopec didn't respond to requests for comment.

"How would you feel if some of your best workers go away for party studies for a month?" asked the former executive, who says productivity suffered as a result. "But the Chinese managers were enthusiastic. They see it as a positive."

A task of party cells in private businesses is to track down estranged members and persuade them to rejoin party activities, party officials say. In Shanghai, party consultants, often retired party officials, are fanning out to help private firms incorporate political work into their business routines, such as by conducting regular meetings to study party policies.

Wang Liangyue, who for decades managed party activities at Chinese and foreign companies, now supervises party affairs at an industrial park in Shanghai's Jiading district. He says he encourages the dozens of businesses there to set up party cells and facilitate their work.

"We go door to door and talk heart to heart," says the 63-year-old Mr. Wang. A recurring challenge, he says, are executives who prioritize profits over politics and skip party meetings by citing client meetings and work trips.

—Kersten Zhang in Shanghai and Ben Fritz in Los Angeles contributed to this article.

SKILLS

Continued from Page One
part of the country's National Skills Development Corporation, "and the other thing it creates is role models."

Mr. Savant, the welder, had trained two years for the starting signal that went off on the first day in Abu Dhabi. He dropped a protective mask over his face and fired up his welder. Sparks flew as he attacked his first task.

When the contest started for Jordyn Baker, 19, a puff of flour dust rose around her as she dove into her first dough preparation. A student at a California culinary school, she was America's entrant in bread-baking.

Within hours, she would produce four braided-bread loaves, six focaccia, 10 basil-pesto rolls, 15 quiches and enough dough for a dozen rye-bread loaves and several of orange-cranberry bread.

Representing the Netherlands in the "visual merchandising" category was Pien Hoveling, 21, a design-school student and two-time pan-European visual-merchandising champion.

As her event began, she unpacked "mystery materials" for

a store-window display she was to design over the next four days. The task: Build a handbag display aimed at women aged 20 to 40 with the theme "Trip to LA."

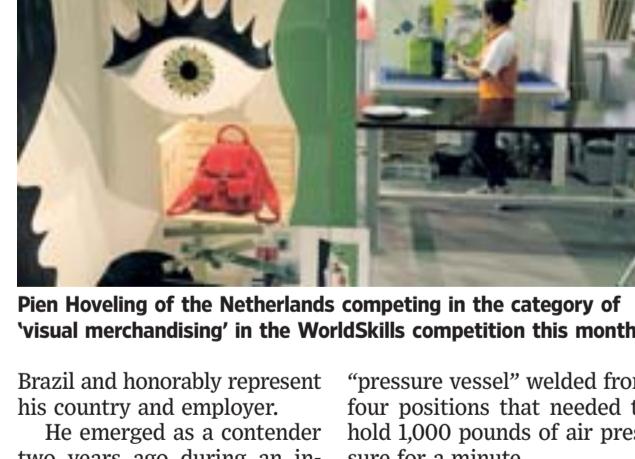
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Pien Hoveling of the Netherlands competing in the category of 'visual merchandising' in the WorldSkills competition this month.

practiced nearly daily for more than six months on bread-making techniques including, when necessary, how to "crash-laminate" croissant dough—chilling it quickly when one isn't able to do it slowly overnight. That knowledge came in handy when she fell behind in Abu Dhabi. She "blast chilled" dough in an ultracold freezer to make up time while baking 15 croissants.

Like an Olympics star, she was under the close eye of her coach. "Did you hydrate the cranberries?" fretted her coach, Kellie Puff, during one task. "Don't worry," Ms. Baker replied, "they weren't too hard."

As the contest played out into its fourth day, tensions were high. For Ms. Hoveling, the store-window designer, it had been grueling. The materials for one task, secret from competitors until the start, included a plastic pear and mango, fake flowers and the products: a bright-red women's handbag and backpack.

Armed with paints, a step ladder, drills, hammer, screwdriver, rulers and an Apple computer, she set to work.

She had spent thousands of hours practicing the technical skills of window display. "She's fanatical," said her father, Alex Hoveling, watching from the

sidelines.

Seventeen hours, 59 minutes and 50 seconds of competition later, Ms. Hoveling put final touches on her display as the crowd counted down along with a large timing clock on the wall: "...10...9...8..."

On went a heat-protection glove for an adjustment to the light. "...3...2..."

A last quick fiddle to smooth a wrinkle in the fabric runner, and she pulled back her hand as the clock hit zero. A crowd gathered around the competitors and erupted in cheers.

Teams of experts gathered through the evening to add up scores and determine winners.

Ms. Hoveling's performance turned out to be good for gold. The next night on the podium, she accepted the medal, jumping up and down draped in the flag of the Netherlands.

"I'm so happy," she said in the winner's circle. The key to her victory: "Work very hard and believe in yourself."

Mr. Savant placed 24th of 34 in welding. Ms. Baker finished 12th of 34.

Despite the disappointment of seeing her bread centerpiece wilt in Abu Dhabi's climate, Ms. Baker was thrilled to have taken part. "It was a mind-blowing experience."

GREATER NEW YORK



All Cadets Learn to Take a Punch

At West Point, the 4,000-plus students are required to enroll in its boxing classes

By STEPHEN NAKROSIS

WEST POINT, N.Y.—On the grass fields at the U.S. Military Academy, cadets with rifles crawl across the turf while instructors bark orders.

Inside a sweaty gym here, a plebe, or first-year cadet, is working on her left hook.

All 4,000-plus cadets at West Point are held to strict academic standards and are expected, at all times, to behave in a manner befitting future officers in the U.S. Army.

They also have to learn how to box.

Ray Barone, the coach of the West Point collegiate boxing team, said boxing allowed the instructors to "take a person, put them in a fearful situation and try to see how they react."

The initial lessons take students through the protocol of preparing to enter the ring. They learn how to protect their hands with wraps, how to properly use headgear and mouth guards and how to stand and move in the ring.

Students are matched by size, skill and experience.

"In class, it is crawl, walk, run," Mr. Barone said. Students are taught "how to move, how to throw and defend a jab. Once these skills are learned, other more advanced offensive and defensive techniques are taught in the same crawl, walk, run fashion."

When students are finally allowed to enter the ring, they are given "rules of engagement," Mr. Barone said.

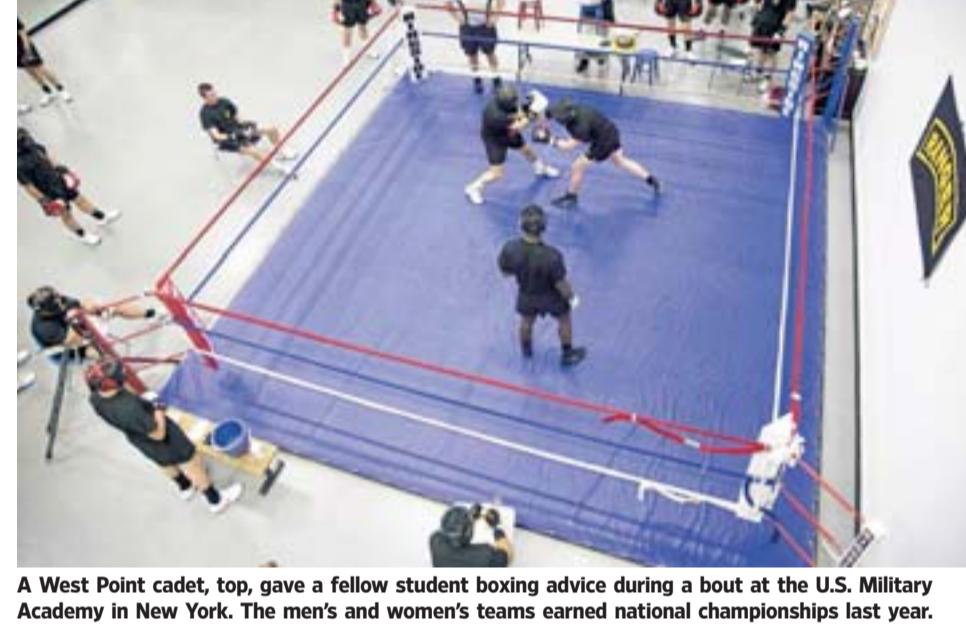
There are limits to the number of power punches which can be thrown to the head, for instance.

The students are required to fight. They move around the ring, hands held high, throwing jabs and working to avoid being hit in return.

The room echoes as cadets yell advice to their classmates in the ring.

"Throw the jab."

"Move your head."



A West Point cadet, top, gave a fellow student boxing advice during a bout at the U.S. Military Academy in New York. The men's and women's teams earned national championships last year.

West Point Has a Proud Boxing Past

Since early in the last century, following a suggestion by President Theodore Roosevelt, boxing has been taught at the U.S. Military Academy at West Point.

Last year, for the first time since female cadets were admitted in 1976, boxing classes became mandatory for cadets of both sexes.

The West Point boxing team has won eight National Collegiate Boxing Association championships for men during the past 10 years.

Both West Point's men's and women's teams earned national championships last year.

Boyd Melson, Class of 2003, boxed on the West Point team and won the World Military Boxing Championship in 2004.

He was chosen as an alter-

nate for the U.S. Olympic team and later compiled a 15-2-1 record as a professional boxer.

The boxing program "helps you learn who you are," said Mr. Melson, who is now running for Congress from New York.

"Those lessons are priceless. When people ask what I learned from West Point, I say how not to get overwhelmed," he added.

—Stephen Nakrosis

"Push him back. Push him back."

At the end of the fight, cadets applaud both the winner and the loser.

First-year cadet Joe Canterbury, who had boxed as a high-school student in Texas, said cadets were taught "how to fight and not just brawl."

His classmate Issac Cunialata said: "It's incredible how they take us from zero knowledge and bring us up to grinded bouts."

Mr. Barone said the health and safety of the students takes priority over everything else.

"We bring them along slowly," he said. "We don't throw them off the deep end," he said.

West Point is a member of the CARE Consortium, a De-

fense Department and National Collegiate Athletic Association alliance working to study and mitigate concussions in sports.

"We acknowledge the risks inherent in boxing," said Col. Nicholas Gist, head of the physical-education department at West Point, "and we have means to mitigate those risks."

Richelle Radcliff, a senior cadet and a co-captain of the women's boxing team, said she was excited the boxing program was open to women, becoming mandatory last year.

Boxing teaches "fast decision-making skills, what you need when you're an officer," she said.

Ms. Radcliff said her mother, who played field hockey in Cuba, accepted the

fact that she was on the boxing team. But Ms. Radcliff said her grandmother would tell her, "Pretty ladies don't box."

Egbeziom Obiomon, co-captain of the men's team, said he was recruited to play football at West Point but had to leave the football team after he injured his hamstring.

He said his instructors noticed he did well in the boxing class and invited him to join the team.

Although he was a football recruit, he said his parents have no qualms about his boxing career.

"They wished I'd picked a different sport at first," he said, but they became OK with his choice "after I won the nationals in my sophomore year."

said the hold up is due to the large number of vendor proposals that had to be vetted.

"Each proposal had to be evaluated fairly to ensure a fair process," the spokeswoman, Natalie Grybauskas said.

Most other New York counties have online bail payment, said Debby Dengel, head of

marketing at GovPayNet, a private company that runs payment systems in 35 states including New York.

Queens City Councilor Rory Lancman, chairman of the Committee on Courts and Legal Services, said the delay is inexplicable. "There are an appalling number of people who spend some amount of time on Rikers Island because the process of paying bail is so onerous and difficult for their family members that they're just trapped," he said.

An online bail-payment system will be an improvement, but the goal should be to eliminate cash bail entirely, said Peter Goldberg, head of the Brooklyn Community Bail Fund. Online payment won't help people who simply don't have enough money for bail, he said.

Democrats Seek To Divert Votes in Key House Races

By MIKE VILENSKY

Democratic activists are working to register New York City members at their second homes outside the city ahead of 2018 U.S. House races.

The idea is to shift votes from the heavily Democratic city to swing districts where they could have more impact.

On Long Island, retired English teacher Jane Flinter, 63 years old, visited and sent mail to homes there belonging to people registered to vote in New York City. The pitch: Vote instead on Long Island.

"Second homeowners have a vested interest in protecting the rural character of the North Fork," said Ms. Flinter, who lives there full time and said she got more involved in flipping the district after attending the Women's March this year.

The strategy has been deployed by New York Democrats before with mixed results. Republicans have sometimes used the strategy to their advantage by warning voters against the encroachment of New York City in pastoral communities.

"This is nothing new," said a spokeswoman for Republican Rep. Lee Zeldin of Long Island. "[Democrats] are probably losing...votes from these games by turning off the district's full-time residents."

This cycle, Democratic activists said, is different, due to a surge of New York voters energized by the election of Republican President Donald Trump in an upset victory last year over Democrat Hillary Clinton, who won New York City and state.

Activist groups with names such as "Vote Smart" and "Vote Where It Counts" have sprung up to help New Yorkers register where their votes could be most pivotal. Some are affiliated with national groups seeking to flip the House for Democrats, like Indivisible and Swing Left, while others are local grass-roots efforts.

In particular, Democrats are eyeing Mr. Zeldin's Long Island seat and a Hudson Valley-area seat held by U.S. Rep. John Faso, a first-term congressional Republican.

Both are districts with roughly the same numbers of Democrats and Republicans, and the types of races Democrats need to win to regain congressional power.

Upstate, Democrat Ellen Schorsch, 59, recently registered to vote at her Greene County home instead of Yonkers, where she rents an apartment, and has shown up at farmers markets with registration forms encouraging others to do the same.

Ms. Schorsch said she took a closer look at where her vote could be more consequential after Mr. Trump's election. "I don't feel represented in up-state New York," she said.

A spokesman for Mr. Faso, Cam Savage, pointed out that the past two Democratic can-



Democrats are taking aim at seats held by GOP Reps. John Faso, top, and Lee Zeldin.

candidates to run for the seat, who both had roots in New York City, lost.

"This latest effort is a clear acknowledgment their latest crop of New York City candidates don't have support within the district either," he said.

It is not clear how many second homeowners are in these districts, or how many of them are Democrats, but the numbers are likely sizable.

Officials with just one county in Mr. Faso's district, Columbia, said about 20% of county tax bills are sent to homes outside of Columbia County, an area of roughly 62,000 people.

The idea is for city voters to cast ballots at their second homes in swing districts.

In 2016, Mr. Faso beat Democratic challenger Zephyr Teachout by about 25,000 voters, state election results show.

Hudson Valley real-estate agents said much of their clientele hails from the largely Democratic New York City, where city dwellers have long bought homes in the surrounding region for the slower pace of life.

Even as liberal activists sought to boost Democratic numbers in these areas, some Democratic candidates were wary of embracing the tactic.

"My campaign does not need any new voters," said Gareth Rhodes, a former aide to Democratic Gov. Andrew Cuomo now running in a crowded Democratic primary to challenge Mr. Faso next year. "The folks who have lived here for years will hold Faso accountable."

A Soggy Manhattan Skyline



WALKIN' IN THE RAIN: People strolled Sunday along a wet Brooklyn Promenade on the fifth anniversary of superstorm Sandy.

Delay in Web Pay for Bail Rankles Advocates

BY THOMAS MACMILLAN

Months after the city promised it would be operational, New Yorkers still don't have a way to pay bail online, a delay that advocates contend results in unnecessary jail time for defendants.

Last November, Mayor Bill de Blasio announced that the city would be creating an online bail-payment system that would be operating by the spring. The new system would mean defendants wouldn't have to wait in jail as people trying to bail them out travel to payment locations, such as a Department of Correction facility, and often wait in long lines.

The latest prediction from the mayor's office is that the system will be functioning by the end of the year. A spokeswoman for the mayor's office



An online pay system may be operating by year-end, city says.

said the hold up is due to the large number of vendor proposals that had to be vetted.

"Each proposal had to be evaluated fairly to ensure a fair process," the spokeswoman, Natalie Grybauskas said.

Most other New York counties have online bail payment,

marketing at GovPayNet, a private company that runs payment systems in 35 states including New York.

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An online bail-payment system will be an improvement, but the goal should be to eliminate cash bail entirely, said Peter Goldberg, head of the Brooklyn Community Bail Fund. Online payment won't help people who simply don't have enough money for bail, he said.

"It is concerning, because it means more people are spending time in jail," said Joshua Norkin, who heads a Legal Aid unit working to end pretrial detention.

Most other New York counties

have online bail payment,

said Debby Dengel, head of

GREATER NEW YORK

Sony Building Revamp Aims for Upscale Tenants

BY KEIKO MORRIS

The new owner of the Manhattan office tower with the Chippendale-inspired top hopes a \$300 million overhaul will place it in a class of upscale buildings charging some of the highest rents in the city.

Owner Olayan America and its development partner **Chels-**

field America

PROPERTY

say the revamp is focused on

making the

lower portion of the 1984

granite-and-steel building into

a transparent, light-filled and

amenity-packed space. It is de-

signed—by architects Philip

Johnson and John Burgee—to

place the 41-story building on

the same level as such trophy

properties as the General Mo-

tors Building, aiming for rents

from \$115 to \$210 a square

foot, the company said.

That is an aspiration that

will face challenges in today's

office market, real-estate bro-

kers and executives said. New

office buildings rising in the

far West Side and south of

Midtown's traditional office

district have intensified the

competition for a limited pool

of high-paying tenants, real-estate executives said.

The renovation of 550 Madison Ave. has to be better than well done, said Michael Shenot, a managing director at real-estate services firm JLL. "It has to be somewhat awe-inspiring to get those rents throughout the building," he said.

Olayan America, the U.S. in-

vestment arm of private Saudi

Arabian conglomerate **Olayan**

Group, acquired the 850,000-

square-foot building for \$1.4

billion from the Chetrit Group

in 2016. Though more than 30

years old, the now-empty

building has a number of fea-

tures tenants prefer today,

such as high ceilings, office

space without columns and

large glass windows, company

officials said. Mr. Johnson also

included two, 20,000-square-

foot floors of amenity space.

Mary Ann Tighe, head of

the New York Tri-state region

for CBRE Inc., which is mar-

keting and leasing the tower,

said, "Johnson knew a 21st-

century workforce before we

knew who we were."

Olayan said it is sparing no

expense to ensure the renova-

tion, expected to be completed



A rendering of the \$300 million renovation of the Sony Building on Madison Avenue in Manhattan.

in 2020, is done right. "We're building this to be leased and held for generations," said Tony Fusco, managing director and head of Olayan America's real-estate division.

The revamp, designed by Snohetta, will replace the building's systems with more efficient, modern equipment and dramatically change the lower part of the structure. The plans include a 21,000 square-foot, public garden in the back of the building, almost doubling the privately owned public space that exists

within a closed atrium.

The building's front granite facade will be partially replaced by scalloped glass exposing steel cross beams and revealing the lobby and two levels of tenant amenity space.

"What all this does is bring it down to human scale," said David Laurie, managing director of Chelsfield America.

The redevelopment's amenities will be key, real-estate brokers said. Office landlords of new and older towers are investing heavily to provide fitness centers, more dining

options, common tenant conference rooms and lounge settings, real-estate brokers said.

In 2014 and 2015, more than 80% of all leases signed with rents topping \$100 a square foot took place in the Plaza District, loosely defined as the area between 53rd and 61st streets from Sixth to Park avenues, said Jeffrey Peck, executive managing director at real-estate services firm Savills Studley. In 2016, the percentage fell to 67%. So far this year, 63% of these top-dollar leases took place in the Plaza District.

GREATER NEW YORK WATCH

TRANSPORTATION

MTA Urged to Meet Safety-System Goal

Sen. Chuck Schumer urged the Metropolitan Transportation Authority to meet a 2018 deadline for installing crash-prevention technology on Metro-North Railroad and Long Island Rail Road, saying delays would be unacceptable.

Rail officials have expressed concern about meeting the deadline. "Safety must come first," Mr. Schumer, a Democrat from New York, said Sunday at a news conference. The MTA received a nearly \$1 billion federal loan for the project, which is about 54% complete, agency officials said. The MTA said it is moving "aggressively" to meet the deadline.

—Kate King

NEW JERSEY

Crash Kills Fleeing Driver, Police Say

A driver was killed in a head-on crash shortly after fleeing from another collision, Lakewood police said. German Alonso Velasquez Gonzalez, 41 years old, of Toms River, rear-ended a car on Route 88 Saturday but drove away, police said. He was killed after sideswiping another car and crashing into a third, police said.

—Associated Press

A \$500 Million Residential Project Planned for Crown Heights

BY PETER GRANT
AND KATHERINE CLARKE

Veteran developer Ian Bruce Eichner has taken a big step toward his latest dream: A \$500 million, 1.2 million-square-foot residential project in the Crown Heights section of Brooklyn that would set aside half of its units as affordable housing.

Mr. Eichner has a tentative deal to obtain construction financing for the project from the **AFL-CIO** Housing Invest-

ment Trust, he said, which is a mutual fund that invests for union pension funds. As part of the deal, the project would only use union workers, a major goal for organized labor in New York City, which is losing its status as a union town.

Mr. Eichner, who is partnering on the project with Lincoln Equities Group, said the venture is days away from closing on a deal to pay about \$75 million for the land, which consists of about 3 acres at Franklin Avenue and

Montgomery Street. The venture wants to erect four buildings that would range in number of floors "from mid-20s to the mid-30s," said Mr. Eichner, who heads Continuum Co.

The venture has begun talks with the city planning department to start a rezoning process that would enable it to build that high. Part of the plan would be to earmark about 800 units for below-market rents, which would make the development one of

the city's largest such affordable projects on private land.

A Planning Department spokeswoman said the city hasn't yet received a formal application for the project.

The project will still be scrutinized by the local community board, which has been tough on developers.

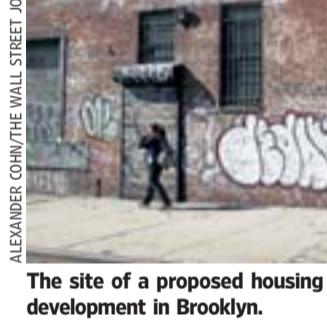
Mr. Eichner said he is planning a "robust" effort to include the community in terms of recruiting workers and tenants for the project.

The deal marks the latest

sign that the Brooklyn development juggernaut is continuing even as New York City's rental market is softening.

Median rents in Brooklyn rose to \$2,460 a month in the third quarter of this year, up 0.6% from the third quarter of 2016, according to StreetEasy.com. That marked the slowest growth rate since 2011, StreetEasy said.

If all goes well, the Crown Heights project would break ground in the first quarter of 2019, Mr. Eichner said.



ALEXANDER COH/NY THE WALL STREET JOURNAL
The site of a proposed housing development in Brooklyn.

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LIFE & ARTS

MENS FASHION

Champagne Suit, Beer Budget

Luxury retailers hope lower prices, finer fabrics and Italian tailoring will woo younger customers

tailors want in on the affordable-suit action and hope their versions will be a gateway to the Brioni and Kiton suits they carry, priced from \$5,000 to \$8,000 or more.

"We recognize the fact that young men today are the luxury consumers of the future and we want to grow with them," said Tom Kalenderian, executive vice president and general merchandise manager of men's at Barneys New York. This fall, the retailer began carrying Italian-made suits that cost \$995, among the lowest-priced suits Barneys carries online and at its Boston, Las Vegas and San Francisco stores. The collection, John Vizzone x Barneys New York, is the work of Mr. Vizzone, the creative director of Paris-based clothing label Cifonelli and a former creative director for Ralph Lauren's higher-end Purple Label collection.

In November, Mr. Porter plans to introduce a private-label collection called Mr P., with suits priced at \$705, making them some of the least expensive suits it carries.

Mitchells in Westport, Conn., and Richards in Greenwich, Conn., family-run high-end specialty stores, started carrying Atelier Munro's suits costing \$1,295 and \$1,395 this fall, its lowest price made-in-Italy suits. Italy is known for its tailoring and fabrics.

The decision to carry the suits stemmed in part from the desire to "attract a new clientele of people who maybe perceive us to be too expensive or too traditional," said Bob Mitchell, co-CEO of Mitchell Stores, which includes Wilkes Bashford in San Francisco and Mario's in Portland and Seattle. Mario's, which Mitchells bought two years ago, carried the label and enjoyed some success with it. Mr. Mitchell said the suits mark the retailer's second offering in that price range and are a small percentage of the suits it carries. They help round out the stores' assortment and could also appeal to some longtime customers.

This latest wave of gentler-priced suits comes from Barneys New York, Mitchells and Richards of Connecticut, and Mr. Porter, retailers that have long carried suits with intimidating high prices from brands such as Brioni and Kiton aimed at men with offices rather than junior execs with cubicles. So men starting their first office job or otherwise looking for affordable suits often ruled out these high-end stores. Now these luxury re-



Signs of Quality

Super Wool: Better-quality suits often list the grade of wool by numbers such as super 120s. The higher the 'super' number, the finer the wool. Super 120s wool can be a good starting point. The John Vizzone x Barneys suits are made with wool in ranges of Super 120s and Super 130s. Ask for the Super number if it's not listed on the label.

Lofty Lining: The type indicates attention to detail. Look for linings in Bemberg or Cupro fabrics. John Vizzone x Barneys suits use Bemberg lining; Mr P. suit jackets are partially lined with Cupro.

Hand Work: Though the quality of machine stitching has increased greatly over the years, any hand craftsmanship reinforces quality. Forty percent of a John Vizzone x Barneys suit is made by hand, including the armholes, collar attachment, sleeve hems and preparation of the chest's canvas, which gives the jacket its shape.

good quality. The new suits carried by these high-end retailers expand on the idea of improving the quality of an affordable suit. There are some tradeoffs, but not as many as in the past.

An entry-level Brioni suit, priced at \$5,395, is handmade and hand-tailored, not machine-made like many less-expensive suits. The wool is finer, with a designation of Super 160s, compared with Super 100s and 120s usually found in more affordable suits. Brioni also uses a higher-quality lining, and its jackets have a sewn-in canvas interlining to help give the jacket its shape, rather than fused or glued in. The suits are made in Italy.

John Vizzone x Barneys suits are made in Italy of Super 120s and 130s fabric and are 40% handmade, including armholes, collar attachment and sleeve hems.

These retailers are investing in suits even as suit-wearing has been on the decline as office dress codes have eased. But, they argue, there remain men who are required to wear suits at work or need them for special social events, and those who simply like suits.

Wearing a suit can take "one less thing off the list every day," said Mr. Kalenderian of Barneys. "When they have to be somewhere for an important breakfast meeting, probably the last thing they want to do is think about putting together a complicated outfit. You don't want to be challenged by 'Oh my God, what outfit am I going to put on today?' The suit of armor obviously served a purpose. It put the thought process out of the equation."

One could say, then, that retailers have done their math.



GATEWAY SUITS

Left, a John Vizzone x Barneys stretch-wool suit is priced at \$995; above, a Mr P. suit in navy, for \$705, from online retailer Mr Porter.



WHAT MAKES A BRIONI
The \$5,395 entry-level suit, left, is handmade in Italy of Super 160s wool. Right, Brioni hand-tailoring.



ART & AUCTIONS

LONG-LOST TROVE HEADS TO SOTHEBY'S

BY KELLY CROW

FORMER BANCO SANTOS president Edemar Cid Ferreira once covered the walls of his São Paulo home with Man Ray photographs, Louise Bourgeois prints and paintings by Jean-Michel Basquiat, Francis Picabia and others. But when Brazilian authorities arrested Mr. Ferreira in 2006 for an alleged \$1 billion money-laundering scheme, the walls were bare.

The vanished collection set off a global scavenger hunt, with investigators and creditors chasing leads long after Mr. Ferreira was convicted of money-laundering and sentenced in federal criminal court in Brazil to 21 years in prison. Mr. Ferreira has appealed the case and declined, through his lawyer, to comment.

This month, U.S. authorities announced a breakthrough, saying they had rounded up

95 works Mr. Ferreira once owned that together are worth at least \$10 million. The art was in warehouses across France, Panama, England and the Netherlands, according to the U.S. Attorney's Office for the Southern District of New York. Two paintings in the group were in galleries in New York.

Joon Kim, the Acting U.S. Attorney, who said Mr. Ferreira's art had been "used to mask an audacious criminal scheme," signed documents turning the trove over to a Brazilian judicial administrator handling the estate of Banco Santos, which failed in 2005.

The bank's estate, which is seeking to compensate creditors, plans to enlist Sotheby's to auction some of the works, said Arnaldo Lacayo, a

lawyer with Sequor Law, a Miami firm helping the bank's estate track down Mr. Ferreira's assets. A Sotheby's spokeswoman confirmed that the auction house has been

Please see BRAZIL page A13



More art once owned by Edemar Cid Ferreira, left, has been recovered. At a 2014 ceremony, above, authorities displayed a painting by Serge Poliakoff that had been in Mr. Ferreira's collection.

LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

Fiendishly Fit on the Ice at 40

Boston Bruins captain and 20-year veteran Zdeno Chara has a diabolical routine for keeping up with NHL players half his age

AT AGE 40, Zdeno Chara is still keeping up with guys born after his pro career began. Now in his 20th National Hockey League season, Mr. Chara, the league's third-oldest player and the captain of the Boston Bruins, shows no signs of slowing down. The Slovak defenseman is known throughout the league as a workout fanatic. He also hates to lose, whether it's a hockey game or a pull-up contest. "On a scale of 1 to 10, I'm an 11 when it comes to competitiveness," he says.

Mr. Chara gets his drive from his father, Zdenek, a former competitive Greco-Roman wrestler who ran a sports academy for cyclists and other athletes in Slovakia. From a young age, Mr. Chara would tag along to the gym and competitions. "I liked how cycling is a precise formula of diet and training," he says. Mr. Chara spends much of his off-season on a bike and has trained on roads that have been parts of Tour de France mountain stages.

"I like the challenge of finding comfort doing uncomfortable stuff," he says. "The harder, the better." He has tracked his workouts for the past 25 or so years. "I keep all of the data—the number of sets and reps, how much I lifted, how I felt—and at the end of each season I reevaluate and create a new program for the following summer," he says.

At 6-foot-9, Mr. Chara is the tallest player in NHL history. That size comes with its advantages and disadvantages. It allows him to cover a lot of ice and generate a ton of force. He has the velocity record for the hardest shot at the All-Star Skills Competition, at 108.8 miles an hour. But a bigger body also makes him a bigger target for collisions. If anything has changed with his workout over the years, he says it's the attention he places on recovery.

He entered this season weighing 250 pounds, with 5% body fat. "Regardless of age and sport, there aren't many athletes who can boast that build," says Mike Macchioni, the Bruins' sports performance coach.

The Workout

Leading up to the season, which began in early October, Mr. Chara averaged four to six hours of training a day. He worked out on his own for one hour each morning, then joined the team for a two-hour strength session at the gym. He put in an hour or two on the ice then recovered with foam rolling, massage and



Zdeno Chara, works at the Boston Bruins' gym, above and left, and practice rink, right. Mr. Chara in a game in Las Vegas, below.

rarely doing more than three repetitions a set, six max. "But every rep is executed to perfection," he says. He performs most core work standing upright: This includes a variety of rotational movements that work the obliques. "Exercises we do perform on the ground are in positions where the spine is stabilized, while the arms and legs go to work, as they would during skating or battling in the corners," Mr. Macchioni says.

To train skating muscles, Mr. Chara also does a drill called the band-assisted partner pushdown. One person loops a large exercise band around their waist. The other person anchors the band with one hand and pushes their partner into a lateral squat position with the free hand. The person in the squat immediately explodes back into the upright position.

The Diet

"Everything I put in my body has a purpose," Mr. Chara says. When he wakes he has a big glass of water. "Your body has just gone without liquids for seven to nine hours," he says. Breakfast is oatmeal, eggs, toast and a juice of vegetables, like beets and carrots, and super foods, such as goji berries.

He has his carbs in the morning

and sticks to protein and vegetables the rest of the day. Salmon, chicken, avocado and chickpeas are staples of lunch and dinner. He snacks throughout the day. "You never want to feel so hungry that you'll put anything in your mouth," he says. In the off-season, he splurges on red meat.

The Gear

"I like to keep things simple when it comes to gear," he says. "I care about how I feel and perform, not how I look." Mr. Chara likes New Balance sneakers and wears True Pro Custom skates. He rides Trek mountain and road bikes.

Staying Strong in Middle Age Means No Slowing Down

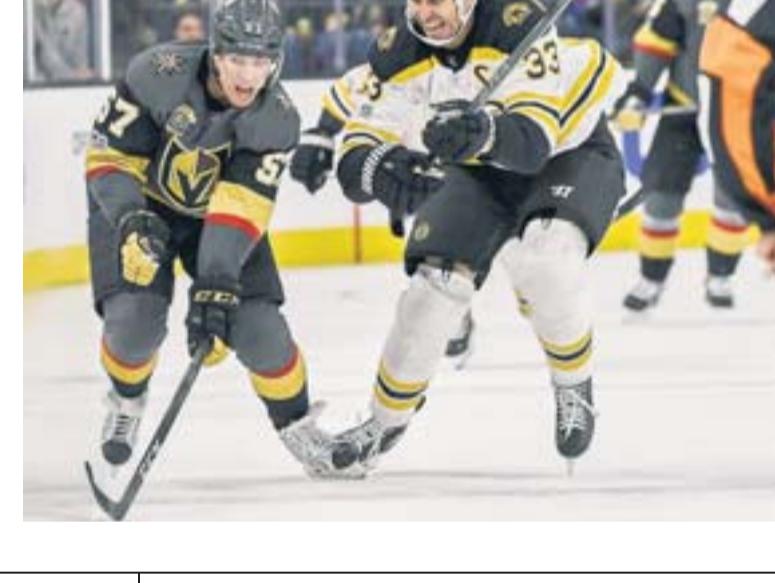
Athletes like the NHL's Zdeno Chara are proving that age is just a number. People think they need to slow down as they age, says Walt Thompson, the Atlanta-based president of the American College of Sports Medicine. Without intervention, the aging process slows us all down.



"Muscle strength generally peaks at around the age of 25 and plateaus for about another decade or so before starting to decline," Dr. Thompson says. With age, we also lose elasticity of ligaments and tendons—most notably in the low back and in the hips—and calcium in the bones, he says.

Regular aerobic activity and strength training can slow down, and in some athletes nullify these effects, he says. "The trick is to maintain the same level of physical activity over the years," he says.

Trying to keep up with the workouts of our 20s in our 40s requires more sleep, better nutrition and more attention to recovery and flexibility he says. Avoiding excessive alcohol and sugar, integrating stretching and flexibility into your routine and maintaining a challenging intensity during workouts will help you stay at the top of your game, he says.



FROM TOP: SIMON SIMARD FOR THE WALL STREET JOURNAL (3); GETTY IMAGES

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LIFE & ARTS



CULTURAL COMMENTARY

A Haunting Haze

Carl Theodor Dreyer's 'Vampyr' is an essential milestone of the macabre

BY DAVID MERMELSTEIN

FEW MOVIES ask more of our imaginations than "Vampyr" (1932), directed by Carl Theodor Dreyer, the pre-eminent Danish filmmaker of the 20th century. Technically a talkie, the 73-minute picture is practically a silent in nearly every way, including its scant use of spoken dialogue. In the tradition of the silent horror films that preceded it, "Vampyr" makes its points and chills the air far more by inference than by demonstration, its narrative muddled but its images and atmosphere uncanny and unforgettable. Now the film has made it to Blu-ray, in a lavish edition from Criterion timed to Halloween.

"Vampyr" was Dreyer's first film following "The Passion of Joan of Arc" (1928), one of silent cinema's supreme masterpieces. But the two pictures couldn't be more different. While "Joan" details human horrors visited on a saintly innocent, "Vampyr" dwells in the realm of the supernatural, its protagonist a largely neutral, voyeuristic figure. The mise-en-scène in "Joan" is one of extreme close-ups and almost blinding whites; in "Vampyr" much is shrouded in haze, the composition often baroquely detailed, and the camera frequently a safe distance from the action.

"Joan" was filmed near Paris on the most expensive set then constructed for a French motion picture. "Vampyr" was shot on location in and near the small village

of Courtempierre in central France. And whereas time is telescoped in "Joan," with many real events compressed for narrative urgency, charting the plot in "Vampyr" proves difficult given the various dimensions in which events happen. Or perhaps don't happen; it's never entirely clear. But both films share, and profit from, the incomparable cinematography of Rudolph Maté, who later worked with William Wyler, Alfred Hitchcock and Ernst Lubitsch. (Another thing the pictures shared was their initial failure at the box office.)

Dreyer shot "Vampyr" in three languages (French, German and English), but the 1998 restoration used as the basis for this edition is in German and therefore subtitled. Normally that wouldn't be a prob-



A man in a tricorn holding a scythe in 'Vampyr,' left, and Jan Hieronimko as the doctor in Dreyer's film, above

lem, but text is central to this film—long descriptive intertitles appear early in the movie and close-ups of pages from a book called "The Strange History of Vampires" later serve as an instruction manual for ensuring the demise of the undead—so American viewers must be grateful for an option that substitutes English text wherever possible.

The film opens with a natty young traveler, Allan Gray, arriving at what seems like a deserted inn. Napping, he is visited by an old man who entrusts him with a package to be opened only on his death. Soon thereafter, Gray (played with strange yet appealing blankness by Julian West, later a celebrated fashion editor whose real name was Nicolas de Gunzburg) discovers a world of shadow figures he feels compelled to track, eventually encountering a fully corporeal, if disheveled, doctor (Jan Hieronimko, reportedly an esteemed Polish academic off screen). The doctor reappears later, when Gray is a guest at the chateau of the now-deceased old man, who has left two daughters, one already a vampire's victim, the other imperiled. To say more would spoil this film's abundant surprises, and vainly attempt to explicate much that is mysterious. At one point, for example, three iterations of Gray appear to exist simultaneously, with two sometimes in the same frame.

In fact, this film's defining fea-

ture, and a source of both frustration and ineluctable interest, are its never fully elucidated images and sounds, many only fleetingly perceptible. Among the most indelible are the grossly disfigured man Gray encounters at the inn, the shadow gravedigger whose spade appears to be filling a plot from no visible soil source, the cries of children and dogs whom no one but

Gray seems to hear, the wagon wheels inexplicably suspended in the vampire's lair (in reality an abandoned ice factory), and, most disturbing of all, the man in the tricorn, first seen only from behind, holding a menacing scythe as he approaches the river. And what are we to make of the film's final image—no spoiler here—the gears of an old mill slowing to a halt?

In addition to the English-text version of the film, Criterion's edition (which also exists on standard-definition DVD) offers other tools to help novice viewers comprehend this challenging but essential milestone of the macabre. But the most useful supplement is the full-length commentary track from the British film scholar Tony Rayns, who in his authoritative yet chatty tone continually reminds us that understanding Dreyer's "Vampyr" is far less important than surrendering to it.

Mr. Mermelstein writes for the Journal on film and classical music.

BRAZIL

Continued from page A11
asked to review the works for potential sale.

Major pieces include Henry Moore's "Woman," a life-size bronze figure that had been stored in France, as well as Rufino Tamayo's abstract view of a couple, "Casal de Marcianos 1975 (Two Figures)," which was stored in Florida. There also is a Lucite cube sculpture by Anish Kapoor and works by Brazilian mainstays Adriana Varejão, Vil Muniz and Jac Leirner. Among the older works is an etching by Eugène Delacroix.

The fate of Helen Frankenthaler's 1965 blue-and-gold abstract, "Sea Strip," offers a glimpse into the circuitous path of some of the art. Mr. Ferreira paid Christie's \$197,900 for "Sea Strip" in late 2004—a year before his bank failed and a time when authorities said he was starting to ship crates of art to warehouses in Europe for safekeeping. Later, a friend of his wife sold "Sea Strip" to Edward Tyler Nahem Fine Art in New York for an undisclosed sum. John Cahill, a lawyer for the gallery, said Mr. Nahem had been told that the painting was from a corporate collection.

Once alerted to its true origins, Mr. Na-

hem got into a title dispute with the bank's estate, Mr. Cahill and Mr. Lacayo said, because the dealer had bought the work in good faith. Both sides said they have since reached a settlement to sell the work jointly. Right now, the Frankenthaler is the only recovered work that isn't immediately headed to Sotheby's, Mr. Cahill said.

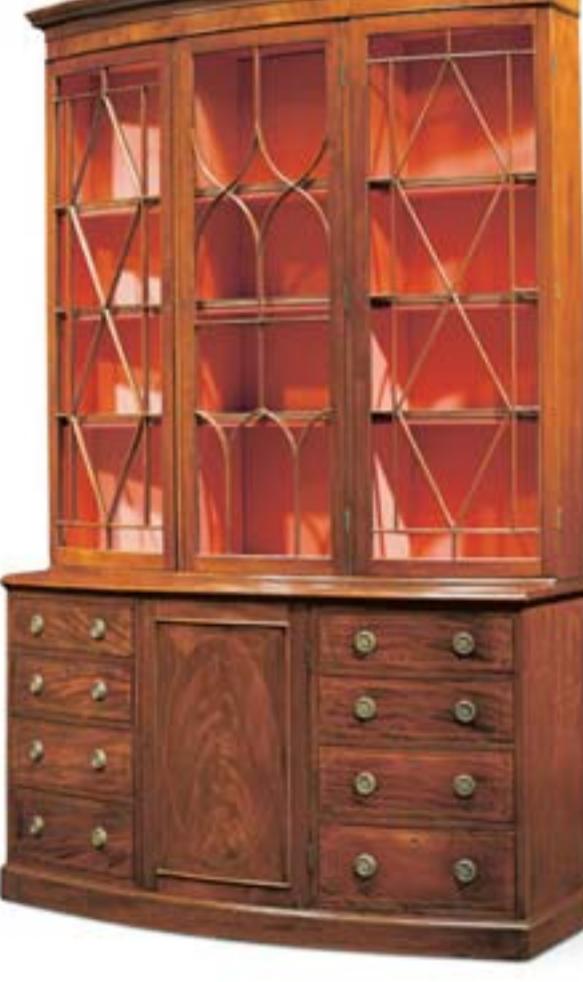
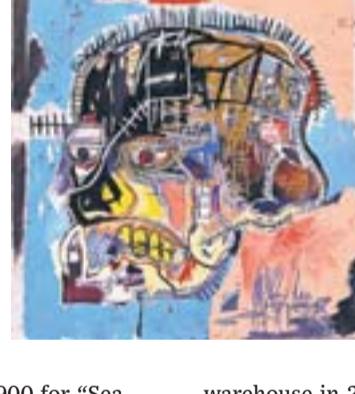
Before this month, only a handful of

works from Mr. Ferreira's collection had been found and returned—including a Roman statue and Basquiat's 1981 "Hannibal," a skull portrait on a turquoise background. The work, with its dark slashes, spiky lines and splotches of bright color, is considered a signature piece by Basquiat, who started out as a graffiti artist. Mr. Ferreira bought the painting in the 1990s for less than \$100,000 and had it shipped from the Netherlands to a New York

warehouse in 2007 after his conviction, authorities said. U.S. Customs took a closer look when the work arrived because its declared value was \$100.

Last fall, Sotheby's helped the bank's estate sell "Hannibal" to Japanese billionaire Yusaku Maezawa for \$13 million.

"Hiding illicit proceeds in art happens all the time," said Mr. Lacayo of the asset-recovery firm helping the bank's estate. "At least in this case we're unraveling it."



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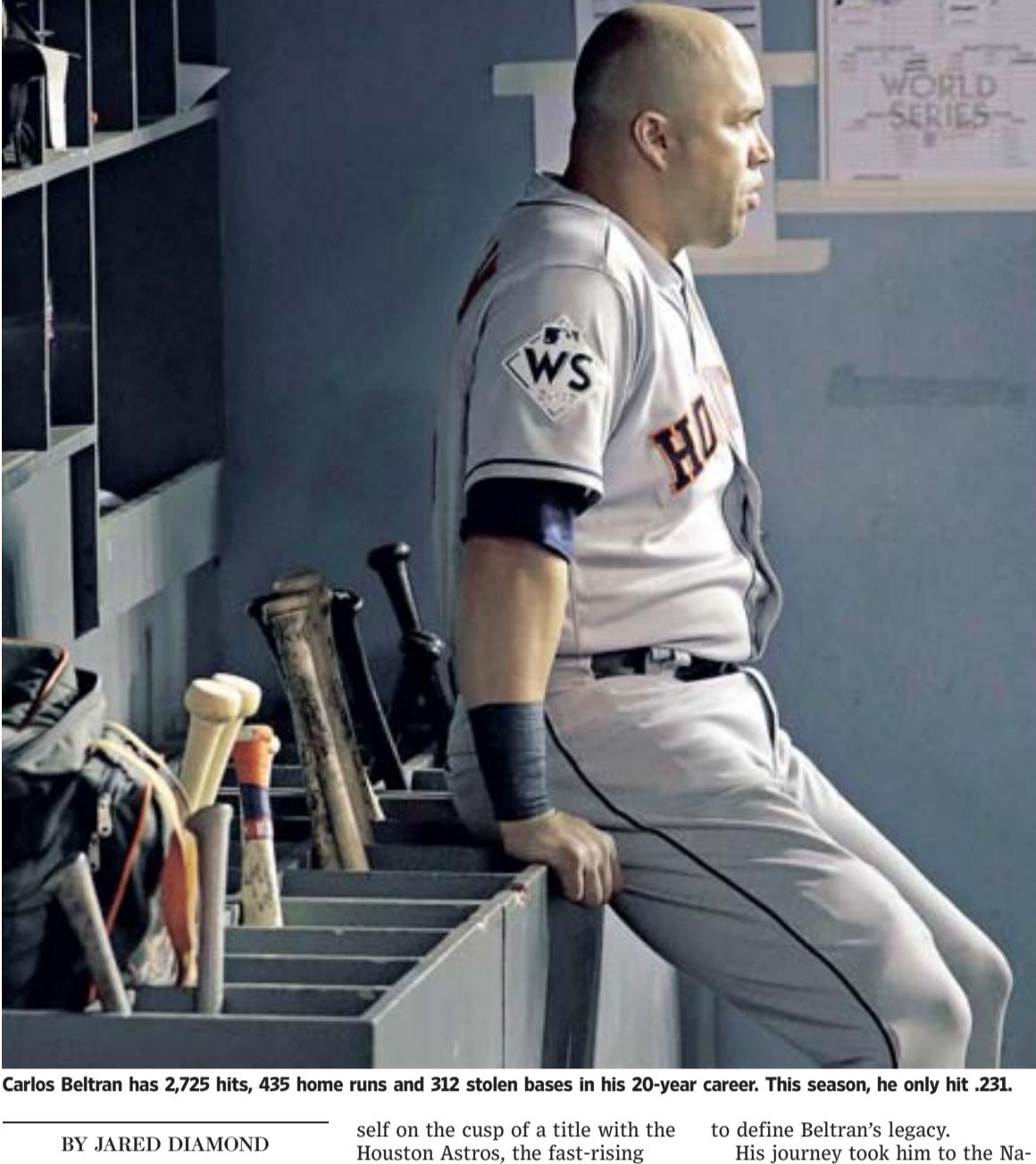
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SPORTS

WORLD SERIES

20 Years, 7 Teams, 0 Rings



Carlos Beltran has 2,725 hits, 435 home runs and 312 stolen bases in his 20-year career. This season, he only hit .231.

BY JARED DIAMOND

CARLOS BELTRAN recognizes the frustrating puzzle that his career represents.

At age 40, the Houston Astros slugger will retire one day soon with a résumé that boasts more than 2,500 hits, 400 home runs, 300 stolen bases and an on-base-plus-slugging percentage over .810. That's a suite of statistics matched only by Willie Mays, Barry Bonds and Alex Rodriguez.

But one crucial achievement has eluded him: a championship. His inability to win a title—despite seven trips to the postseason with five teams—has rendered him perhaps baseball's most underappreciated star, rather than one of its most glorious. And for a long time, it weighed at him.

"Before, I had a lot of pressure," Beltran said. "It would mean everything. This is what you dream as a ballplayer. I have never been able to accomplish that."

Now, Beltran again finds him-

self on the cusp of a title with the Houston Astros, the fast-rising team that brought him in as a veteran presence in 2017. With the World Series tied at two games apiece heading into Sunday's Game 5, a ring is in Beltran's sights, if not quite his grasp. But this time, Beltran is trying to enjoy the ride—no matter how it ends.

"If I don't win it, it wasn't meant to be," a reflective Beltran said earlier this week, attributing his thoughtful new perspective to experience. "I'm fine. I'm fine. I'm happy. I wish we could win it."

It seems fitting that Beltran's chance at glory would come with Houston, the city in which he first built his reputation as an elite postseason performer.

Traded to the Astros from the Kansas City Royals in June 2004, Beltran put on a show for the ages that October, blasting eight home runs in 46 at-bats. Even though the Astros bowed out one win short of a pennant, that outburst more than a decade ago continues

to define Beltran's legacy.

His journey took him to the National League Championship Series with the New York Mets in 2006, where an Adam Wainwright curveball buckled his knees and left him frozen to end Game 7.

Carlos Beltran has Hall of Fame-type numbers, but a World Series title would cap his career.

Thirteen years after his magical run with the Astros, Beltran returned to Houston as a free agent as an entirely different player, his knee ravaged by injury. He hit just .231 with a .283 OBP for the Astros, fifth-lowest in the majors. A three-time Gold Glove winner, he played 14 games in the outfield, serving primarily as a designated hitter. Inside the Astros' locker room, however, nobody commands

more respect.

"There's not a person in our clubhouse, coach, player, executive, that's not rooting for him in particular to finish strong and get a ring," Astros manager A.J. Hinch said. "He's as remarkable as anyone I've ever been around."

Hinch would know as well as anybody. He played alongside a baby-faced Beltran with the Royals in 2001 and 2002, seeing him develop into one of baseball's most exciting all-around contributors. Hinch spent time with four different major-league teams as a player but calls Beltran "the best player that I ever played with."

The rest of the Astros understand the stakes for Beltran. They realize the end of the road draws near, and an opportunity like this may never arrive again. Before the World Series, multiple Astros singled out Beltran as an additional motivating factor, wanting to give him the championship they think he deserves.

"A lot of us have talked about it behind the scenes," catcher Brian McCann said. "I tell guys all the time, you may never come across another Carlos Beltran in your career, a guy with his presence and résumé that will take the time to take you to dinner, give you two hours of his time on a daily basis to teach you the game, to teach you what it takes to be better."

Before too long, Beltran hopes to turn teaching from his de facto job into his full-time occupation. He aspires to slide into a coaching spot after stepping away from playing, with the goal of parlaying that into a managerial position. McCann said that whatever Beltran "puts his time and energy in, it will be successful."

To Beltran, managing represents a natural progression from his current role as a leader, especially among young Latinos finding their way through the system. While nearly 30% of MLB players hail from Latin America, the managerial ranks feature just two, including Alex Cora, the Astros bench coach recently hired by the Boston Red Sox. (That number will likely soon climb to three, with Dave Martinez expected to finalize a deal with the Washington Nationals.)

With his playing time dwindling, Beltran views his responsibilities as a leader as almost equally important to his value on the field. Before the World Series, he spoke to the young Astros about remembering to appreciate this moment, because it may never come around again.

For Beltran, the end could come as soon as this week, after this World Series. "The good thing is I've got a lot of doors open in the game of baseball," Beltran said. "Whatever I decide to do will be related to the game."



Texans players are unhappy with team owner Bob McNair's comments.

NFL

THE TEXANS TAKE A KNEE

BY ANDREW BEATON

A MAJORITY of Houston Texans players took a knee during the national anthem Sunday in a direct rebuke of the team's owner, Bob McNair, whose comment at a recent NFL owners' meeting that "we can't have the inmates running the prison" sparked outrage.

This latest demonstration marks a major setback for the league, which has sought to move past the anthem protests that have drawn the ire of some fans and President Donald Trump. The issue has threatened the league's popularity, caused consternation for sponsors and raised questions about potential financial ramifications for this billion-dollar business.

But when the topic came up at the recent meetings between NFL team owners, they ultimately decided not to adopt any sort of rule change that would require the players to stand during the national anthem. Instead, they decided to continue to work with the players on the social issues that were the root of these protests in the first place, with the hope that the small number of players who continued to kneel would eventually reach zero on its own.

That effort took a conspicuous step backwards with most of the Texans taking a knee during the anthem before their game in Seattle against the Seahawks. Some other players who stood placed a hand on the shoulder of a kneeling teammate.

This came after McNair's comments were reported by ESPN on Friday, after which players expressed their anger, with star receiver DeAndre Hopkins skipping practice that day.

In the wake of this controversy, McNair said he regretted using that expression, and he apologized to "anyone who was offended by it." McNair met with the team's players on Saturday and said he was not referring to the players in his comments.

The WSJ Daily Crossword | Edited by Mike Shenk



MONSTERS, INC. | By Harold Jones

Across

- 1 Where to find your heart line
5 Nuisance
11 Wonder mixed with dread
14 Margarine
15 Possible answer to "Where are you?"
16 Haddock's cousin
17 Some shelter workers
19 Gear with teeth
20 Homes of the haut monde
21 Pianist's practice piece
23 Sound from an angry mutt
24 Cherished aspiration
- 26 Gauge features using physical pointers, for example
32 Way station for desert travelers
33 Way station for desert travelers
34 Avoid honesty
35 Ocean motion
36 Strung along
37 Not wild
38 Kimono sash
39 Command to the maestro
40 Wyoming's Grand _____ National Park
41 Color akin to chartreuse
44 Tot's wheels, for short
45 Sprinted
46 Grouch of kids' TV
- 48 "You Might Think" band
52 No. on a school transcript
53 Be extremely successful
57 Ewe's mate
58 Brand name on glue bottles
59 Online auction site
60 Sixth sense, initially
61 Allows to pass
62 Workout count Down
- 1 Container for peas
2 Soothing lotion additive
3 Table parts
4 Home buyer's loan
5 Small restaurant

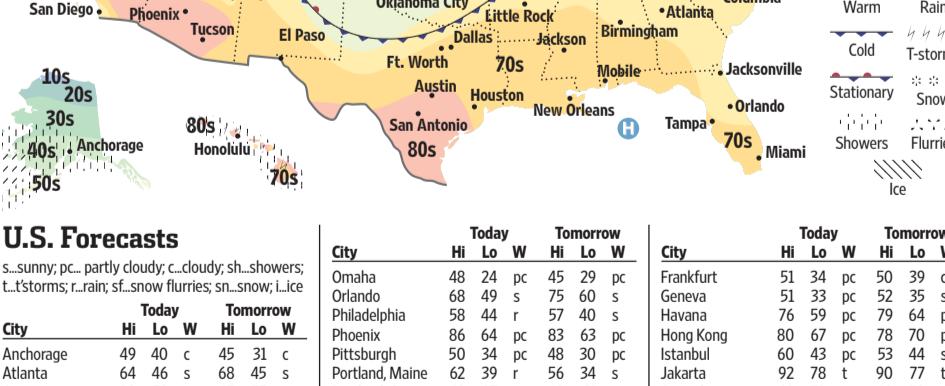
- 6 A single time
7 In this way
8 TV's "___ Haw"
9 Do the wrong thing
10 Does some lawn repair
11 Gather
12 Balsa or beech
13 Border
18 Some British peers
22 Underlying principle of Chinese philosophy
24 Old auto named for a Spanish explorer
25 Parade spoiler
26 It might be airtight
27 Place where people rarely meet?
28 German author who wrote "The Sorrows of Young Werther"
29 Circle spokes
- 30 Shakespeare's title Athenian
31 Spotted
32 Word on a red octagon
36 Take a tongue to
37 Many a first-time voter
39 Salon supply
40 Stretch of land
42 Singer's syllable
43 Like diner food, often
46 Monster incorporated into the four long Across answers
47 Relaxing destinations
48 Very, at Versailles
49 Parsley, sage, rosemary or thyme
50 Yokel
51 Football play starter
54 Bullfight cheer
55 World clock standard: Abbr.
56 Network: Abbr.

Previous Puzzle's Solution

DENIM	SEDER	CBS
ASPICA	EXUDE	LAP
SCRUMPTIOUS	MASS	EMBER
RODMAN	TRADABLE	USUAL
UGH	ORATE	NARNIA
PEAT	MARIN	TWO ARTS
TABLETOP	RANGE	ADDRESS
ADULT	BADGER	PEACE
MEL	AMIN	CLUBBER
ILL	TIC TAC DOUGH	LANG
OTHER	EULER	ROCK
LES	NOUSE	WOOZIE
	DIALS	WOOZY

The contest answer is HUBERT H. HUMPHREY. Each of the theme entries suggests a same-letter trigram; another way to say SCRUMPTIOUS is MMM; CLUBBER LANG was in "Rocky III"; a possible win on TIC-TAC-DOUGH is OOO; the DURHAM BULLS are a Class AAA team; and an Internet ADDRESS usually starts with WWW. By parenthetical clue number those spell W?OAMI, so the missing letter (34-Across) must be an H to spell the question "Who am I?" The contest answer is the former vice president, who was known in shorthand as the missing HHH.

Weather



U.S. Forecasts

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

Today Tomorrow

City Hi Lo W Hi Lo W

Anchorage 49 40 c 45 31 c

Atlanta 64 46 s 68 45 s

Austin 80 52 s 67 55 c

Baltimore 58 39 s 58 34 s

Boise 59 32 pc 67 37 pc

Boston 62 46 r 59 42 s

Burlington 63 43 r 54 36 pc

Charlotte 62 40 s 69 42 s

Chicago 48 34 pc 44 30 pc

Cleveland 50 36 pc 48 34 pc

Dallas 76 49 s 62 50 r

Denver 34 22 sn 48 35 c

Detroit 49 36 pc 46 33 pc

Honolulu 85 74 pc 85 73 sh

Houston 79 59 s 76 63 pc

Indianapolis 50 32 pc 46 33 pc

Kansas City 51 27 pc 46 31 pc

Las Vegas 83 63 pc 77 56 c

Little Rock 68 40 s 57 41 pc

Los Angeles 71 62 pc 68 59 sh

Minneapolis 47 35 pc 45 31 pc

Nashville 65 36 s 57 39 pc

New Orleans 75 54 s 77 59 pc

New York City 57 45 r 56 43 s

Oklahoma City 59 37 s 53 38 r

International

Today Tomorrow

City Hi Lo W Hi Lo W

Amsterdam 52 47 pc 54 50 r

Athens 70 58 pc 65 53 pc

Baghdad 89 62 pc 87 63 s

Bangkok 88 72 pc 87 73 c

Beijing 59 34 s 60 41 pc

Berlin 46 35 pc 47 45 c

Brussels 52 40 pc 51 42 pc

Buenos Aires 71 49 s 76 54 s

Dubai 96 75 s 94 76 s

Dublin 54 47 c 58 47 pc

Edinburgh 48 45 r 56 51 sh

Glasgow 48 45 r 56 51 sh

London 49 29 pc 49 31 pc

Milan 49 31 pc 50 32 s

Moscow 50 34 pc 51 35 s

Paris 71 65 r 77 68 c

Tokyo 64 52 s 61 54 c

Toronto 50 36 pc 49 35 pc

Vancouver 55 39 s 53 43 s

Warsaw 42 32 pc 43 37 pc

Zurich 49 29 pc 49 31 pc

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

OPINION

Trump's States Need Nafta



AMERICAS
By Mary Anastasia O'Grady

Donald Trump's strategy to brand his political opponents swamp creatures may be what got him to 1600 Pennsylvania Avenue. But it's hard to see how it can continue to succeed when, in his zeal to zero out a trade deficit with Mexico, he has turned his sights on an important engine of growth in red-state America.

At a private luncheon with Republican senators last Tuesday, Mr. Trump reportedly shared his North American Free Trade Agreement negotiating strategy. According to Inside Trade, which spoke to senators who attended the gathering, the president believes that by issuing a notification of his intent to leave Nafta—which would trigger a six-month waiting period before the actual exit—he can force Mexico and Canada to make the concessions he wants.

"The president said there was no way to get the changes we need unless we get out, then have six months to negotiate," one GOP senator told the Washington-based trade publication. Mr. Trump reportedly did not say what those concessions are. The only clear goal, according to one unnamed senator, is ending the trade deficit with Mexico.

The "walk-away" strategy worries Sen. Pat Roberts of

Kansas, who told Inside Trade "that if you start the clock on Nafta [withdrawal] that's going to send very bad signals throughout the entire farm economy." America's farmers and ranchers exported \$17.9 billion to Mexico in 2016.

Mr. Roberts added: "And then to restitch that and put it all back together it's like Humpty Dumpty. You push Mr. Humpty Dumpty trade off the wall and it's very hard to put him back together."

Almost five million U.S. jobs rely on trade with Mexico, including jobs in auto manufacturing, auto parts, railroads, heavy equipment, machinery, oil and gas, steel fabricating, farming, ranching and food processing, as well as marketing, design, insurance, financial services and intellectual-property.

The pushback against Mr. Trump's Nafta assault is not coming from "coastal elites" contemptuous of what they refer to as "flyover country." It's coming from the "flyover" industrial and farming heartland itself, which has the most to lose.

Writing in the Kansas City Star on Tuesday, Kansas City Southern Railway Co. president and CEO Patrick Ottensmeyer noted that Mexico is Missouri's second-largest export market and Kansas' largest export market. Almost 100,000 Missouri jobs and 50,000 Kansas jobs depend on trade with Mexico. Exports from the two states to Mexico "have increased by more than

550 percent under Nafta," wrote Mr. Ottensmeyer.

On Wednesday some 80 food and agricultural business groups sent a detailed letter to Commerce Secretary Wilbur Ross warning the administration of the risks of withdrawal. "Contracts would be cancelled, sales would be lost, able competitors would rush to seize our export markets, and litigation would abound even before withdrawal would take effect," the letter said.

'Coastal elites' won't be hardest hit if the president nixes the trade agreement.

The auto industry is particularly vulnerable if Humpty shatters. On Thursday American auto makers, parts suppliers and dealers announced that they had "joined together for the first time in their collective history" in a coalition called Driving American Jobs that is designed to defend Nafta. The group noted that one million more vehicles were made in the U.S. in 2016 than in 1993, the year before the implementation of Nafta, which Mr. Trump calls "the worst trade deal ever made."

American protectionists say Mexico steals jobs, but that's fake news. According to a report by a Mexico-City-based economic consulting firm, the net creation of jobs in Mexico using American foreign direct

investment is minuscule compared with gross job losses in the U.S. Manufacturing is interconnected on the continent so employment on both sides of the border tends to move in tandem. When the region's economy does well, North American job opportunities expand and vice versa.

Mexican companies also create American jobs. Grupo Alfa's refrigerated-foods division buys American meat, supporting some 40,000 jobs north of the border. In Alfa's aluminum-auto-parts business, 4,500 of its 13,000 North American employees are Americans. More than 50% of its raw materials are sourced in the U.S.

Mexico has said it is eager to modernize Nafta. But with a Mexican presidential election in July 2018 there is no way the government is going to bow to the managed-trade demands of Mr. Trump, whose image inside Mexico is no better than that of James K. Polk, who presided over the Mexican-American War.

Mexico says that in a post-Nafta world it would buy its grain and meat in South America, prompting one wise senator to tell Inside Trade, "We're not in as strong a position as [Trump] thinks we are." As to manufacturing, companies are likely, at least initially, to pay any new U.S. tariff and pass the cost on to American consumers, essentially handing them a tax increase. Not exactly what Mr. Trump promised Middle America.

Write to O'Grady@wsj.com.

Dr. Google Will See You Now

By Marc Siegel

The patient came to see me already convinced she was depressed, having googled her symptoms. She was right. Her sadness, loss of motivation, sleeplessness, and work and relationship problems were classic symptoms. "Dr. Google" had done us both a favor.

But she had also googled potential treatments and settled on an antidepressant that was known for not causing weight gain. I was comfortable prescribing it, but it wasn't my first choice. She insisted. When I suggested a referral to a psychiatrist more familiar with the options, she balked, putting me in an uncomfortable position.

Google is getting into medical territory. It is joining forces with the National Alliance on Mental Illness so that now when you search for "depression" or "clinical depression" on a mobile device, you can click to "check if you're clinically depressed." The link goes to a PHQ-9 questionnaire, a screening tool "to help determine your level of depression and the need for an in-person evaluation," in the words of NAMI CEO Mary Giliberti.

One-fifth of Americans experience depression in their lifetimes, but only half of them receive treatment. Using a Google search to raise aware-

ness would seem to have no downside. But with no ready physician attached to the search and no one to help you interpret the results of your questionnaire, it is possible that this do-good exercise could cause more anxiety than it relieves.

Drs. Pamela Hartzband and Jerome Groopman wrote in the New England Journal of Medicine in 2010 that the internet is "redefining the roles of physician and patient."

Online self-diagnosis can be helpful. But leave the treatment to your physician.

Whereas information traditionally flowed from doctor to patient, now the web "offers virtually unlimited amounts of information." Some patients find this helpful and end up more informed. Others end up scaring themselves and obsessing over worst-case scenarios.

A 2015 Harvard study published in the journal BMJ found that online symptom checkers are often inaccurate: "Symptom checkers had deficits in both triage and diagnosis. Triage advice from symptom checkers is generally risk averse, encouraging users to

seek care for conditions where self care is reasonable." That would be a concern with the new Google app—it could drive the worried well to seek treatment for depression when they aren't clinically depressed.

Practicing physicians spend a lot of time responding to concerns raised by Google searches. This can be extremely helpful if the patient brings to light symptoms or problems that might otherwise have been overlooked. But it's difficult when patients become convinced they have a disease that doesn't actually afflict them.

Charles Marmar, chairman of psychiatry at NYU Langone Health, likes the idea of the Google/NAMI depression questionnaire. "One important dimension in the future of population health is going to be self-screening and monitoring for both mental illness such as depression, as well as physical illness such as diabetes or heart disease," he said.

"This screening should provide safeguards for privacy and needs to be accompanied with appropriate resources of where to go and the urgency with which to be seen." Dr. Marmar points out that since the PHQ-9 questionnaire includes an item for suicidal thoughts or intent, accessing it should provide information for urgent intervention.

Arthur Caplan, head of

Medical Ethics at New York University's medical school, offers some caution: "It is not clear how much privacy you can be assured of in dealing with Google about sensitive issues. There is also no real adequate predictor to say 'see a doctor.' Last, if the questionnaire says you are not depressed and you subsequently try to harm yourself, who is liable?"

Like Dr. Caplan, I am worried about both privacy and the limitations of self-doctoring. Maybe it's old-fashioned and self-serving, but I still believe I have a central role. Since depression is generally underdiagnosed, I am all for the Google prompt to make you think about why you are searching the terms "clinical depression." But I think the questionnaire goes too far.

As for my patient, she didn't tolerate the new medication and soon stopped taking it, and she was hesitant to try another drug. Luckily, she agreed to see a therapist. While Google had clearly helped her by alerting her to the problem, it had also provided her with too much information.

Dr. Siegel is a clinical professor of medicine and medical director of Doctor Radio at NYU Langone Health and a medical correspondent for Fox News.

Some Banks Are Too Small to Succeed

By Joe Ricketts

At a time when there's much focus on what divides us, it's easy to forget that most people agree on some things. Chief among these is our hope for a strong economy that produces opportunity. And while those on the left and right have different ideas about how to get there, virtually everyone agrees that a vibrant pipeline of new businesses creating new jobs and innovation is at the core of it.

But what's at the core of new business creation? Entrepreneurs. You know, those stubborn dreamers who can't help but imagine how the world should be and then try to build businesses that move in that direction. Yet even though entrepreneurs can be found throughout the U.S., the capital they need for new businesses has become increasingly concentrated in a few large geographic markets. A 2017 study by the Economic Innovation Group found that the "extreme concentration of these vital sources of capital into a few hubs means much of

the country's entrepreneurial potential remains latent in underserved and overlooked regional ecosystems."

Historically, community banks—those with less than \$10 billion in assets—have been the primary source of lending to new businesses in rural communities. In bankrolling rural entrepreneurs, community banks possessed a key

advantage: They knew the character of their borrowers. This personal relationship permitted budding entrepreneurs in areas largely outside the venture-capital ecosystem to gain access to the capital they needed to open a beauty salon, a restaurant or a plumbing business.

Unfortunately, the crush of regulations that followed the 2008 financial crisis has required community banks to pull back from character

based loans. A 2015 Harvard working paper found that since 2010, when regulations increased on these institutions, community-bank lending to small businesses has rapidly declined. Rather than hire loan officers, community banks have been forced to hire compliance officers charged with applying regulatory rules, originally developed for money-center banks, to small institutions.

As one small lender told The Wall Street Journal, "When they created 'too big to fail,' they also created 'too small to succeed.'

The reduction in character-based lending by community banks doesn't just mean fewer Waffle House franchises and beauty salons employing people in small-town America. Because of the internet, business location is less important than ever. In other words, an entrepreneur in rural Georgia who might have previously opened a new retail store, today might start the next Amazon.com.

But she could only start that disruptive business with access to capital.

Solving this problem will

require a combination of approaches, including legislative initiatives like the Investing in Opportunity Act's plan to promote investment in distressed communities through tax incentives. But cleaning up the regulatory mess is an obvious place to start. Community banks should be governed by different regulators, enforced by different regulators, than those at money-center financial institutions, ones who understand the unique risks small institutions face.

With less regulation, community banks could devote a portion of their capital to small-business lending that generates jobs, innovation and growth. There's an entire group of potential entrepreneurs whose ideas have yet to be unlocked. Who knows how far-reaching their innovation might be, if given the chance?

Mr. Ricketts is the founder of TD Ameritrade and now pursues various entrepreneurial and philanthropic projects, including Entrepreneurs Create Jobs.

BOOKSHELF | By Leslie Lenkowsky

A Catalog Of Generosity

Julius Rosenwald: Repairing the World

By Hasia R. Diner
(Yale, 237 pages, \$25)

At the beginning of the 20th century, three figures dominated the rapidly expanding world of American philanthropy. Two—Andrew Carnegie and John D. Rockefeller—are still remembered, mostly because of the foundations they established. But the third—Julius Rosenwald—is largely forgotten. No foundations, and few buildings, bear his name. If his approach to giving was more modest in spirit, it was no less influential and effective in its day.

That Rosenwald became one of the leading philanthropists of his era is itself a remarkable story. As Hasia R. Diner tells us in "Julius Rosenwald: Repairing the World," a volume in Yale's Jewish Lives series, he was the son of an immigrant peddler who arrived in Baltimore in the middle of the 19th century and eventually wound up in Springfield, Ill., running a clothing store. In 1879, the 17-year-old JR (as he was known) went to New York to learn the garment business from his relatives. Soon enough, he

made connections with other ambitious young men, such as the future financiers Henry Morgenthau and Henry Goldman.

After returning to the Midwest and starting his own clothing store in Chicago, Rosenwald invested in a catalog sales company that needed capital: Sears, Roebuck. He gradually became more involved in the business and, when co-founder Richard Sears resigned in 1908, took over its leadership. An initial public offering two years earlier (underwritten by Henry Goldman in his first IPO) had not only provided resources for the company's growth but had also made JR a wealthy man.

Because the rise and fall of Sears, Roebuck is already well-chronicled, Ms. Diner, a professor of American Jewish history at New York University, concentrates on what Rosenwald did with the status and fortune he accumulated. By one estimate, he donated, in today's dollars, close to \$2 billion before he died in 1932, as well as considerable time to the causes he cared about.

Many of these centered on his hometown of Chicago. Rosenwald's gifts helped to create the city's Museum of Science and Industry, build the University of Chicago, and support the settlement houses run by Jane Addams and others. He also underwrote a wide range of Jewish organizations, including cultural institutes, theological seminaries and, most notably, the American Jewish Joint Distribution Committee, a fund that was set up during World War I to aid Jewish refugees and that has continued to do so ever since.

The most striking part of Rosenwald's philanthropy may well be his funding of African-American education in the South. Influenced by Booker T. Washington, he developed a program to construct elementary and secondary schools in any black community that wanted such support. Over a 20-year period, nearly 5,000 schools opened. "One 1930s

His approach to philanthropy sought to promote practical efforts at self-improvement, not ambitious plans for social change.

estimate," Ms. Diner writes, "concluded that 89 percent of all buildings in which Mississippi's black youngsters received schooling" were "Rosenwald schools." He also used his gifts to induce more assistance for black education from public-school officials in the still-segregated region.

Ms. Diner attributes much of Rosenwald's generosity to his sense of Jewishness at a time when Jews were often discriminated against as outsiders. Although he was not a particularly devout man, Rosenwald's philanthropy reflected his understanding of Jewish history and traditions, as well as his close association with Emil G. Hirsch, a leading Reform rabbi in Chicago (and a political Progressive). Rosenwald, Ms. Diner writes, saw his giving as a means of refuting popular impressions of Jewish selfishness and particularism.

Apart from Henry Ford's attacks on him for using "Jewish money" to encourage blacks to move to the North, Rosenwald did not himself seem to have experienced much of the anti-Semitism of his day. Nonetheless, through his friendships with Washington and other black leaders, he came to see African-Americans as a group whose plight was analogous to that of his own people.

For both Jewish immigrants in the slums of Chicago and black sharecroppers in the rural South, Rosenwald's philanthropy sought to promote practical efforts at self-improvement, not ambitious plans for social change. This approach made his gifts relatively uncontroversial, despite their magnitude. (Compared with today's arguments over the funding of charter schools, the "Rosenwald schools" generated little political backlash.) But, as Ms. Diner notes, it also left his philanthropy vulnerable to accusations of timidity, a reluctance to take on the entrenched political and legal restrictions underlying the problems that Jews and African-Americans faced. Relatedly perhaps, Rosenwald was unwilling to embrace Zionism, which he feared was a utopian idea likely to embroil Jews in Middle Eastern conflicts. Instead, he wound up putting his money behind what he thought was a more feasible plan to create farming colonies for Jews in the Soviet Union, a plan that proved, unsurprisingly, ill-fated.

Rosenwald's modesty lay behind his insistence on closing his foundation after his death and his opposition to attaching his name to projects. Perhaps his near-obscurity is one reason why many contemporary philanthropists, like Bill Gates and Mark Zuckerberg, are more likely to pursue bold goals, like eradicating the world's deadliest diseases. But others may be considering a different path. Last summer, Amazon's Jeff Bezos announced that he intended to become more philanthropic and asked for suggestions about how to help people in the "here and now." The founder of today's version of Sears, Roebuck could hardly do better than to peruse Ms. Diner's biographical portrait and study Julius Rosenwald's noble example.

Mr. Lenkowsky is a professor emeritus of public affairs and philanthropic studies at Indiana University.

OPINION

REVIEW & OUTLOOK

Game of Health-Care Thrones

The Affordable Care Act seems here to stay, including its incentives for health-care industry consolidation. Big Government drives bigger business. The latest evidence is CVS Health Corp.'s mooted \$66 billion bid for insurer Aetna Inc., as companies look for ways to make money beyond being regulated utilities.

Many people think of CVS as a pharmacy and retail store, but its PBM Caremark produces an outsize share of its income. Insurers and employers contract with pharmacy-benefit managers (PBMs) to negotiate prices and formularies with drug companies. PBMs demand discounts and rebates from pharmaceutical companies to include their drugs on formularies. This arrangement has helped insurers drive down drug prices while they focus on their core business.

The middlemen bulked up to increase their leverage with drugmakers, so CVS, Express Scripts and UnitedHealth's Optum control about 80% of the market. But since deals between drug companies and PBMs are opaque, insurers don't know how much savings are being passed onto them and customers. Friction has ensued.

After suing Express Scripts for overcharging it \$3 billion annually, Anthem this month announced plans to launch its own PBM IngenioRx that will enable it to keep drug savings in house. No doubt Anthem noticed that Optum has been a cash cow for UnitedHealth, helping offset lower revenues from its employer and individual insurance business. UnitedHealth's earnings grew 26% during the third quarter.

Also recall that UnitedHealth abandoned almost all of the ObamaCare exchanges this year following significant losses. Aetna is withdrawing from all exchanges next year, and Anthem has scaled back its ObamaCare marketplace footprints while both insurers look for other growth opportunities such as PBMs.

ObamaCare turned insurers into utilities by

Companies look for opportunities beyond being regulated utilities.

limiting profits and plan design. The insurers rolled over politically in the hope that subsidies would add customers to make up for lower margins, but that didn't pan out. Four of the five big public insurers then sought to combine (Anthem-Cigna and Humana-Aetna) to reduce administrative costs, but the Obama Justice Department blocked the

mergers.

It's no surprise then that Aetna shareholders are cheering a potential hookup with CVS at reportedly more than \$200 per share, a 15% premium over the insurer's closing price on Friday. CVS believes it can benefit as well by gaining Aetna's pool of 46.7 million customers whom it can steer to its pharmacies and walk-in MinuteClinics. Express Scripts's contract loss with Anthem caused its stock to tumble and exposed the fragility of the PBM model.

This health market disruption will increase with the entrance of Amazon, which has obtained wholesale pharmacy licenses in at least a dozen states. The online behemoth has bundled a variety of products and services including music, books and groceries into its Prime membership, which now totals 85 million—about four times Aetna's medical membership. Why not prescriptions too?

While mastering logistics and supply chains, Amazon has also used—some would say sometimes abused—it's dominance to drive hard bargains with publishers and retailers that have resulted in lower prices and more choice. CVS figures that a merger with Aetna will give it more negotiating power to fight off Amazon.

All of this will attract government antitrust scrutiny, but these market dynamics are driven in part by government policy. When politicians mandate product design, control prices and restrict profits, companies will inevitably look for other business opportunities. Too bad the trustbusters can't first look to break up the monopoly creators in government.

Toomey's 'Guidance' Repeal Guide

Republicans have made impressive use of the Congressional Review Act, overturning 14 last-minute Obama rules. They might be able to do more now that a government agency has confirmed that Congress can also use the law to repeal diktats the Obama Administration slipped under the regulatory radar.

One example is the 2013 "guidance" that federal financial regulators issued on leveraged lending. This was another example of Obama officials ducking formal rule-making by claiming they were merely issuing "voluntary" suggestions. The banking industry knew better and chose to cut back on leveraged loans, denying a vital source of capital for indebted companies that lack access to public capital markets, and pushing such activity to nonbank lenders that are even less regulated and make riskier bets.

In light of this migration and uncertainty, Pennsylvania Senator Pat Toomey recently asked the Government Accountability Office to judge whether the guidance counts as a "rule" under the Congressional Review Act. The GAO has now confirmed that it does.

The opening words of the 1996 CRA read: "Before a rule can take effect," a federal agency must submit a report to Congress. But regulators never did on the leveraged lending guidance. No one has tested the legal limits of the CRA language, but in theory it means the lending guidance is null and void until the Trump

New openings for Congress to scrub Obama-era regulation.

Administration submits a report.

As Mr. Toomey notes, even a more limited reading of the law gives Republicans the ability to strike down the lending guidance. The CRA says the clock for Congress's review of a rule doesn't begin until a report is submitted. Congress then has 60 legislative days to override with simple majorities in both chambers. Mr. Toomey says the Senate parliamentarian has found that the GAO ruling counts as the official report, and so the clock is now ticking.

Republicans would do well to override the lending guidance on policy grounds. After the financial crisis, regulators subjected banks to new capital and liquidity requirements. They then layered on new restrictions on banking activities, such as leveraged lending. The combination has needlessly driven up costs and curtailed lending.

Democrats and the media want to focus on the rules Republicans are dismantling, rather than on the sneaky way the policies were promulgated. The Obama Administration made an art of evading public scrutiny by replacing formal rule-making with a stream of "guidance," "bulletins" and "statements of policy."

The CRA was designed to hold agencies accountable and give Congress a say when they exceed their writ. Thanks to the Toomey precedent, Republicans have a new opportunity to scrub the regulatory ledgers.

How to Kill American Solar

The solar power industry doesn't like our opposition to solar power subsidies, but these days we're on its side. We're among the few opposing tariffs on foreign solar panels that could severely damage American solar power.

The International Trade Commission in September ruled in favor of two financially troubled U.S. solar-panel makers—Suniva and Solar World—that claim they've been injured by imports. This week the ITC will issue its "remedy recommendations" for President Trump, but nothing in the law says it must recommend tariffs on the most basic components of solar power.

Suniva and Solar World want a 25-cent per-watt tariff on imported photovoltaic cells and a 32-cent per watt tariff on modules. Suniva also wants a floor price on all imported solar products, and Solar World wants import quotas on top of which the tariff would spike. The companies claim import protection will drive demand for U.S.-made panels and create jobs.

Not likely. The future of U.S. solar is in installation and innovation, not making basic components. Growing solar jobs—now at 260,000—in the U.S. depends on demand for solar power, which in turn depends on the price competitiveness of electricity produced from the sun.

A recent study by GTM Research found that utility-solar installations between 2018 and 2022 would fall 10% with a 10-cent tariff and by as much as 57% with a 40-cent tariff. In a brief to the ITC, NextEra Energy Inc., which owns Florida Power and Light Co., explained one reason demand would fall. The company said it is "familiar with both petitioners" and that "their

products do not meet NextEra's requirements and would require electricity prices to consumers that would not satisfy" regulators.

Michael O'Sullivan, senior vice president of development for NextEra Energy Resources, told the ITC on Oct. 3 that "if tariffs are imposed, good-paying solar jobs will be lost." The residential solar business would also get hit. "The biggest volume impacts would be felt in the largest state markets, but nascent state markets that have just begun to develop vibrant residential solar sectors could disappear almost entirely," GMT Research reported.

The theory is that tariff protection will give Suniva and Solar World time to restructure and become competitive, but neither company has submitted the required adjustment plan. ITC Chairman Rhonda Schmidlein asked at an Oct. 3 hearing, "Why haven't we seen either an adjustment plan or commitments?" When a Solar World lawyer claimed he had submitted a plan, Ms. Schmidlein shot back: "You envision a revived upstream supply chain. You envision that there would be 35,000 jobs created at minimum. That sounds like a wish list to me."

The Solar World lawyer agreed to come up with more information, but he has a tough assignment. Demand for solar depends on competitive pricing, which in turn depends on access to low-price panels. That's something for the ITC to keep in mind when it advises Mr. Trump on how to help two companies.

The solar industry doesn't deserve subsidies but it also doesn't deserve punishing tariffs. And by the way, where is the green left when we need them to oppose tariffs?

A crucial decision comes this week on tariffs that would raise solar costs.

OPINION

LETTERS TO THE EDITOR

Would Lower Corporate Taxes Help Workers?

Regarding Jason Furman's "No, the GOP Tax Plan Won't Give You a \$9,000 Raise" (op-ed, Oct. 23): It's fool's gold to think that lowering the corporate tax rate will raise wages. Wages are set in the marketplace for labor and not based on corporate profitability. What we know for sure is that top executives whose pay is tied to stock prices or profitability will certainly get raises as stock values increase and the bottom line grows as a result of lowering taxes.

We have already had a natural experiment regarding the relationship between profitability growth and wages. All the evidence points to the stagnation of wages over the past few decades, but who could argue that the major corporations in this country haven't grown in size and profitability over the same period, with little or no impact on wages? If profitability were the driver of high wages, retail employees in the Apple stores would all be earning six figures.

BOB KAGAN
Narberth, Pa.

It's baffling why left-leaning economists are against this reform. Not only are these taxes a highly inefficient way to collect individual taxes (all companies are owned by individuals), but they are tremendously harmful to American jobs since they discourage job creation in the U.S.

CHRIS WALDORF
Seattle

Who pays corporate income tax? We all pay it every time we purchase something. That tax is one of the least progressive. When a single mother needs a new refrigerator 10 years from now (the time horizon most political pundits use for economic arguments), the price will have risen much less over that time if the corporate tax rate is reduced, and that's a significant savings for a low-income household. A decrease in the rate will probably not be felt immediately, but prices will be lower in the long run. Whether that increase in purchasing power will feel like a raise can be debated, but it will make a difference.

ALLEN R. KRASKA
Venice, Fla.

Trump Is Fulfilling His Promises on Ethanol

Regarding your editorial "Trump Caves on Ethanol" (Oct. 23): It is a bit surprising to see the Journal roast President Trump for faithfully sticking to his campaign promise to "do all that is in my power as president" to achieve the goals of the Renewable Fuel Standard (RFS), the law requiring oil refiners to use increasing volumes of biofuels like ethanol. By ensuring EPA implements strong RFS requirements, President Trump is making good on his commitments and holding his agency leaders accountable.

Ironically, the editorial gushes sympathy for oil refiner Philadelphia Energy Solutions (PES), while labeling the RFS as "welfare for big business" and decrying "special-interest shake-downs." PES is owned by the Carlyle Group, which bought the Philadelphia refinery in 2012 using what Reuters called a "taxpayer-funded rescue package" featuring a \$25 million "grant," favorable rezoning and environmental-liability waivers. Two years later, Car-

lyle coerced the Obama administration into slashing three years' worth of RFS biofuel requirements.

Rather than seek another bailout, PES could acquire the compliance credits (RINs) it needs by making a modest investment in ethanol blending capacity. Ethanol with RIN credits attached currently sells for 30 cents a gallon less than gasoline.

We support leaders who keep their promises and stand up to Big Oil. That's exactly what President Trump is doing on the RFS.

BOB DINNEEN
*President and CEO
Renewable Fuels Association
Washington*

Ethanol clearly provides no economic benefit, as witnessed by the massive RFS mandate required to keep its use in place. It is a huge farm subsidy masquerading as an energy policy.

LARRY THOMAS
North Hampton, N.H.

Should U.S. Move Its Embassy to Jerusalem?

Former Ambassador Daniel Shapiro has it exactly backward ("Move the Embassy to Jerusalem and Promote Peace," op-ed, Oct. 25). The U.S. should move its embassy to Jerusalem because the U.S. Embassy Relocation Act mandates it. Additionally, a united Jerusalem has been the heart of the Jewish people for over 3,000 years and is the actual capital of the state of Israel—not Tel Aviv where our embassy is now. The U.S. has its embassy in the capital of every other country.

Moving the embassy won't hinder any "peace process." The Palestinian Arabs have rejected a Palestinian state side-by-side with Israel six times since 1938. Their goal has been explicit and was reiterated yet again in a recent tweet from the PLO: "Our goal is the end of Israel. . . . We don't want peace. We want war and vici-

tory." The PLO is headed by alleged moderate Mahmoud Abbas, who also leads the Palestinian Authority and Fatah. It's a pipe dream to believe that without a wholesale change in attitude from the Palestinian Arabs, who are mired in a cult of hatred, violence and death toward Jews, that genuine peace and security for Israel will emerge anytime soon.

LEE S. BENDER
Ardmore, Pa.

It's inaccurate as a legal matter to refer to Israeli sovereignty over West Jerusalem as undisputed. The U.S. doesn't recognize any country, including Israel, as having de jure sovereignty over the city of Jerusalem, a fact recognized by the Supreme Court in *Zivotofsky v. Kerry* (2015).

Under international law, Israel's de jure status derives from U.N. General Assembly Resolution 181, adopted in November 1947 in the wake of Britain's notification that it intended to withdraw as the administering power in Mandatory Palestine. The resolution recommended partitioning Palestine into Jewish and Arab states, along with the internationalization of Jerusalem and its surrounding areas. Neither the General Assembly nor the Security Council has ever passed a resolution suggesting otherwise, and this is the principal reason no country in the world, including the U.S., has its embassy in West Jerusalem.

JOSEPH J. SALTARELLI
New York

Pepper ... And Salt

THE WALL STREET JOURNAL



"Drone takes your queen."

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THOMAS SOX
Ambler, Pa.

OPINION

Begging Your Pardon, Mr. President

By David B. Rivkin Jr.
And Lee A. Casey

The Trump presidency has been consumed by Special Counsel Robert Mueller's efforts to uncover collusion between the Trump campaign and Moscow. Mr. Mueller reportedly has secured one or more indictments that he will announce Monday. Some Republicans now seek a new special counsel to investigate if the Clinton Campaign "colluded" with Russians to smear Candidate Trump, along with other aspects of the Clintons' relationship with Russia and Russian nationals. But one special counsel already is one too many.

How Trump can shut down the special counsel probe and leave the Russia investigations to Congress.

During the 1980s and '90s, American politics was repeatedly distorted, and lives devastated, through the appointment of independent counsels under the post-Watergate Ethics in Government Act. These constitutionally anomalous prosecutors were given unlimited time and resources to investigate officials, including President Clinton, and scandals, such as Iran-Contra. Once appointed, almost all independent counsels built little Justice Departments of their own and set out to find something—anything—to prosecute. Hardly anyone lamented the expiration of this pernicious law in 1999.

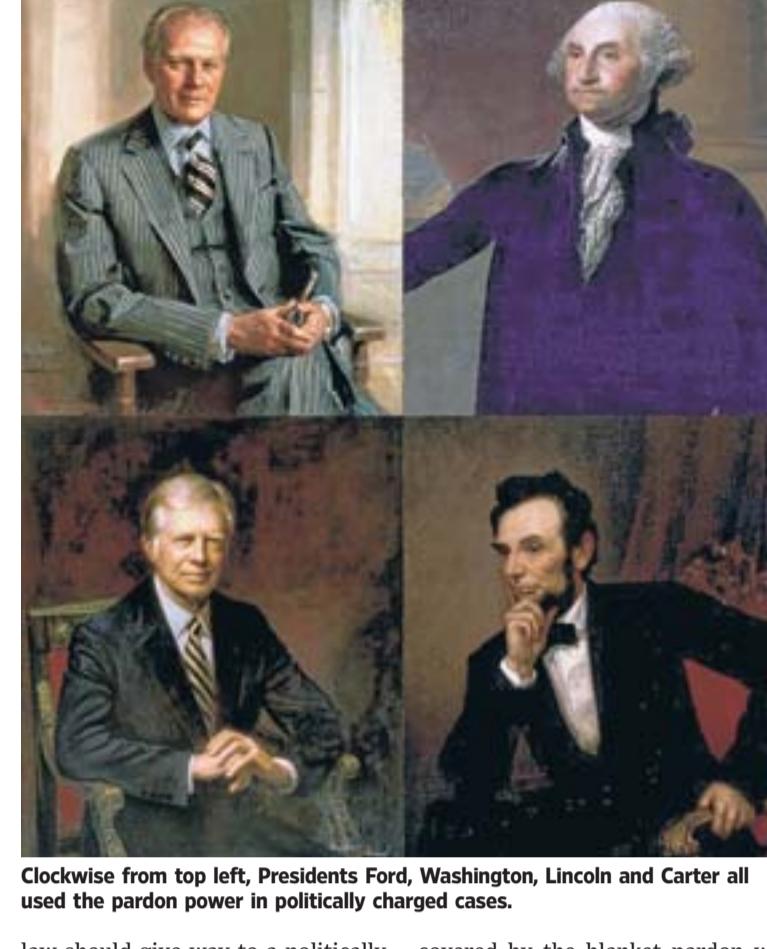
But special counsels, appointed by the attorney general and in theory subject to Justice Department oversight, haven't proved any better in practice. Mr. Mueller's investigation has already morphed into an open-ended inquiry. It is examining issues—like Donald Trump's private business transactions—that are far removed from the Russian question.

It also has expanded its focus beyond the original question of collusion with the Russians to whether anyone involved in the Russia investigation has committed some related offense. That is evident from investigators' efforts to interview White House aides who were not involved in the 2016 campaign, and from leaks suggesting that Mr. Trump's firing of FBI Director James Comey might have "obstructed" justice.

That claim is frivolous, and it damages America's constitutional fabric even to consider it. A president cannot obstruct justice through the exercise of his constitutional and discretionary authority over executive-branch officials like Mr. Comey. If a president can be held to account for "obstruction of justice" by ending an investigation or firing a prosecutor or law-enforcement official—an authority the constitution vests in him as chief executive—then one of the presidency's most formidable powers is transferred from an elected, accountable official to unelected, unaccountable bureaucrats and judges.

Mr. Mueller's investigation has been widely interpreted as partisan from the start. Mr. Trump's opponents instantaneously started talking of impeachment—never mind that a special counsel, unlike an independent counsel, has no authority to release a report to Congress or the public. Mr. Trump's supporters count the number of Democratic donors on the special-counsel staff. The Mueller investigation is fostering tremendous bitterness among Trump voters, who see it as an effort by Washington mandarins to nullify their votes.

Mr. Trump can end this madness by immediately issuing a blanket presidential pardon to anyone involved in supposed collusion with Russia or Russians during the 2016 presidential campaign, to anyone involved with Russian acquisition of an American uranium company during the Obama administration, and to anyone for any offense that has been investigated by Mr. Mueller's office. Political weaponization of criminal



WHITE HOUSE COLLECTION/WHITE HOUSE HISTORICAL ASSOCIATION

Clockwise from top left, Presidents Ford, Washington, Lincoln and Carter all used the pardon power in politically charged cases.

law should give way to a politically accountable democratic process. Nefarious Russian activities, including possible interference in U.S. elections, can and should be investigated by Congress.

Partisan bitterness will not evaporate if lawmakers take up the investigation. But at least those conducting the inquiry will be legitimate and politically accountable. And the question of whether Russia intervened in the 2016 election, and of whether it made efforts to influence U.S. policy makers in previous administrations, is first and foremost one of policy and national security, not criminal law.

The president himself would be

covered by the blanket pardon we recommend, but the pardon power does not extend to impeachment. If Congress finds evidence that he was somehow involved in collusion with Russia, the House can determine whether to begin impeachment proceedings. Congress also is better equipped, as part of its oversight role, to determine whether and how the FBI, Justice Department and intelligence agencies might have been involved in the whole affair, including possible misuse of surveillance and mishandling of criminal investigations.

There is ample precedent for using the presidential pardon authority to address matters of political import-

tance. Certainly it is what the framers expected. As Alexander Hamilton explained in Federalist 69, the pardon power was to "resemble . . . that of the king of Great Britain." In Federalist 74, he observed that "there are often critical moments, when a well-timed offer of pardon to . . . insurgents or rebels may restore the tranquility of the commonwealth."

Securing harmony in the body politic was President Washington's motivation when he offered amnesty to participants in the Whiskey Rebellion in the 1790s, and it was President Lincoln's motivation when he issued an amnesty during the Civil War for Confederates who would return their allegiance to the Union. Similar reasons motivated President Ford to pardon Richard Nixon, and President Carter when he offered amnesty to Vietnam-era draft evaders.

Lincoln's proclamation of Dec. 8, 1863, is an excellent model of a broadly drafted and complete amnesty: "I . . . do proclaim, declare and make known to all persons who have directly or by implication participated in the existing rebellion, except as hereinafter excepted, that a full pardon is granted to them . . . upon condition that every such person shall take and subscribe an oath of loyalty to the U.S. A similar pardon can be issued with respect to the Russian affair, ending the criminal investigations and leaving the business to Congress.

Permitting the criminal law again to become a regular weapon in politics is more destructive of democratic government than ham-handed efforts by a foreign power to embarrass one or more presidential candidates. It is true that Washington's Augean stables need periodic cleaning, but it is Congress that should wield the shovels.

Messrs. Rivkin and Casey practice appellate and constitutional law in Washington. They served in the White House Counsel's office and Justice Department in the Reagan and George H.W. Bush administrations.

House Republicans Can Improve the Bipartisan Health Bill

By Robert C. Pozen

The Senate has a good chance of passing a sensible bill, put forward by Sens. Lamar Alexander (R., Tenn.) and Patty Murray (D., Wash.), to stabilize American health-insurance. But to get the bill through the House, Democrats will need to accept reasonable suggestions from Republicans.

In response to Republican requests, the Alexander-Murray bill requires faster review of state requests for waivers from ObamaCare's insurance mandates, as well as more-flexible standards for approving these requests. Such state waivers would still be barred from eliminating ObamaCare's protections for pre-existing conditions.

Republicans also won a major expansion of health-care plans with very high deductibles, geared mainly for catastrophic insurance. ObamaCare allows such catastrophic policies to be bought only by adults under 30 or with a hardship exemption. Under the new bill, all Americans could buy low-cost, catastrophic insurance.

Democrats successfully pushed for the bill to include \$106 million in federal funds to encourage participation in the coming enrollment period for individual policies offered on Affordable Care Act exchanges. These funds would nearly replace the \$116 million for outreach that Mr. Trump is cutting from the administration's budget.

In the most significant change, Democrats won a two-year guarantee of federal subsidies for insurers, money that will reduce deductibles and copayments for low-income consumers. Two lower courts have questioned the legality of such payments, because they were not expressly appropriated by Congress.

To satisfy President Trump's concerns about double dipping by in-

surers, the bill must make clear that these subsidies will all be passed on to consumers.

This is a solid start, but given the GOP's slim majority in the Senate and its fractious House majority, the bill should be expanded to include other reasonable reforms previously suggested by Republicans.

Relax some mandates, create a reinsurance fund, and abolish the Medicare cost-cutting panel.

First, the bill should increase the threshold for requiring employers to offer health benefits to 200 full-time employees from the current 50. This change would reduce the burdens on small employers, a politically potent force. But the bill would retain the individual mandate to obtain health-care coverage, which would lead to more employees purchasing insurance in the individual market.

Second, to help individuals pay for these purchases, Congress should adopt Republican suggestions to broaden the use of tax-advantaged accounts. For example, the bill should expand the use of health reimbursement accounts, established by employers to defray the health-care costs of their employees. Specifically, the bill should overturn the tax ruling, issued by the Obama administration, that allows an employer to make health reimbursement accounts payments only in connection with an approved health-insurance plan.

Similarly, the bill should revise the Obama-era rules on the use of health savings accounts—tax-advantaged accounts set up by individuals in connection with high-deductible

plans. The 2016 rules created unnecessary conflicts between the requirements for these accounts and those for high-deductible plans on exchanges. Those conflicts should be resolved so that consumers may use health savings accounts to help pay their high deductibles under silver and bronze policies at the exchanges.

Third, the bill should add a provision creating a federal reinsurance fund to help finance care for America's most expensive patients. These are the five million Americans who are not yet eligible for Medicare but have three or more chronic conditions. To help states reduce the cost of serving these patients, the bill should dedicate multiyear appropriations to a federal reinsurance fund, as a previous Republican health-care bill did. To avoid moral hazard, the reinsurance fund should require some risk of

loss to be retained by insurers and patients, based on the successful reinsurance design in Medicare Part D.

Fourth, the bill should loosen the existing rules to encourage growth of interstate sales of health-care policies. ObamaCare permits cross-border sales in states that have joined a regional compact. Yet this part of the Affordable Care Act has not led to any cross-border sales. The bill should require all states to establish an expedited approval process for any health-insurance policy previously allowed by another state. One approach would be automatic approval after 60 days unless the second state registered objections.

Finally, the bill should repeal the Independent Payment Advisory Board, a panel of appointed officials that is supposed to constrain the growth of Medicare costs. If the en-

tlement's costs increase by more than a specified rate for five years, the IPAB must send Congress recommendations to reduce Medicare costs.

These recommendations become effective after one year, unless Congress rejects them by a two-thirds vote. The IPAB is opposed by most Republican and some Democratic legislators, who believe it is a powerful but unaccountable board that infringes on congressional prerogatives. The IPAB has not yet actually been impeached, so it should be easy to abolish.

By adding all or most of these measures, Sens. Alexander and Murray will ensure the bill has a smoother journey through the legislative process. And they could improve the American health-care system at the same time.

Mr. Pozen is a senior lecturer at MIT's Sloan School of Management.

Reform Surveillance, Don't End It

By David Medine
And Patricia M. Wald

A vital surveillance program expires at the end of the year. If Congress fails to act before then, the intelligence community will lose one of its most critical counterterrorism tools. But if it follows the Trump administration's request and makes the program permanent without change, Americans' privacy could be endangered. We urge Congress to add important privacy protections.

At issue is Section 702 of the Foreign Intelligence Surveillance Amendments Act of 2008. The amendments authorize warrantless surveillance of electronic communications by non-Americans overseas. The 702 program is poorly understood so let's call a few things up.

First, it is not an indiscriminate "bulk collection" program though there are currently around 100,000 targets. Second, collections under the program are not limited to terrorists' communications or even communications about terrorism. Email and phone communication data can be collected from people who are not suspected of any wrongdoing but may possess valuable foreign intelligence information. Third, collection is not limited to non-Americans. When the government collects so many foreign targets' communications, it is inevitable that some Americans will be parties to their emails and phone conversations. Finally, even though Section 702's implementing procedures call for information with no intelligence value to be deleted, that's rarely if ever done.

The huge quantities of personal information "incidentally" collected from American citizens enable offi-

cials to conduct "backdoor searches," meaning that intelligence analysts can search 702 databases for communications involving specific Americans. Such searches, which are performed thousands of times a year by the National Security Agency, Central Intelligence Agency and Federal Bureau of Investigation, can reveal composite pictures of private lives.

Section 702 is a vital tool against terror. But 'backdoor searches' should require a warrant.

lance before doing so, because the original targets of surveillance must, by statute, be foreigners on foreign soil. But American citizens are protected by the Fourth Amendment.

In a closed-door session last week, the Senate Intelligence Committee approved a 702 reauthorization bill but rejected an amendment offered by Sens. Dianne Feinstein and Kamala Harris, both California Democrats, that would require a probable-cause warrant before conducting backdoor searches. Other committees are also considering reauthorization bills, some of which contain additional privacy protections for searches of Americans' incidentally collected communications.

In our view, it is unreasonable under the Fourth Amendment to compile large intelligence files on Americans with no case-by-case judicial supervision. While obtaining court approval can be burdensome and time consuming, the effort will be worth it if it protects Americans' privacy rights.

The world is dangerous and getting more so. The U.S. cannot afford to shut off 702 collection even for a day. Congress should promptly pass an amended Section 702 requiring court approval for backdoor searches, thereby striking the appropriate balance between national security and civil liberties. And a reauthorized 702 should again be subject to a sunset provision. That will ensure that the democratic debate over this vital program continues as threats change and surveillance techniques develop.

Mr. Medine is former chairman of the Privacy and Civil Liberties Oversight Board.

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THE WALL STREET JOURNAL

WORLD NEWS

Death Shows Risk of Rio Slum Visits

After a police killing in a Brazilian favela, some are warning tourists to stay away

By PAUL KIERNAN

RIO DE JANEIRO—In recent years, visitors here have increasingly taken guided tours of this city's hillside slums, drawn by ads featuring smiling children, colorful graffiti and the promise of "another Rio." Tour operators rarely mention the risks.

But a fatal police shooting last week of a Spanish woman who was taking such a tour is a potent reminder of the perils locals face at a time of resurgent violence in this world-famous Brazilian city.

Maria Esperanza Jimenez Ruiz, 67 years old, was with her brother and sister-in-law on a guided visit of Rocinha, one of the city's largest favelas, on Monday when police opened fire on her vehicle from behind, hitting her in the neck with a high-caliber bullet. She died before arriving at a local hospital.

The incident marked a grim setback for favela residents' dream of greater social inclusion. Long considered dangerous for outsiders, Rocinha and a handful of other gritty communities where a quarter of Rio residents live became tourist destinations as hostels, nightclubs and tour companies sought to capitalize on declining crime rates and an initiative to improve policing in those places.

In the past two years, however, public security has unraveled in Rio amid a grinding recession and a fiscal crisis that has hurt police budgets. Since mid-September, a

violent turf war between two rival drug gangs, Comando Vermelho and Amigos dos Amigos, has roiled Rocinha and prompted the federal government to send Army troops into the neighborhood.

Ms. Jimenez's brother and sister-in-law told police investigators they received no warning from their guide outfit, Rio Carioca Tours, of the risks of going to Rocinha. The company's website says the neighborhood is one of its most sought-after destinations, offering customers a window into "another Rio."

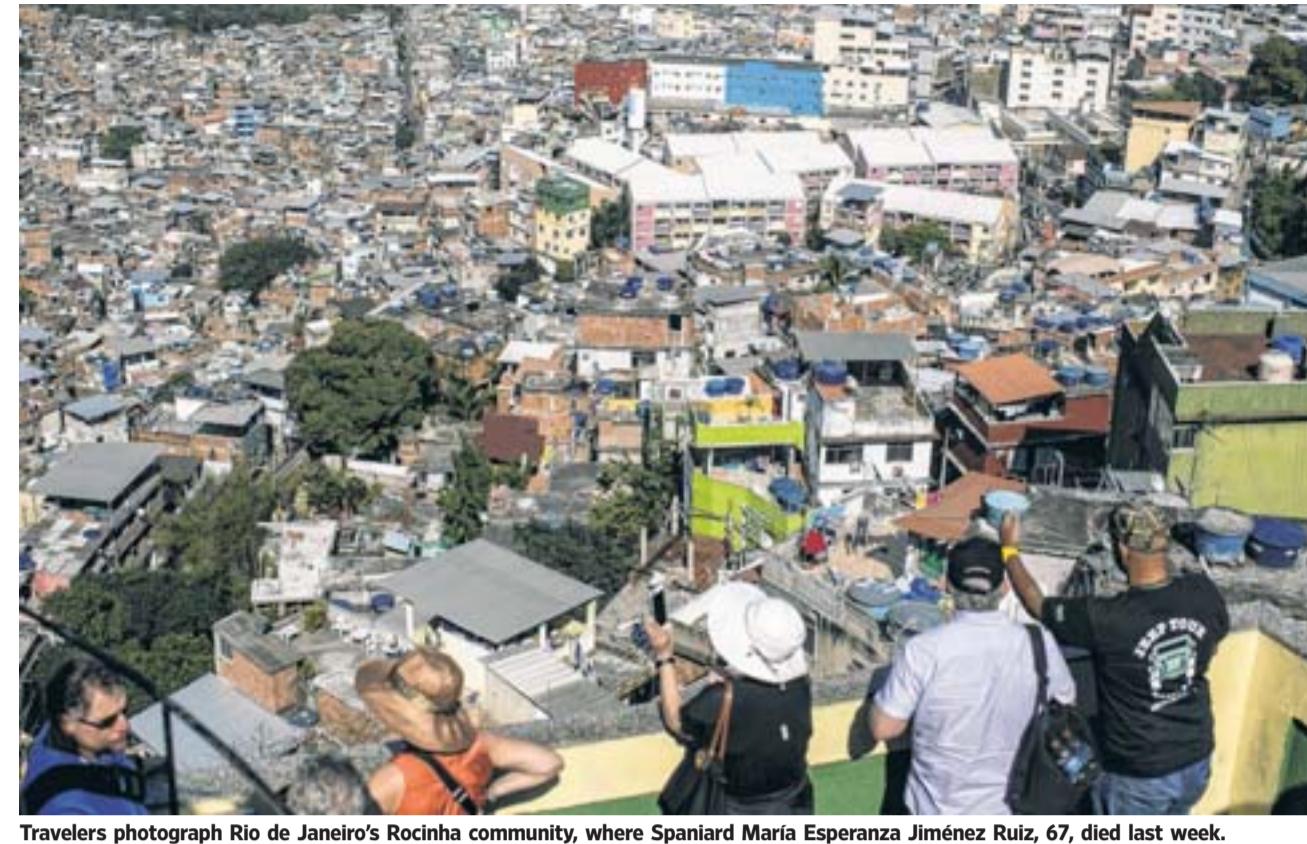
"Visitors can see up close the way of life and diverse culture of those who live in Rocinha favela," the website says.

Rio Carioca Tours representatives in Copacabana declined to comment on the incident, and an email to the company went unanswered.

Peter Gonzalez and David Fier, two New Yorkers on their third visit to Rio, said they had considered a favela tour but were worried about violence.

"I always thought they might be a little bit dangerous because you might get caught in the crossfire," said Mr. Gonzalez. Told of Ms. Jimenez's slaying, he said, "That would sort of make up your mind about going on a tour."

A police official offered an explanation of how the shooting may have occurred. He said the type of sport-utility vehicle Ms. Jimenez and her companions were using—a Fiat Freemont with tinted windows—is popular with local



Travelers photograph Rio de Janeiro's Rocinha community, where Spaniard Maria Esperanza Jimenez Ruiz, 67, died last week.

CHRIS MCGRATH/GETTY IMAGES

drug dealers, that it failed to stop at a checkpoint, and that an earlier gunfight had left two officers wounded and the force on heightened alert.

The driver and passengers told investigators that they saw no signal to pull over, the investigators said. Police officials noted that disobeying an order to stop doesn't justify police firing at a vehicle, particularly in broad daylight with pedestrians nearby.

Fabio Cardoso, Rio's chief homicide investigator, said Ms. Jimenez's group had just been picked up from a walking tour and was leaving Rocinha when they heard gunfire. Thinking it was a shootout, the driver told investigators he accelerated, trying to escape. After being stopped by police a short distance ahead, the group realized Ms. Jimenez had been struck.

The officer accused of shooting Ms. Jimenez was detained and could face charges, Mr. Cardoso said. Authorities said they were considering punishing or charging the tour operator.

A day after the shooting, at

Rocinha's main entrance, schoolchildren and residents walked past Army soldiers and police officers brandishing large rifles. The gaggles of tourists that were, until recently, a fixture in the area, were nowhere to be seen.

One officer there said that it is easy for outsiders to blame trigger-happy police but that guides shouldn't bring tourists to Rocinha.

"This community is at war," he said. "And in a war, innocent people get hurt. Look what's happening in Syria. Would you bring tourists there?"

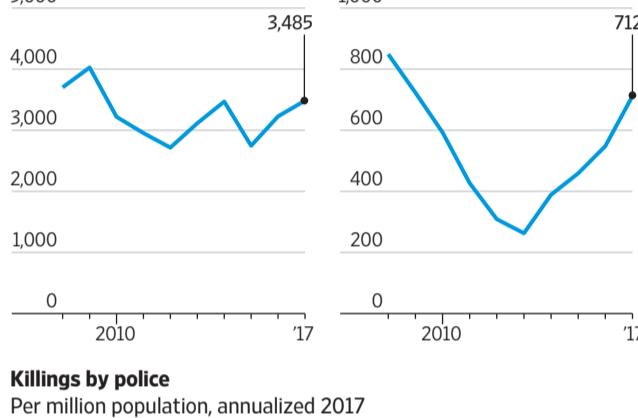
Antonio Marques, vice president of Rocinha's residents' association, said the neighborhood is usually safe and welcoming of visitors, who help bolster locals' self-image. But he also expressed dismay at the timing of Ms. Jimenez's visit.

"I don't know if the guide was uninformed. It seems impossible given how much this has been in the media," Mr. Marques said of the turf war. "The situation is really out of control."

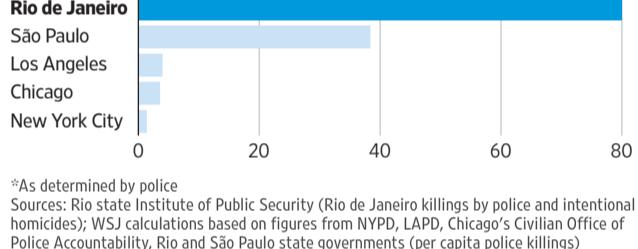
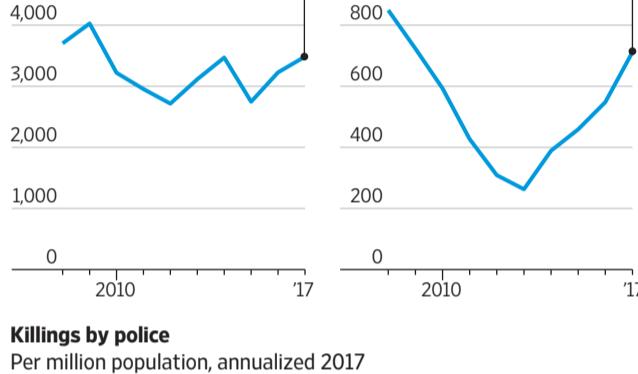
Deadly State

A surge in violence has plagued Rio de Janeiro state in recent years.

Intentional homicides*
January through August



Killings by police
January through August



*As determined by police
Sources: Rio state Institute of Public Security (Rio de Janeiro killings by police and intentional homicides); WSJ calculations based on figures from NYPD, LAPD, Chicago's Civilian Office of Police Accountability, Rio and São Paulo state governments (per capita police killings)

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, October 30, 2017 | B1

Last Week: S&P 2581.07 ▲ 0.23% S&P FIN ▲ 0.56% S&P IT ▲ 2.87% DJ TRANS ▼ 0.41% WSJ\$IDX ▲ 0.90% LIBOR 3M 1.380 NIKKEI 22008.45 ▲ 2.57% See more at WSJMarkets.com

States Quiz Equifax on Disclosure

By MICHAEL RAPORT
AND ANNAMARIA ANDRIOTIS

Attorneys general in at least five states are looking into why credit-reporting firm **Equifax Inc.** didn't tell the public for nearly six weeks about the massive data breach that potentially compromised the personal information of 145.5 million Americans.

As the broader investigation into the breach continues, some state officials want to know why Equifax didn't say something sooner. The inqui-

ries are aimed at determining whether Equifax might have violated state laws requiring companies to notify consumers promptly when cyberthieves steal personal data.

"We're definitely interested in the answer to that question," said James Boffetti, chief of the consumer-protection bureau in the New Hampshire attorney general's office. "We are looking for a fuller explanation."

Illinois and Connecticut attorneys general are also investigating the issue, according to people familiar with the mat-

ter. So is the attorney general of Indiana. Massachusetts Attorney General Maura Healey last month filed a lawsuit alleging Equifax failed to provide "timely notice."

Equifax said in a statement that "the timeline of the incident and consumer notification are among the topics we have discussed with the attorneys general." Once it became aware it had a serious breach on its hands, Equifax says it "moved swiftly and without delay," and "absolutely met" the states' standards for notifying consumers.

The focus on Equifax's response highlights that the patchwork of state laws governing disclosure of data intrusions isn't easy for companies to follow.

Rules vary from state to state on how quickly a company must disclose a breach, and to whom—consumers, regulators and, under federal law, investors.

Some lawmakers and security experts want to make disclosure quicker and more uniform.

Forty-eight states have laws requiring notification of resi-

dents when data breaches compromise their personal information. Some states require notification within a specific time frame, often 45 days; Connecticut generally allows up to 90. Others, like New Hampshire, say only that consumers should be notified as soon as possible.

Still, unlike a physical break-in, it can take victims of cybertheft weeks to figure out how serious the intrusion was and whether thieves are still in the system.

It can take time to respond

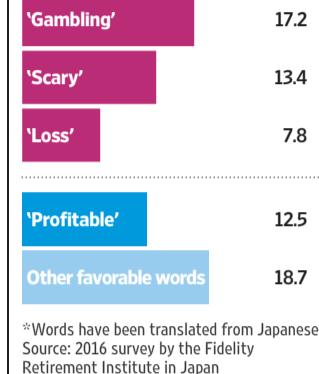
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Stocks Daunt Japan's Youth

Policy makers want the young to invest. B9

Words associated with investing among Japanese people in their 20s*

RESPONDENTS



*Words have been translated from Japanese. Source: 2016 survey by the Fidelity Retirement Institute in Japan

Arms World-Wide Deploy Self-Driving Technology

By DANA MATTIOLI

Strayer Education Inc. is nearing a deal to merge with **Capella Education Co.**, according to people familiar with the matter, a move that would create a for-profit education company valued at nearly \$2 billion.

A deal between the companies would be structured as a stock-for-stock merger and could be announced as soon as Monday, one of the people said. Capella shareholders would receive a premium and the companies' investors would own roughly the same percentage of the combined entity, this person said.

Strayer, based in Herndon, Va., offers online and campus-based certificates and degrees including a master's in business. The university was founded in 1892 and caters to working adults completing their degrees. It has a market value of about \$1 billion after its stock rose about 63% in the past year.

Strayer is affiliated with former General Electric Co. Chief Executive Jack Welch, who in 2011 moved the Jack Welch Management Institute, which offers executive M.B.A.s, from Chancellor University to Strayer.

Minneapolis-based Capella has a market value of about \$765 million after its stock fell 7% in the past year. The com-

Please see **SCHOOL** page B8

Please see **GE** page B2

GE Board in Dark on CEO's Use of Extra Jet

General Electric Co. executives didn't notify the company's board until this month about its regular flying of a

practice several years ago, according to people familiar with the matter.

GE management first informed the board about the practice after The Wall Street Journal reported Oct. 18 that former Chairman and CEO Jeff Immelt had an extra aircraft follow his corporate jet on some overseas trips during much of his 16-year tenure, the people said.

The company told GE's directors the company had reduced the practice in mid-2014 and that the continued use of the backup plane was limited to isolated situations such as travel to risky destinations. The board members were previously unaware, the people said, and some were dismayed to learn of the practice. "Obviously, this was an excess," one of these people said.

Mr. Immelt told the Journal on Thursday that he, too, didn't know the spare plane was flying. "This is not a practice I would have allowed," he said in an emailed statement. Mr. Immelt stepped down as GE chairman in early October after earlier resigning as CEO.

The practice ended when Mr. Immelt's successor, John Flannery, decided to ground the company's fleet of corporate

aircraft as part of broader cost-cutting moves. Mr. Flannery plans to sell the aircraft and changed policy so GE executives would instead fly on commercial or charter flights.

The two-plane trips continued until at least this past spring, according to people familiar with the matter and flight records. They flew in years when the Boston-based giant

Please see **GE** page B2

Please see **SCHOOL** page B8

KEYWORDS | By Christopher Mims

Pressure Increases To Corral Facebook

We're treated to fresh reports nearly every day about how **Facebook**'s efforts to keep bad actors from abusing its platform fall short. The latest include U.K. legislators' inquiry into whether Russians used Facebook to influence recent British elections, and reports that atrocities in Myanmar might be incited in part by fake news on Facebook.

Even before this wave, Facebook's role in the spread of divisive messages and outright falsehoods had inspired soul-searching at the company, and a newfound humility at the top. In a string of blog posts, Chief Executive Mark Zuckerberg promised to do more, including hiring 1,000 additional people to review political ads purchased on Facebook. Meanwhile, Facebook Chief Operating Officer Sheryl

Sandberg was recently dispatched to Washington, D.C., on a charm offensive.

Yet many outside Facebook refuse to wait for the company to solve these problems—and others yet to be uncovered—on its own. Pressure is mounting, at home and abroad, from legislators, regulators and activists, all looking for various ways to nudge and, in some cases, shove Facebook to acknowledge and act on its responsibility as the most powerful distributor of news and information on Earth.

While Twitter, Google's YouTube unit and many other social-media platforms face similar problems, they don't all command the same audience as Facebook. But what happens to Facebook will likely apply to them all.

Compared with mature industries, the internet giants—Facebook, Google, Twitter—are relatively unregulated by federal and

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INSIDE



BREWER MIXES ALCOHOL AND POT



WEIGHING THE IMPACT OF 401(K) CHANGES

TAXES, B8

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Round Trip

A trip taken by GE's ex-CEO Jeff Immelt in September 2016 used two private planes: one to fly Mr. Immelt and a spare that followed behind. A look at the route:



Departure from Boston: Sept. 17, 2016

Plane A: 3:05 p.m.

Plane B: 3:38 p.m.

Return:

Plane A: 7:15 p.m.

Sept. 24 to Boston

Plane B: 10:38 a.m.

Sept. 25 to Newburgh, N.Y.

THE WALL STREET JOURNAL.

Note: All times Eastern

Source: FAA and flight-tracking website records

GE

Continued from the prior page
was under investor pressure to cut spending and boost profits, part of an effort to reverse a prolonged stock slump. GE shares have tumbled more than 33% this year, and investors are bracing for a potential cut to its dividend.

On March 11, for example, two GE-owned Bombardier Global Express jets took off from Boston within 19 minutes of each other and flew to Anchorage, Alaska, according to Federal Aviation Administration flight records reviewed by the Journal.

One plane stayed in Anchorage for more than five days, while the other flew on to South Korea and China, according to FAA records. Mr. Immelt tweeted a photo of his visit to a Chinese factory during the trip.

His plane returned to Anchorage on March 17, and within 90 minutes of his arrival, both planes left Alaska to return to the East Coast, the records show.

There were similar two-plane trips to Anchorage in 2013, 2014 and 2016, with one Bombardier plane each time continuing on to Asia and back. Both planes traveled together to the Canary Islands in February 2016 and Honolulu in April 2017, flight records show.

And in September 2016, the two jets followed each other around the globe on a nine-day voyage that included stops in Anchorage, Tokyo, Kuala Lumpur, Malaysia, and Helsinki before returning to the East Coast, according to FAA records and flight-tracking services. Mr. Immelt visited several South Asian nations during the trip, according to local press reports, and was photographed with Malaysia's prime minister.

The extra plane added about \$250,000 to the cost of the around-the-world trip, based on

an estimated hourly cost of \$6,500 to operate each Bombardier, including fixed costs such as pilot salaries and maintenance, according to Conklin & de Decker, an aviation-consulting firm. The large jets are the size of a regional airliner and typically are configured to seat 10 to 14 passengers.

Sending a backup plane along is "extremely unusual," said Jim Cannon, an aviation consultant who formerly directed a large-company flight department. "I hope it would only be done in circumstances where there was a significant need."

A GE spokeswoman said, "This practice, which GE has discontinued, involved business-critical itineraries with tight schedules, multiple international stops and, in most cases, security concerns."

"We do not believe that the understandable criticism of this discontinued practice fairly reflects on Jeff's dedicated service to GE for over 30 years," she added, referring to Mr. Immelt.

While CEO, Mr. Immelt wanted a backup jet in case there was a mechanical issue that could lead to delays, the people said. Flight crews were told to not openly refer to the backup planes, for fear of raising eyebrows, especially at the small airport facilities for private jets, the people said. One person said the flight manifest sometimes listed "Robert Jeffries" or "Jeffrey Roberts" as the passenger on the second plane, when in fact the seats were empty.

Mr. Immelt said he didn't request the extra plane. "The Corporate Air team at GE had a practice around managing air travel that I neither instituted nor asked for," he said. "Apparently, this policy was put in place after numerous plane failures on complicated travel to difficult global locations."

—Coulter Jones contributed to this article.

BUSINESS & FINANCE

Samsung Weighs Overhaul

BY TIMOTHY W. MARTIN
AND EUN-YOUNG JEONG

SEOUL—Samsung Electronics Co. is expected to deliver a record profit when it reports third-quarter results on Tuesday.

But many investors will be less focused on THE WEEK THE results than eager for answers about

who will lead the company to future success—and how.

In a surprise move earlier this month, one of Samsung's top executives, Kwon Oh-hyun, said he would soon resign, deepening a leadership crisis atop a company where the chairman is incapacitated, the de facto leader is imprisoned and the conglomerate's powerful strategy group is disbanded.

Mr. Kwon's successor as chief executive of Samsung's thriving components division is expected to be named in coming days, analysts say.

But a broader leadership shake-up, beyond Mr. Kwon, is under consideration by the company's board, according to people familiar with the matter. No final timeline has been set for the moves, which would restock Samsung's top rung with younger executives, the people said. But Samsung previously shuffled management in December.

A Samsung spokeswoman declined to comment.

Mr. Kwon, a 65-year-old who also has the title of vice chairman, hinted at change in his Oct. 13 announcement of plans to step down. Calling for a fresh start, he said Samsung is "hard-pressed to find new growth areas right now."

The company's current business lines, though, are thriving—especially sales of semiconductors and displays. Samsung is the world's largest maker of smartphones, memory chips and television sets.

Samsung's expected earnings would mirror the booming quarterly growth delivered last week by three technology peers: Google-parent Alphabet Inc., Amazon.com Inc. and Mi-



Students tried out Samsung smartphones in Seoul in July. The company is to report results Tuesday.

crosoft Corp.

While those companies are expanding into new businesses, Samsung is grappling with what steps to take next with the absence of its de facto leader, Lee Jae-yong, who was convicted in August for bribing South Korea's former president. Mr. Lee has appealed the decision and is undergoing a higher-court trial.

Samsung, like many South Korean conglomerates, takes direction on future strategies from the controlling family. The company is a step behind on artificial intelligence and other software, home speakers and auto technology, according to analysts.

Some Samsung watchers question why the company's leadership is struggling to spot future trends, given that each division has professional management and executives with decades of experience.

"If a CEO says they are confused and don't know which direction to take, they aren't qualified to be the CEO," said Chang Seo-jin, a business pro-

fessor at the National University of Singapore, who has written a book on Samsung.

Samsung needs to find a solution in its leadership structure that can honor the company's Korean legacy while providing a platform for outsiders to orchestrate change, said Eric Schiffer, chairman of Reputation Management Consultants, a brand-management firm based in the U.S.

Samsung also is expected to announce details of a three-year shareholder-returns program, for 2018 to 2020, including plans for share buybacks and dividends.

Last April, Samsung said it would cancel some \$35 billion of its legacy treasury shares, removing a mass bloc of repurchased stock that many South Korean conglomerates use to fend off activist investors or help with succession planning.

Many investors want to know what Samsung plans for dividends, because its payouts have historically trailed peers in the region.

Amazon Pharmacy Would Be Hard Sell

BY JONATHAN D. ROCKOFF
AND LAURA STEVENS

A move by Amazon.com Inc. into the \$412 billion pharmacy business would shake up how generations have gotten their medicines, but success could prove elusive even for the ever-expanding e-retailer.

People familiar with the matter confirmed that Amazon is considering entering the business. The U.S. market for selling prescription drugs appears ripe for an e-commerce makeover. Every year pharmacies in the U.S. dispense about 4.5 billion prescriptions.

Patients pick up about nine out of 10 prescriptions at a retail pharmacy, much the same way their parents did decades ago, even though their doctors likely sent their prescriptions to the store electronically.

Consolidation of the drug supply chain in the hands of a few big players has also been criticized by many patients and drug manufacturers, who are looking for new ways to buy and sell medicines.

Retailers including Amazon may be "sensing there is a significant discontinuity, a shift, about to occur and it is time to jump in," said Pratap Khedkar, who heads the pharmaceuticals practice at consulting firm ZS Associates.

But while filling drug prescriptions online may be a big, inviting target for Amazon, it would pose very different challenges than selling books, toys and videogames, say industry experts.

Medicines are highly regulated; they can be sold only by a pharmacy with a state-issued license. Most important: The patient usually doesn't pay directly for their prescription

drugs.

"Amazon has built its business dealing with first-party payment—the consumer," said Adam Fein, president of Pembroke Consulting, which advises on the drug-distribution chain. "It's a very different business when the consumer is sharing the cost with a third party."

The Seattle company has had an on-again-off-again interest in health care. In 1999, it bought a 40% stake in Drugstore.com Inc.

"There are a lot of differences between books and drugstores, but there are a lot of similarities, too," Amazon Chief Executive Jeff Bezos said at the time. "Customers want selection, convenience, price and information."

Drugstore.com eventually was bought by bricks-and-mortar retailer Walgreen's, which said last year it was shutting down the site to focus on its own digital efforts.

Filling a drug prescription isn't as straightforward as billing a customer's credit card, then shipping the item, industry experts say.

For patients with drug coverage, health insurers write the checks for the bulk of the cost of medicines. Either the insurers, or the companies they hire to manage prescription-drug benefits, also decide which medicines patients can get and how much they have to pay out of pocket toward the cost.

A pharmacy must sort all that out before handing over a prescription. The pharmacy connects electronically with the drug-benefit manager to make sure the patient can get the prescribed drug under her health plan and calculate how much she and her health plan must pay.

The involvement of middlemen would present steep challenges for Amazon if it wanted to bring its seamless, one-click experience of buying bedsheets, diapers and tablets to filling a prescription.

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BUSINESS NEWS

Akzo Considers Plan for Merger, Chemicals Deal

BY BEN DUMMETT

Akzo Nobel NV and U.S. rival **Axalta Coating Systems Ltd.** are considering a possible merger of equals that would create a multibillion-dollar coating and paints giant, according to a person familiar with the matter.

The possible deal under consideration would involve the Dutch paint company first proceeding with its existing plans to spin off its specialty chemicals business and distribute proceeds to shareholders, the person said.

While preliminary talks about a possible deal have previously been reported, it wasn't clear that they centered on structuring the deal as a merger of equals.

The combined company would have added scale to generate better pricing for raw materials, eliminate overlapping operations and gain new customers to help revive profit growth. Coatings are used to prevent corrosion and improve durability across a range of sectors such as the automotive and marine industries.

The talks are at an early stage and could collapse before a deal is reached, according to the person familiar with the matter.

A merger of equals typically involves companies with a similar market value. The deals are structured through a share swap and shareholders of neither company receive any significant premium for their stock. This type of structure would be crucial in an attempt by Akzo to win support from its shareholders, some of whom have been concerned the Amsterdam-based company could seek a big acquisition, potentially paying a large premium, to protect itself against an unwanted suitor.

Earlier this year, activist investor **Elliott Management Corp.** mounted a campaign to force Akzo into sale talks with its U.S. paints rival **PPG Industries Inc.** The \$28 billion takeover attempt failed. In August, Elliott and Akzo reached a truce over the Dutch company's alternative plan to separate its specialty-chemicals business and distribute the proceeds to shareholders to generate value for investors.

Currently, Akzo has a market value of about \$22.6 billion, compared with Axalta's value of about \$8.1 billion. That gulf in valuation precludes a merger of equals and would instead require Akzo paying a takeover premium to acquire Axalta. By selling or spinning off the specialty chemicals business first as a condition to a deal with Axalta, Akzo's market value would likely fall more closely in line with its Philadelphia-based rival. Some analysts estimate the specialty chemicals business could be valued at as much as \$10 billion, which would no longer be reflected in Akzo's market capitalization after a spinoff.

Even with a spinoff of the specialty chemicals business, Akzo could face difficulty getting its shareholders to support an Axalta deal because a merger would make it more expensive than it otherwise would be for a potential suitor. That said, a possible merger between Akzo and Axalta might appeal to shareholders as the companies seek to boost profits, allowing a combined company to cut costs.

For the third quarter, Akzo reported a 13% drop in adjusted operating profit, hurt by higher raw-material costs. Axalta's adjusted net income fell 20% amid lower volumes in North America and higher raw-material costs.



A worker trims medical marijuana plants at a facility in Canada, where recreational use is expected to soon be legalized.

JAMES MACDONALD/BLOOMBERG NEWS

Brewer Sees Growth in Pot

Constellation takes stake in Canadian firm to make and market cannabis-laced drinks

BY JENNIFER MALONEY
AND DAVID GEORGE-COSH

The U.S. distributor of Corona beer is chasing a new type of buzz.

Constellation Brands Inc. has agreed to take a 9.9% stake in **Canopy Growth Corp.**, a Canadian marijuana company, and plans to work with the grower to develop and market cannabis-infused beverages.

Canopy Growth is the world's largest publicly traded cannabis company, with a market valuation of 2.2 billion Canadian dollars (\$1.7 billion) on the Toronto Stock Exchange. The C\$245 million deal gives Constellation a toe-hold in an industry that the brewer expects to be legalized nationwide in the U.S. in the coming years.

"We think that it's highly

likely, given what's happened at the state level," Rob Sands, chief executive of the Victor, N.Y.-based beer, wine and spirits company, said in an interview. "We're obviously trying to get first-mover advantage."

Constellation—flush with cash after posting a 13% increase in beer sales in its latest quarter—is interested in developing drinkable cannabis products that don't contain alcohol, he said. Products currently on the market in U.S. states where they are legal include buzz-inducing sodas, coffees and fruit elixirs.

Constellation doesn't plan to sell such a product in the U.S. before marijuana is legalized there nationwide, Mr. Sands said, but could sell it in Canada, where edible and drinkable cannabis products are expected to be legalized by 2019, or other countries that permit recreational marijuana.

Independent research firm Euromonitor International estimates that the legal marijuana market in 2018 will be \$7.5 billion in Canada and \$10.2 billion in the U.S.

U.S. beer-industry executives have been debating whether legalized marijuana could cannibalize sales of beer, even as other consumers migrate from beer to wine and spirits.

"Wine and spirits are not sitting still, and marijuana is being legalized in many states," **Heineken USA** Chief Executive Ronald den Elzen said at a beer wholesalers conference earlier this month. "We have to act now, and we have to do it together."

Mr. Sands said he doesn't see pot as a threat to booze. But if a consumer is going to choose a can of beer, a glass of wine, a shot of liquor or a weed-laced elixir, he wants to be able to offer all four, he said.

"Could it be a threat? Yes, I guess it could be," he said. "We're not going to stand around twiddling our thumbs."

Medical use of marijuana has been legal in Canada since 2001. The country is expected to legalize recreational use, not including edibles, by July 2018, with edible and drink-

able products expected to become legal the following year. In the U.S., eight states plus the District of Columbia have legalized marijuana, and more than 20 states have legalized it for medical purposes.

Constellation doesn't plan to lobby for or against marijuana legalization in the U.S., Mr. Sands said.

Canopy Growth, based in Smiths Falls, Ontario, is ramping up capacity ahead of next summer's legalization in Canada and said it would use the new capital to expand its production and storage facilities throughout the country.

The deal, expected to close by early November, gives Constellation board-observer status and the option to increase its stake to just under 20%. Canopy CEO Bruce Linton said Constellation's expertise in alcohol distribution would be helpful for the cannabis company as it determines how to distribute and package recreational cannabis. Canada's provincial regulators are still considering how to handle the selling of marijuana, he said.

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JOSH SMITH/REUTERS

Systems such as the Reaper drone have become a staple of warfare in Iraq and Afghanistan. A U.S. Air Force MQ-9 Reaper drone sits in a hanger at Creech Air Force Base in Nevada.

Military Is Gung-Ho on Robotic Vehicles

Armies around globe develop self-driving, land-based systems for trucks and tanks

By ROBERT WALL

Robotic vehicles are taking aim at the modern battlefield.

In Israel, semiautomated vehicles patrol some of the country's borders. The U.S. Army is working on trucks that can drive themselves in a convoy. Russia, at a military exhibition in August, showed off the Nerekhta, a machine-gun firing—and self driving—mini tank.

Foot soldiers for years have watched as wars in the air have been transformed by the introduction of drones. Systems such as the Reaper drone, made by San Diego-based **General Atomics Aeronautical Systems Inc.**, have become a staple of warfare in Iraq and Afghanistan. They have helped air forces conduct missions over longer periods, unencumbered by issues such as fatigue, and kept pilots out of harm's way. Now ground troops are starting to enjoy some of the same benefits.

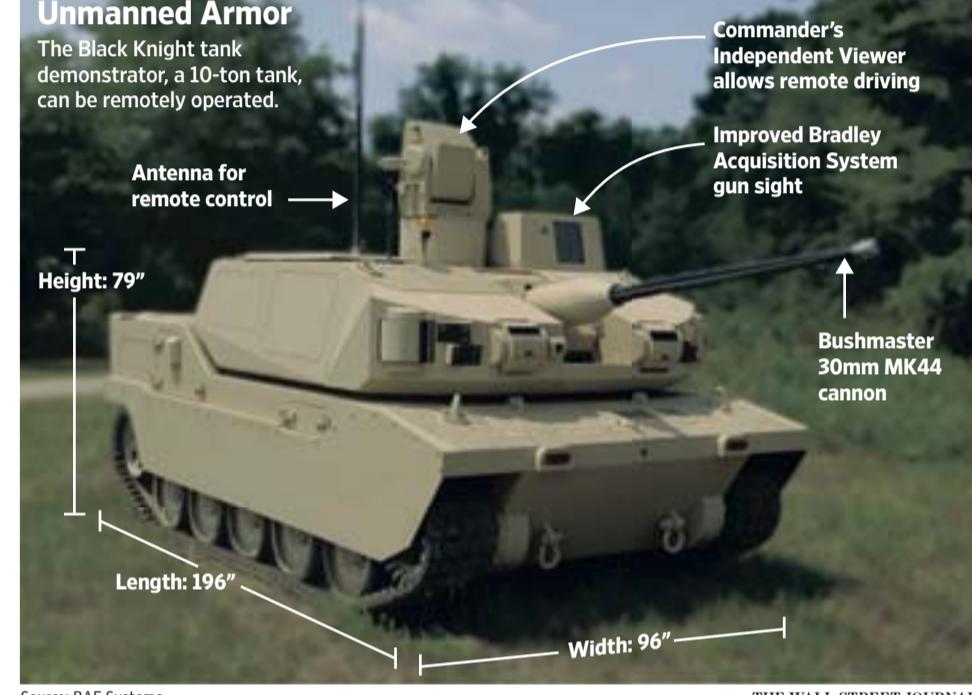
"The robotics field, at least for the military, is going through a very extreme up tick

of interest in the Pentagon. A lot of things that were distant future are rapidly accelerating," said Kevin Mills, associate director for ground vehicle robotics at the U.S. Army Tank Automotive Research Development and Engineering Center, in an interview.

As with drones in the air, Israel has been an early adopter of land-based systems. The Israel Defense Forces deployed an unmanned ground vehicle along some of its borders to look for signs of possible incursions and keep troops away from cross-border sniper fire.

The initial design was based on the Australian Tomcar off-road, four-wheeler, equipped with a number of cameras and other sensors. It sported cameras providing remotely located operators a 360-degree view.

Israeli defense has now upgraded the system, replacing it with one built on **Ford Motor Co.'s** F-350 pickup truck. It carries better sensors and improved controls, the IDF said. Israel wouldn't disclose how many vehicles it has or where they operate. An all-female unit operates the vehicles from afar, the military said, though it has been considering an upgrade to allow for full autonomous operations.



THE WALL STREET JOURNAL.

The U.S. Army this year published an autonomous-systems strategy calling for accelerated introduction of such vehicles.

The service has started testing some in northern Michigan. The first trucks are being modified to operate in eight-vehicle convoys in which only the lead vehicle is driven. The others are equipped with technology to allow automatic

steering, braking and acceleration and to monitor other safety systems.

It is a concept that has appeal beyond the U.S. military.

"I would be very happy if my soldiers could rest while driving," said Swedish Army Chief of Staff Maj. Gen. Karl Engelbrektson at a conference earlier this year, adding that would keep them fresh to fight

when they reach a target.

Technological advances being driven by commercial self-driving car programs such as those pursued by Google parent **Alphabet Inc.** and Elon Musk's **Tesla Inc.** are aiding the military, too. Although the Army can't directly tap the closely guarded intellectual property the commercial companies are using, Mr. Mills

said the self-driving car initiatives are driving down the price of critical sensor technologies needed to maneuver vehicles across the battlefield.

Up next for the U.S. Army is a system it calls "Wingman." The service plans to demonstrate within three years an unmanned version of its ubiquitous Humvee, the commonly used four-wheel-drive vehicle, armed with a weapon that could be fired remotely. Mr. Mills said the system will undergo rigorous trials at a gunnery range to determine how it performs compared with humans. The goal is to be in the top 10% of the top performers, he said.

The customer clamor from the world's armed forces has prompted European arms maker **BAE Systems PLC** to dust off its unmanned Black Knight tank demonstrator, which it first rolled out in 2006. The 10-ton tracked tank was remotely operated from another armored vehicle. Next year, BAE wants to showcase the autonomous operations of the tank.

The tank, which is equipped with a 30mm cannon, can reach speeds of 48 miles an hour, said Mark Signorelli, head of strategic planning at BAE's U.S. Platforms and Services business.

MIMS

Continued from page B1
state law. "That's what I think Facebook is most nervous about," says Ryan Goodman, a professor at the New York University School of Law who researches Facebook's legal and moral responsibilities—that "the sleeping giant wakes up and realizes just how unregulated they are."

That "sleeping giant" includes legislators in the U.S., Europe and elsewhere. While the current Congress is loath to mint new regulations, that hasn't stopped Sens. John McCain (R., Ariz.), Amy Klobuchar (D., Minn.) and Mark Warner (D., Va.) from proposing the Honest Ads Act, which would force internet companies to tell users

who funded political ads. Most forms of mass media are required to do this, but the Federal Election Commission exempted Facebook and other internet sites in 2006, when online political discourse was still nascent.

The new bill is an obvious way to bring the tech giants in line with other media, with whom they clearly now compete, says Yochai Benkler, a Harvard Law School professor and co-director of the Berkman Klein Center for Internet and Society.

What it won't solve is the even larger problem of Russia creating content on Facebook that's compelling, aka enraging, enough to go viral without paid promotion. Researchers found that of the 470 sites created by Russia, the six that Facebook has disclosed were shared 340 million times—suggesting a

total reach for all Russian content of billions of shares.

Twitter recently announced all its ads would provide a trace: who paid for them, and how they were targeted at users. Facebook

will also roll out tools for increased transparency of political ads and says they should be functional before the 2018 midterm elections.

At the state level, Facebook is already fighting a battle with regulators who would like to prevent the company from identifying

our faces without our express permission. State regulators could succeed at holding Facebook accountable in ways Congress is unwilling to. Another possibility is that America's state attorneys general could go after the company.

Renato Mariotti, a former federal prosecutor who's contemplating a run for Illinois attorney general and has expertise in Facebook's potential liability in the Russian influence operations, says it's entirely plausible that state AGs will pursue the company's records while trying to determine Facebook's culpability.

"I would be surprised if individual Facebook employees are criminally liable for anything that happened, but I think a strong argument can be made that if foreign powers advertise on Face-

book, there should be disclosure of the source," Mr. Mariotti says. "None of those ads on Facebook would have been very effective if they said 'paid for by Russia.'"

Last but not least, there is the impending threat of the European Union's General Data Protection Regulation. Going into force in May 2018, it opens a Pandora's box of potential liabilities for all tech companies around how they handle and exploit individuals' data, guard against breaches and transfer information across national borders.

For Facebook, it will mean new rules about disclosing what it knows about its users. It will also mean sharp limits on what Facebook can do with that data. For everything Facebook wants to do with a user's data, it will have to ask explicit permis-

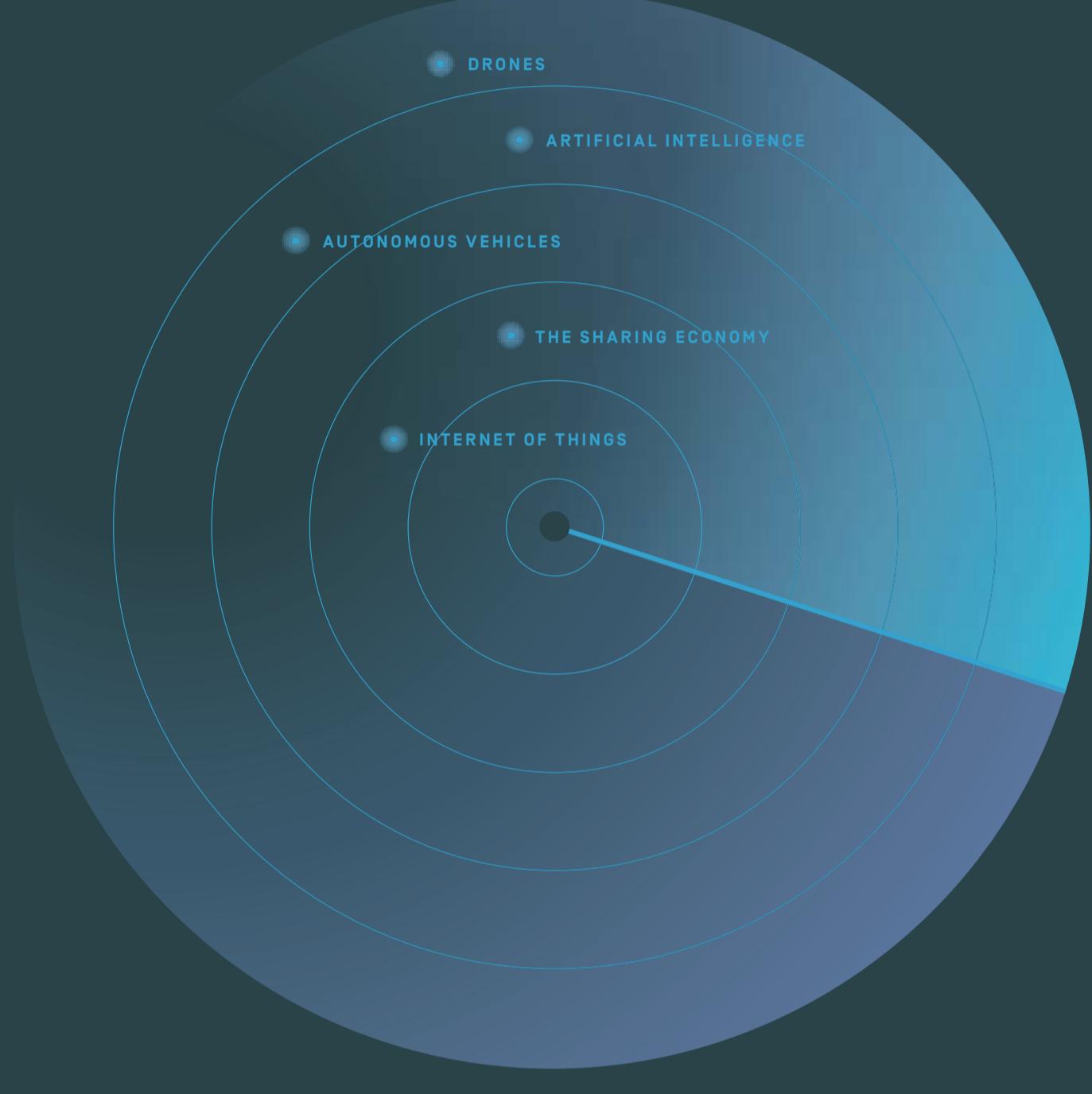
sion, and it can't re-use the data for new purposes in the future.

The regulation is so sweeping, it could force all U.S. tech companies to change how they operate everywhere, unless they build separate systems just for Europe, says David Carroll, an advocate for increased regulation of Facebook and an associate professor of media design at the New School's Parsons School of Design.

In addition, EU citizens living in the U.S., and tourists from Europe traveling here, could have standing to sue U.S. tech companies.

Broad, sweeping changes are likely coming to America's tech giants. "All industries eventually get regulated," Mr. Carroll says. But that assumes regulators can outlast the tech giants, and not the other way around.

A promotional graphic for Fox News Channel. It features two women hosts: Laura Ingraham and Megyn Kelly. The text includes "FOX NEWS channel", "10 PM ET INGRAHAM NEW THE INGRAHAM ANGLE", "TONIGHT CHANGES EVERYTHING", "11 PM ET BREAM NEW FOX NEWS @ NIGHT", and "TONIGHT CHANGES EVERYTHING". The background shows a blurred image of the hosts.



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'Jigsaw' Scare Off Competition

By ASSOCIATED PRESS

George Clooney's "Suburbicon" notched one of the most dismal wide-release debuts in recent years on a sluggish pre-Halloween weekend where the horror sequel "Jigsaw" topped all releases despite an underperforming debut. According to studio estimates Sunday, the eighth "Saw" film landed at No. 1 with \$16.3 million in North

American ticket sales. That came in below industry expectations and suggested the revived "Saw" franchise isn't connecting with audiences the way other recent horror entries have.

In its first release since the Harvey Weinstein scandal began unfolding, the Weinstein Co. released a horror sequel of its own: "Amityville: The Awakening." It played in an unusual Saturday-only engagement on

just 10 screens, and grossed a mere \$742.

"Jigsaw" distributor Lions Gate also claimed the No. 2 spot with \$10 million in the second week of release for "Tyler Perry's Boo 2! A Madea Halloween."

Critics gave "Jigsaw" a 39% Rotten Tomatoes score. Opening-weekend moviegoers also weren't overwhelmed, giving the film a modest B Cinema-

Score. But that rating still easily surpassed the D-minus grade that greeted Mr. Clooney's latest directorial effort.

Overseas, where "Thor: Ragnarok" began its world-wide rollout, it was a different story. The Disney release grossed \$107.6 million internationally from about 52% of the marketplace. The "Thor" sequel opens in North America, China and elsewhere on Friday.

Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. Jigsaw	Lions Gate	\$16.3	\$16.3	--
2. Boo 2! A Madea Halloween	Lions Gate	\$10	\$35.5	-53
3. Geostorm	Warner Bros.	\$5.7	\$23.6	-59
4. Happy Death Day	Universal	\$5.1	\$48.4	-46
5. Blade Runner 2049	Warner Bros.	\$4	\$81.4	-46

*Friday, Saturday and Sunday Source: comScore

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-end funds generally do not buy their shares back from investors. Who wants to cash out their holdings, instead, fund shareholders can seek out their holdings.

a—The NAV and market price are ex dividend. **b**—The 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 is in process. **g**—Rights offering announced. **h**—Lipper data has been adjusted for rights offering. **i**—Rights offering has expired. **j**—Lipper data not yet adjusted. **k**—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 ex dividend. **z**—NAV and market price are ex dividend. ******—Information applies if 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 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 27, 2017

52 wk Fund (SYM) NAV Close/Disc Ret

General Equity Funds

Adams Divers Equity Fd ADX 18.14 15.64 -13.8 31.5

Boulder Growth & Income BIF 12.42 10.64 -14.3 35.4

Central Securities CET 32.26 26.79 -17.1 34.9

Coh Steer Opprty Fd FOF 13.70 13.27 -3.0 21.5

Cornerstone Strategic CLM 13.53 14.88 +10.0 24.3

Etn Vnc Tax-Adv'd Fd ETV 23.06 22.41 -2.8 25.0

Gabelli Dividend & Incm GDV 24.05 22.61 -6.0 28.9

Gabelli Equity Trust GAB 6.40 6.09 -5.7 27.2

Gen American Investors GAM 42.32 36.01 -14.9 26.6

Guggenheim Enh Fd GPM 8.83 8.78 -0.6 25.2

Hnck John Txdv Advt HDL 26.28 25.60 -2.6 15.3

Liberty All-Star Equity USA 6.77 6.17 -8.9 34.4

Royce Micro-Cap RMT 10.47 9.31 -11.1 36.7

Royce Value Trust RVY 17.59 15.94 -9.4 42.6

Source Capital SOR 45.16 40.84 -9.6 18.4

Tri-Continental TY 29.10 25.84 -11.2 28.7

Specialized Equity Funds

Adams Natural Rsrcs Fd PE0 22.68 19.37 -14.6 5.3

Allzngl Nfd Invrtrt NFJ 14.68 13.39 -8.2 19.9

AlpnGblPrp Opprty APP 7.11 6.45 -9.3 36.3

ASA Gold & Prec Metals ASA 12.89 11.47 -11.0 14.5

BirkRk Enh Cap Incr CII 16.69 15.89 -4.8 30.4

BirkRk Engrs Tr BGR 14.68 13.39 -9.1 1.7

BirkRk Corp Invrtrt BDJ 9.79 9.20 -6.7 27.5

Tortoise Energy TYG 10.21 9.49 +6.3 -2.7

Tortoise MLP Fnd NTG 16.58 16.87 +1.7 -2.1

Voya Eqility Invrtrt IDG 8.21 8.05 -1.9 2.6

Income Preferred Stock Funds

Calamos Strat Fd CPS 12.77 12.21 -3.6 34.2

Cohen & Steers Drr Pfd LDP 27.45 26.48 -3.5 16.6

Cohen & Strls Prfnc PFD 28.01 27.72 -1.0 11.3

FTI Internat Duratn Pfd FPF 25.20 24.65 -2.2 32.7

Flyer & Crummie Dyn FPF 26.38 25.91 -1.8 13.7

Flyer & Crummie Pfd FFC 20.36 20.73 +1.8 10.2

John Hancock Pfd Income HPI 21.33 21.79 +2.2 10.6

John Hancock Pfd II HPI 21.09 21.54 +2.1 8.2

John Hancock Pfd III HPS 18.81 18.36 -2.4 2.4

J Hancock Pfd Tr PIV 15.88 16.89 +6.4 24.9

LMP Cap & Incr Fd SCD 14.27 20.21 2.1

Nuveen Pfd & Incr Secs Fd SPX 10.82 10.51 -2.9 17.3

Nuveen Pfd & Incr Secs Fd TPS 10.43 10.22 -2.0 18.1

Pioneer Floating Rate Tr PHD 12.49 12.06 -3.4 6.1

Pioneer Preferred & Incr PPI 26.01 24.96 -4.0 11.0

High Yield Bond Funds

Alpine Tot Dyn Invrtrt ADD 9.91 9.06 -8.6 33.4

Cdn Genl Invrtrt CGI 31.58 22.84 -27.7 31.0

Cohen & Steers Tr RFI 13.26 12.52 -5.6 12.3

CLSeligm Prem Tech Grd STK 22.34 23.25 +4.1 44.6

Duff & Phelps DNP 10.03 11.34 +13.0 21.2

Duff & Phelps Cblltngln PPG 17.36 15.51 -10.7 7.3

Eaton Vance Eqility Invrtrt EOJ 14.61 14.35 -1.8 27.5

Eaton Vance Eqility Invrtrt EOS 15.41 14.97 -2.9 20.5

Corporate Bond Funds

BlackRock Corp Invrtrt BCR 9.78 -8.11 18.1

BlackRock Utility & Tech BST 26.87 26.26 -2.3 52.4

BUCRainGrd/BslEstm IGR 7.82 -9.9 9.9

Central Fund of Canada CEF 13.18 NA -1.7

ClearBridge Amer Invrtrt CBA 8.01 NA 0.2

ClearBridge Engy MLP Fd CEM 13.60 NA -6.1

Clearbridge Engy MLP Opprty EMO 11.12 NA -7.7

Clearbridge Engy MLP Tr CTR 11.81 NA 4.1

Cohen & Steers Invrtrt Fd CEN 13.35 12.42 -7.1 11.8

Cohen & Steers Qualnl RQJ 13.35 12.42 -7.1 11.8

CohnStrsPfdInco RNP 22.59 21.11 -6.4 21.2

Cooper & Steers Tr RFI 13.26 12.52 -5.6 12.3

DL Seligm Prem Tech Grd STK 22.34 23.25 +4.1 44.6

Etn Vnc Tax-Adv'd Fd ETV 23.06 22.41 -2.8 25.0

Etn Vnc Tax-Adv'd Fd ETG 18.15 17.18 -5.3 29.4

Eaton Vance Tax-Adv'd Fd EVA 10.21 9.87 -1.3 27.5

Eaton Vance Tax-Adv'd Fd EVD 19.44 18.91 -2.7 35.3

Gabelli Gbl Multimedia GGT 9.12 8.71 -4.5 29.0

Other Bond Funds

Prudential Corp Invrtrt GHI 9.11 9.25 -6.7 13.2

Etn Vnc Tax Mdg/Buy-Wrtte ETB 16.23 16.57 +2.1 12.5

Eaton Vance Tax-Mdg Opprty ETW 11.99 11.60 -3.3 23.6

Eaton Vance Tax-Mdg Opprty ETY 11.47 11.76 +2.5 22.1

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Eaton Vance Tax-Mdg Opprty ETY 11.47 11.76 +2.5 22.1

Eaton Vance Tax-Mdg Opprty ETY 11.47 11.7

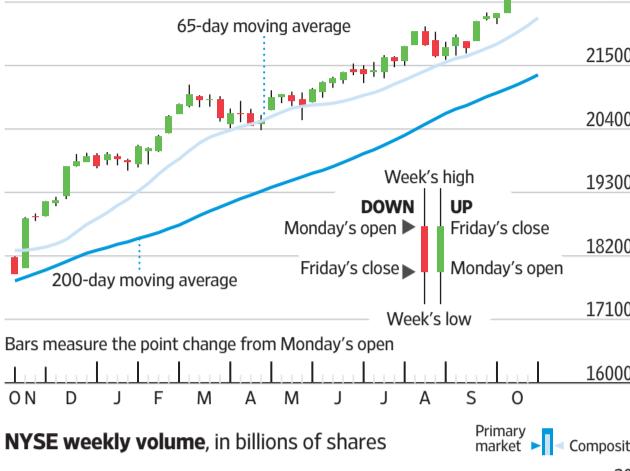
MARKETS DIGEST

Dow Jones Industrial Average

23434.19 ▲ 105.56, or 0.45% last week
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 21.23 19.85
P/E estimate * 19.54 17.19
Dividend yield 2.19 2.59
All-time high 23441.76, 09/24/17

Current divisor 0.14523396877348



Bars measure the point change from Monday's open

ON D J F M A M J A S O

Primary market Composite

30 20 10 0

ON D J F M A M J A S O

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2581.07 ▲ 5.86, or 0.23% last week
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 24.16 24.31
P/E estimate * 19.49 18.02
Dividend yield 1.92 2.16
All-time high: 2581.07, 10/27/17



ON D J F M A M J A S O

2000 2075 2150 2225 2300 2375 2450 2525 2590

New to the Market

Public Offerings of Stock

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)
10/31	9/29	Altair Engineering Software company.	ALTR Nq	12.0	11.00/ 13.00 RBC Cptl Mkts, DB	
10/31	9/5	Loma Negra Manufacturer of cement in Argentina.	LOMA Int'l	251.0	15.00/ 19.00 BofA ML, Bradesco BBL, Citi, HSBC, Itau BBA, MS	
11/1	10/6	Allena Pharmaceuticals Specialty biopharmaceutical company.	ALNA Nq	5.3	14.00/ 16.00 Credit Suisse, Jefferies, Cowen & Co	
11/1	10/3	Evqua Water Technologies Designer and manufacturer of wastewater treatment systems.	AQUA N	27.8	17.00/ 19.00 Credit Suisse, JPM, RBC Cptl Mkts	
11/1	10/6	Funko Manufacturer of pop culture collectibles.	FNKO Nq	13.3	14.00/ 16.00 GS, JPM, BofA ML, Jefferies	
11/1	10/6	Spero Therapeutics Research & development company focused on developing therapies to treat bacterial infections.	SPRO Nq	5.0	14.00/ 16.00 BofA ML, Cowen & Co, Stifel	
11/2	10/6	Aquantia Manufacturer of physical layer transceiver integrated circuits.	AQ N	6.8	10.00/ 12.00 MS, Barclays, DB	

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Offer symbol	Offer price(\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
Oct. 30	May 3, '17	Antero Midstream	AMGP	23.50	875.4	-22.1	180 days
	May 3, '17	Biohaven Pharmaceutical Holding	BHVN	17.00	193.6	88.7	180 days
	May 3, '17	UroGen Pharmaceuticals	URGN	13.00	66.9	118.6	180 days
Oct. 31	May 4, '17	KKR Real Estate Finance Trust	KREF	20.50	241.6	-0.8	180 days
	May 4, '17	Ovid Therapeutics	OVID	15.00	75.0	-56.1	180 days
Nov. 5	May 9, '17	Five Point Holdings	FPH	14.00	338.1	-6.6	180 days
	May 9, '17	Guaranty Bancshares	GNTY	27.00	62.1	7.7	180 days

Sources: Dealogic; WSJ Market Data Group

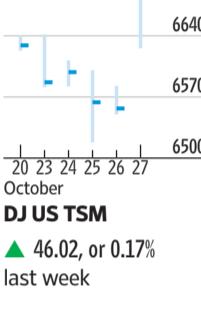
Financial Flashback

The Wall Street Journal, October 30, 1986

Ahmed Zaki Yamani, who played a leading role on the world oil scene for 24 years as Saudi Arabia's oil minister and a leader of OPEC, was ousted from his post.

Nasdaq Composite

72.21, or 1.09% last week



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MONEY & INVESTING

401(k) Tax Plan Would Have Broad Impact

Workers of all ages and incomes stand to be affected by proposal to cap contributions

BY ANNE TERGESEN

Some opponents to reducing the tax deduction on 401(k) savings as part of a broad tax overhaul say this move could lead workers to save less when some researchers say Americans need to be saving more for retirement.

Not everyone agrees. A number of recent studies that have looked at the effect on savings rates and amounts have come to contradictory conclusions. Republican lawmakers working on the tax overhaul also say they can encourage savings with other incentives.

But one thing is clear: According to research by the non-partisan Employee Benefit Research Institute, workers of all ages and income levels of the roughly 55 million American workers who contribute to the retirement-savings plans would be affected.

Lobbyists and others in the retirement and financial-services industries who have spoken to members of Congress and staff on a key tax-writing committee say lawmakers are looking at proposals that would set significantly lower pretax

limits on 401(k) contributions—an often mentioned but not finalized amount is \$2,400 a year. Rep. Kevin Brady (R., Texas), chairman of the House's tax-writing Ways and Means Committee, recently said lawmakers were considering changes to 401(k) plans.

After news of the potential \$2,400 cap emerged earlier this month, the nonpartisan Employee Benefit Research Institute released some research that found a substantial share of workers across various income and age levels would likely lose some of the upfront tax deductions they currently take for 401(k) contributions.

Of workers whose annual salaries are between \$10,000 and \$24,999, 38% currently contribute more than \$2,400, according to EBRI, which drew on data from millions of administrative records from 401(k) record keepers. That share drops to 32% for those earning between \$25,000 and \$49,999. But more than half of employees in thresholds above \$50,000 would be affected, with an 87% share for those earning more than \$100,000.

When EBRI analyzed the data by age, it found that 43% of workers 25 to 34 years old make 401(k) contributions exceeding \$2,400. That rises to 56% for those ages 35 to 44; 62% for those 45 to 54; and 64% of those 55 to 64.

EBRI says it plans to release a broader study by mid-November that will project the impact of potential tax-overhaul changes—including a \$2,400 cap on pretax contributions—on 401(k) savings rates and retirement-income adequacy.

Switching to a system in which tax deductions are capped at lower levels "would be turning a major portion of the U.S. retirement system on its head and there is not a lot of evidence yet as to what the impacts would be," says Shai Akabas, director of economic policy at the Bipartisan Policy Center in Washington, which also is studying the potential impact on saving rates of such a switch.

Under some of the proposals being floated by lawmakers, contributions above the amount set for tax-deferred savings would have to go into a Roth account, in which contributions are taxed upfront but withdrawals of principal and any gains aren't taxed, said people who have spoken to congressional staff and committee members.

A number of recent studies that have attempted to analyze the potential impact on retirement savings of a shift toward Roth-style plans have come to contradictory conclusions.

Economists at Harvard and Yale universities who studied 11



ANDREW HARRER/BLOOMBERG NEWS

Rep. Kevin Brady (R., Texas) has said 401(k) plans could change.

large companies that added a Roth choice to their 401(k) plans between 2006 and 2010 found no evidence that introducing a Roth option decreases total savings rates, according to a 2017 paper. Instead, employees tended to stick to the same contribution rates—possibly to meet a goal such as getting a full employer match or saving 10% of pay—even at the cost of reducing their take-home pay.

Alight Solutions LLC, a 401(k) record keeper, analyzed 25,000 401(k) participants who shifted to Roth accounts in 2016. It found the average savings rate rose—to 10.6% from

8.2% in 2015—as two-thirds increased their savings.

But because these moves were voluntary—and may have been initiated by motivated savers—the outcomes may not be indicative of what would happen under an enforced shift to Roth savings, said Rob Austin, director of research at Alight.

Critics point out that if lawmakers enact these changes, savers will face a choice between maintaining their current savings rate or their current take-home pay—and many may sacrifice saving.

A study by Morningstar Inc. concludes that while Roth ac-

counts theoretically benefit low-income people—who can pay income tax today on their contributions at a low rate and avoid paying at a potentially higher rate on their withdrawals—Roths may not, in fact, work out to be a better deal even for those people.

Its director of policy research, Aron Szapiro, crunched the numbers for a hypothetical 30-year-old in a 25% bracket who saves either 10% of a \$50,000 income in a traditional 401(k) or 7.5% in a Roth—rates that produce the same take-home pay.

Assuming the 30-year-old's 25% tax rate remains the same in retirement, Mr. Szapiro concludes, he or she will wind up with 8% less with the Roth. A big reason is that the 30-year-old must pay tax upfront on Roth contributions at his or her 25% marginal tax rate.

But if the hypothetical investor can instead use a traditional 401(k), he or she will get to pay a lower 6% effective tax rate when withdrawing \$35,000 in retirement. Of that \$35,000, only \$17,153 would be taxable due to factors including a higher standard deduction for people age 65 or older, Mr. Szapiro says. On the taxable portion, the account owner would pay a 10% rate on the first \$9,325 of income and a 15% rate on the next \$7,828, said Mr. Szapiro.

to do so," Equifax said.

It has been rare for states to bring charges for delays in notifying consumers about data breaches, though a health-services company agreed in June to pay New York \$130,000 to settle allegations that it broke state law by waiting more than a year to provide such notice.

Some are pushing for a national standard on notifying consumers. Since Equifax disclosed its breach, at least four bills have been introduced in Congress that would make data-breach notifications a federal matter, generally giving companies 30 days to notify consumers. Equifax says it would support a consistent breach-notification process.

Some are pushing for a national standard on notifying consumers.

Even without a federal law, future data breaches could face stiffer requirements. New York Gov. Andrew Cuomo said after the Equifax breach he would take steps to have credit-reporting companies comply with the state's cybersecurity rules for financial institutions, which require them to notify New York regulators of data breaches within 72 hours after they're discovered.

Securities and Exchange Commission Chairman Jay Clayton said last month that public companies, which are already required to tell investors about material data breaches, should do so sooner than they currently do.

ter attending them.

For-profit colleges saw a bump in their stock prices when Donald Trump was elected president. Many in the industry expected Mr. Trump to be more lenient on for-profit colleges, given his involvement with defunct Trump University, which was run like a for-profit college but didn't offer degrees.

In March, Mr. Trump delayed enforcement of rules on for-profit colleges that were designed to cut off access to federal money for career-training programs if multiple classes of graduates spend at least 20% of their discretionary income paying off student debt.

Earlier this year, a federal judge approved a \$25 million settlement between Trump University and about 4,000 students that will reimburse students for about 90% of money they paid for the school. Mr. Trump had said he wouldn't settle, but his stance changed after he won the election. He said on Twitter at the time the settlement was reached that he had to focus on running the country, noting it was "Too bad!" he couldn't bring the case to trial.



Bharat Sharatchandra Bhise once controlled a sixth of the shares in the Chinese conglomerate, whose ownership structure faces scrutiny.

The Trader Who Became HNA's Ally

BY JAMES T. AREDDY

SHANGHAI—Over two decades ago, George Soros's fund-management organization dispatched a newly hired aircraft trader to China, where it had invested in a startup airline.

As the airline blossomed into a powerful conglomerate now known as **HNA Group** Co., the trader, Bharat Sharatchandra Bhise, an India-born U.S. citizen, aligned himself with the Chinese business and eventually came to personally control about one-sixth of its shares.

One of China's most acquisitive businesses, HNA's more than \$170 billion in assets include stakes in **Deutsche Bank** AG and the Hilton hotel chain. The group's rapid expansion has drawn attention to its ownership structure, in part because a high-profile Chinese tycoon in New York has alleged Chinese officials have undisclosed ties to HNA, which the company denies.

Part of the mystery around HNA is why a foreigner for several years was the largest individual shareholder in one of China's biggest companies.

Mr. Bhise gave up his stake around two years ago. Through a spokesman, he said he never had full ownership of the stock, worth billions of dollars, and merely held it on behalf of the company.

In a July disclosure that pulled back the curtain on its shareholding structure, HNA said more than half of the business is now owned by two charities, including one formed last year in New York that has Mr. Bhise's former stake, and that founders and

How Bhise Became Involved With Firm

Based on interviews with over a dozen people who have worked with Bharat Sharatchandra Bhise and **HNA**, as well as regulatory filings and other public documents, the 63-year-old got involved with the Chinese aviation group in the early 1990s when it was regional carrier Hainan Airlines Co., and has remained close to it as an adviser during its global expansion.

The association began

around the time entrepreneur George Soros in 1995 bought a \$25 million stake in Hainan Airlines through a partnership

with a chemicals tycoon from

executives hold the rest.

HNA declined to comment about Mr. Bhise's role as a shareholder for this article.

In businesses around the world, it isn't uncommon for shares to be registered in the name of a nominee, such as a corporate executive or the representative of a private-equity investor. In addition, lawyers say, in China and elsewhere, government officials and others who want to limit scrutiny of their wealth sometimes rely on associates as proxy shareholders.

Mr. Bhise was an unusual choice as a nominee shareholder in HNA. Foreigners rarely hold sizable stakes in China's largest businesses. One effect of Mr. Bhise's involvement was that a chunk of HNA stock was controlled outside Chinese jurisdiction, poten-

India, Purnendu Chatterjee. Mr. Chatterjee had hired Mr. Bhise, a family friend, for the Soros organization.

An expert in aviation finance, Mr. Bhise was appointed to the airline's board in 1996. Mr. Bhise "became the face of Soros in Hainan," one person who worked with him said.

Soon, Mr. Soros doubled his investment to \$50 million, though later he parted ways with Mr. Chatterjee and sold out of the airline, according to publicly available records and people familiar with the matter.

Meanwhile, Mr. Bhise deepened his China ties. According to people familiar with the matter, he became a trusted partner of Adam Tan, who is now HNA's chief executive. As China's economy expanded,

tially making it easier to transfer the stake without approval from Chinese authorities or collect dividends overseas.

The murkiness of HNA's shareholder base has given pause to its bankers and possible investment partners, and is at the center of allegations by Guo Wengui, the Chinese property tycoon living in New York, that the company has been secretly controlled by top Beijing politicians. Mr. Guo's situation has strained relations between China and the U.S. Chinese authorities consider him a fugitive; in response he has applied for U.S. asylum.

By 2004, according to a filing with the Shenzhen Stock Exchange, Mr. Bhise's name was on a shell company that controlled 17.15% of a newly formed holding company called HNA Group that owned

their relationship was "a confluence of ambition and opportunity," said another person who worked with them both.

In regulatory filings by HNA-run entities over several years, Mr. Bhise was described as the holder of an M.B.A. degree from New York University. NYU said Mr. Bhise's only credential there is a certificate from a 15-month business course. Mr. Bhise has more recently corrected his academic claims to show his M.B.A. was earned at New York's Adelphi University, which that school confirms.

In response to questions about the past claims, his spokesman said in a statement that Mr. Bhise maintained

"the highest standards of compliance in his business activities."

Hainan Airlines and other assets. Among individual shareholders named in that filing and subsequent ones as recently as late 2015, Mr. Bhise held the most shares.

In recent years, Mr. Bhise has scoured the globe lining up aircraft purchases and takeover targets for HNA, through his investment-advisory business, **Bravia Capital Partners**.

Last year, Mr. Bhise's Bravia advised HNA on a \$6 billion takeover of California-based technology group **Ingram Micro** Inc. At times, Bravia has called itself HNA's "in-house" advisory and says it has done \$17 billion in total deals, which appear to be mostly for HNA.

Speaking about HNA in 2012, Mr. Bhise told The Wall Street Journal, "We're true partners."

SCHOOL

Continued from page B1

pany, founded in 1991, offers online degrees targeted at working adults. As of June 30, the school had about 37,600 students, more than 70% pursuing master's or doctoral degrees, according to the company's website.

Leadership for the well-regarded universities would remain in place and they would run in their existing forms, one of the people said.

In addition to providing cost savings from combining back-office operations, a deal would give Strayer, which is largely focused on bachelor's degrees, more of a presence in the advanced-degree market and graduate education, one of the people said.

The for-profit education sector has been under pressure. A paper published last year by the National Bureau of Economic Research found that students who attended for-profit colleges were less likely to be employed and earned smaller paychecks af-

MARKETS

Nasdaq Says an ETF Was Stolen From It

BY ASJYLYN LODER

Exchange-traded funds are an unlikely venue for a \$1 billion heist, but that is what Nasdaq Inc. says happened.

The exchange is accusing a little-known New Jersey company of stealing an ETF franchise worth more than \$1 billion, including the world's biggest cybersecurity ETF, according to a civil complaint filed Thursday in the U.S. District Court for the Southern District of New York. Nasdaq asked the court for compensatory and punitive damages and to enjoin **ETF Managers Group LLC** from involvement in the funds.

Nasdaq's allegations are part of a feud pitting Nasdaq and its business partner against **ETF Managers Group**, which helps would-be ETF providers bring their fund ideas to market and performs many of the back-office jobs that investors rarely notice.

ETFs, like mutual funds, give investors a simple way to own hundreds of stocks or bonds by buying a single share of a fund. These funds often outsource jobs like portfolio management, index calculation, marketing, compliance or asset custody.

According to Nasdaq, **ETF Managers Group** overstepped its role as a service provider and seized control of the funds.

Sam Masucci, founder and

chief executive of **ETF Managers Group**, said in an interview that the lawsuit is baseless.

According to Nasdaq, **ETF Managers Group** was hired in 2012 to help launch ETFs on behalf of a partnership between PureFunds, an ETF startup, and the International Securities Exchange, which is now part of Nasdaq. **ETF Managers Group** was paid to run the day-to-day operations of the ETFs, but the funds' profits belonged to Nasdaq and PureFunds, according to Nasdaq's complaint.

Their biggest success was the \$1.1 billion cybersecurity ETF. Best known by its ticker HACK, the fund generated \$300,000 a month in profits, according to Nasdaq.

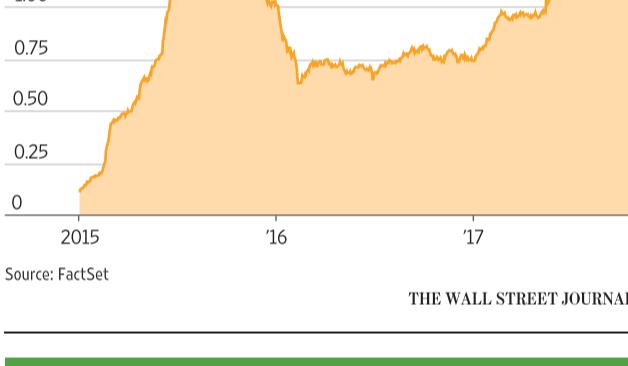
According to the complaint, **ETF Managers Group** schemed to take over the ETFs and keep the profits, sidelining the president of PureFunds and concocting excuses to break its agreements with PureFunds and Nasdaq.

In July, **ETF Managers Group** announced its plans to rebrand the PureFunds ETFs under its own name, according to Nasdaq's complaint. HACK, which had been sold under the PureFunds name, was renamed the **ETFMG Prime Cyber Security ETF**.

ETF Managers Group described Nasdaq's account as "misleading and distorted" and accused the exchange of not honoring its contractual obligations.

Success Story

HACK is the most successful ETF in a lineup that is now mired in a legal dispute, with assets of more than \$1 billion.



THE WALL STREET JOURNAL.

\$713.2 billion

The market value of Google's parent company, **Alphabet Inc.**, at Friday's close, its biggest ever and first move above \$700 billion

Google Joins 700 Club

Alphabet Inc. has joined an exclusive club.

Shares rose 4.3% Friday after Google's parent company said its third-quarter profit rose 33% from a year earlier, the biggest

one-day gain since the beginning of last year. That pushed **Alphabet's** market value above \$700 billion for the first time.

It puts the internet search giant in rarefied company. The

only other S&P 500 company to have had a market capitalization of more than \$700 billion is **Apple Inc.**, which is currently worth \$842.2 billion. Both are ahead of **Microsoft Corp.**, which ranks third with a market cap of about \$646.6 billion.

Tech stocks have surged this year as investors bet the dominance of the sector's biggest companies will continue to grow. At a time of mediocre economic growth, tech giants such as Apple and **Alphabet** have attracted investors in recent years with solid earnings growth.

The flood of money into the biggest tech companies has lifted their market values.

Currently, the five biggest S&P 500 companies by market cap are all associated with tech, with

Amazon.com Inc. and **Facebook Inc.** rounding out the group. The increasing heft of these firms has also attracted scrutiny and questions about whether the companies are getting too powerful.

Alphabet's share-price gain had trailed its peers for much of the year. Its stock is up 30% this year, far surpassing the S&P 500's 15% gain, but lagging behind the 55% rise in Facebook and 41% rise in Apple. That may be starting to change, though. Over the past three months, **Alphabet** has climbed 8.5%, topping both Apple and Facebook.

—Ben Eisen

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Currencies

U.S.-dollar foreign-exchange rates in late New York trading			
Country/currency	Fri in US\$	per US\$	YTD chg (%)
Americas			
Argentina peso	.0568	17.6040	10.9
Brazil real	.3090	3.2363	-0.6
Canada dollar	.7813	1.2800	-4.8
Chile peso	.001574	635.40	-5.1
Colombia peso	.0003321	3010.83	0.3
Ecuador US dollar	1	1	unch
Mexico peso	.0523	19.1359	-7.7
Peru new sol	.3082	3.245	-3.2
Uruguay peso	.00398	29.4300	0.3
Venezuela b.fuerte	.099486	10.0517	0.6
Asia-Pacific			
Australian dollar	.7678	1.3024	-6.2
China yuan	.1504	6.6507	-4.2
Hong Kong dollar	.1281	7.8035	0.6
India rupee	.01541	64.8885	-4.5
Indonesia rupiah	.0000735	13598	0.5
Japan yen	.008797	113.67	-2.8
Kazakhstan tenge	.002989	334.56	0.7
Macau pataca	.1243	8.0469	1.6
Malaysia ringgit	.2358	4.2415	-5.5
New Zealand dollar	.6876	1.4543	0.7
Pakistan rupee	.00949	105.350	0.9
Philippines peso	.0194	51.678	4.2
Singapore dollar	.7325	1.3651	-5.7
South Korea won	.000881	1125.97	-6.8
Sri Lanka rupee	.0065125	153.55	3.4
Taiwan dollar	.03317	30.152	-7.1
Thailand baht	.03009	33.230	-7.2
Middle East/Africa			
Bahrain dinar	2.6521	.3771	-0.3
Egypt pound	.0566	17.6535	-2.6
Israel shekel	.2828	3.5355	-8.1
Kuwait dinar	3.3047	.3026	-1.0
Oman rial	2.5987	.3848	-0.04
Qatar rial	.2647	3.777	3.8
Saudi Arabia riyal	.2666	3.7505	-0.01
South Africa rand	.0709	14.1122	3.1
Europe			
Vietnam dong	.00004403	22710	-0.3
Czech Rep. koruna	.04531	22.069	-14.1
Denmark krone	.1560	6.4101	-9.3
Euro area euro	1.1610	.8614	-9.4
Hungary forint	.003740	267.41	-9.1
Iceland króna	.009480	105.49	-6.6
Norway krone	.1228	8.1465	-5.8
Poland zloty	.2733	3.6591	-12.6
Russia ruble	.01723	58.028	-5.3
Sweden krona	.1195	8.3667	-8.1
Switzerland franc	1.0027	.9973	-2.1
Turkey lira	.2640	3.7885	7.5
Ukraine hryvnia	.0372	26.8550	-0.8
UK pound	1.3127	.7618	-6.0
US			

Close Net Chg % Chg YTD % Chg

WSJ Dollar Index 87.78 -0.001 -0.001 -5.55

Sources: Tullett Prebon, WSJ Market Data Group

—Koji Everard contributed to this article.



At a Halloween-themed meeting, members of the Financial Service Agency, a Japanese regulator, hold a discussion with young adults.

Japan Prods Its Youth to Invest

BY SURYATAPA BHATTACHARYA

stands at a 21-year high after a record 16 straight days of gains, has generated little enthusiasm. For most Japanese, the trauma of the early 1990s bubble collapse, when the leading stock average fell more than 60% in less than three years, was enough to drive them out of the market.

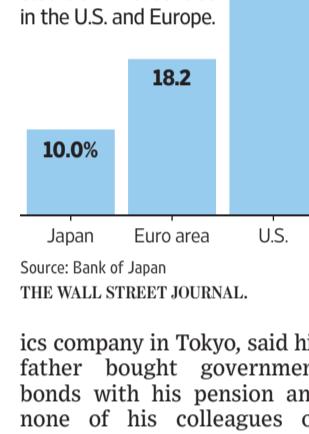
Japan's situation is a reminder of how hard it can be, even in a rising market, to build the kind of investing culture Americans are accustomed to. Only 10% of households in Japan own equity, compared with 36% in the U.S., according to the Bank of Japan.

Even China seems to be warming to retail investing much faster than Japan, although it remains poorer on a per capita basis. The number of Chinese retail investors holding stock-trading accounts amounts to nearly 10% of the population and has risen by 17 million in the past year, according to the China Securities Depository and Clearing Co.

At a recent soiree in a Ginza art gallery, young investors gathered to sip wine and talk in hushed tones about putting their money somewhere other than a bank account earning zero interest. Takehito Sanada, 32, who works at an electron-

Under a Mattress

Japanese households have a smaller share of their money in stocks than households in the U.S. and Europe.



Source: Bank of Japan

THE WALL STREET JOURNAL.

ics company in Tokyo, said his father bought government bonds with his pension and none of his colleagues or friends invest, so he has had to seek out gatherings of the like-minded.

"It's quite lonely," Mr. Sanada said.

To Japanese policy makers, stock investing isn't just a personal choice. Bringing a new crop of risk-taking investors into the market, they say, could in turn encourage more risk-taking entrepreneurs to create the kind of companies that are driving the U.S. economy.

Getting money to flow into stocks could "contribute to economic growth eventually,"

a Financial Services Agency spokesman said. "Then we hope that through long-term, regular diversified investments, people can share the success of the securities market."

More than half of Japan's household wealth sits in bank deposits or cash under the mattress, according to the Bank of Japan, compared with 14% in the U.S.

"We have to increase our assets. Otherwise we cannot survive in a super-aged society," said Satoshi Nojiri, director of the Fidelity Retirement Institute in Japan.

In a survey of 10,000 salaried people in their 20s through 50s last year by the Fidelity institute, more than 60% used words like "risky," "scary" and "gambling" to describe investing. Among those in their 30s, fewer than one in eight said they were actively investing for retirement.

Efforts to attract new blood have fallen short before. The government a few years back created a tax exemption for small brokerage accounts in hopes of getting people to dip their toes in the market. Not many did, and government figures show half the accounts are inactive.

—Koji Everard contributed to this article.

MONEYBEAT

Tech stocks have surged this year as investors bet the dominance of the sector's biggest companies will continue to grow. At a time of mediocre economic growth, tech giants such as Apple and **Alphabet** have attracted investors in recent years with solid earnings growth.

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Amazon.com Inc. and **Facebook Inc.** rounding out the group. The increasing heft of these firms has also attracted scrutiny and questions about whether the companies are getting too powerful.

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—Ben Eisen

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CHRISTIAN PETERSEN/GETTY IMAGES

THE TICKER | Market events coming this week</h

MARKETS

THE DAILY SHOT | By Lev Borodovsky

Inflation: The Slumbering Giant Begins to Stir

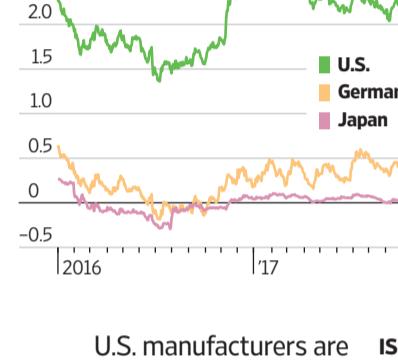
Central bankers are slowly unwinding the stimulus that has helped support the epic postcrisis rally in financial markets. Inflation has been quiet throughout, but there are signs it may soon be heard from.

Consumer prices, change from a year earlier



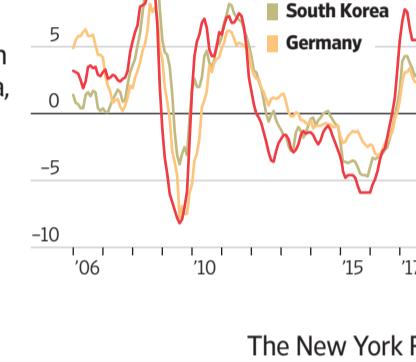
Some analysts see the development as the natural next step following a global reflation that began in earnest in mid-2016, just as bond yields were bottoming.

Yield on 10-year government bonds



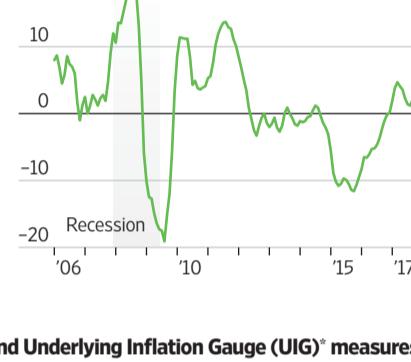
Wholesale inflation is percolating globally with parallel trends in Europe and Asia, a reflection of integrated supply chains.

Producer prices, change from a year earlier



The U.S. import-price index has shown a similar pattern. With the dollar weakening this year, imports are no longer a drag on inflation.

Import prices, change from a year earlier



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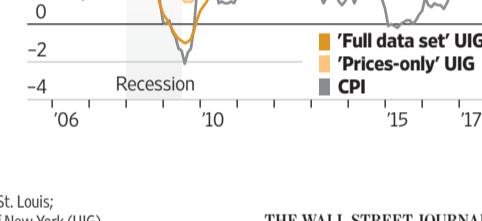
U.S. manufacturers are paying more for raw materials, as reflected in the Institute for Supply Management's prices-paid index, which is at its highest level in years.

ISM prices-paid index



The New York Fed's Underlying Inflation Gauge (UIG)—a measure that captures sustained movements in inflation using a broad set of data—has registered above the consumer-price index (CPI) in recent months.

CPI and Underlying Inflation Gauge (UIG)* measures



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FINANCIAL ANALYSIS & COMMENTARY

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China Banks' Cushion of Capital Isn't So Comfy

Chinese banks are building big, cushy capital buffers. Investors should wonder why they need to now.

A slew of Chinese banks of all sizes have recently issued bonds that count toward their capital for regulatory purposes. Last week, China's largest bank, **ICBC**, said it has approval to issue as much as 88 billion yuan (\$13 billion) of compliant bonds before the year end, while **China Merchants Bank** issued \$1 billion of another type of bond.

That is part of a giant pile of new debt issued by Chinese banks this year, now totaling over \$200 billion—up almost 40% on the year, according to data provider Dealogic. Banks' straight equity issuance has risen quickly too, up by 57% so far this year to \$26 billion.

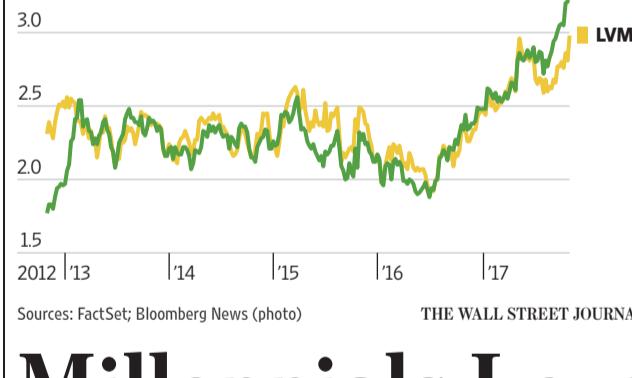
Chinese banks can raise this capital with little trouble. The concern is they haven't been generating enough earnings to replenish their capital bases. Overall, capital-adequacy ratios ticked down in the first half.

One giveaway of how quickly the situation could deteriorate is banks' numbers on how different loan categories are faring. Non-performing loan ratios may be going down, but substandard loans—in which borrowers' ability to service debt is in question—are rising sharply; as are doubtful loans, where borrowers cannot service their debt even though there are guarantees and collateral in place.

As prudent as Chinese bank's capital-raising binge may seem at first blush, investors should keep an eye on what is driving their buffer building. —Anjani Trivedi

Pricey Merchandise

Multiple of enterprise value to sales



Sources: FactSet; Bloomberg News (photo)



A Gucci store in Paris

Millennials Love Gucci

Classic brands often blame millennials for sales downturns, but the younger generation is giving Gucci a sensational boost. This could assure the luxury-goods maker years of growth, or leave it grumbling like everyone else about that fickle group.

Third-quarter numbers last week confirmed an unprecedented turnaround. Comparable sales at Gucci rose 49% compared with the previous year, up from 43% growth in the first half. In the first quarter of 2016, growth was just 3% after a tough few years.

Shares of Paris-listed parent **Kering** jumped 9% on Wednesday as investors reacted to the numbers released late Tuesday. Gucci accounted for almost two-thirds of the company's profits last year. With the shares almost double their level a year ago, Kering is, for the first time in memory, valued at a higher multiple of sales than Louis Vuitton owner **LVMH**.

How long can the growth exceed elevated expectations? Skeptics argue that the brand, once an emblem of timeless luxury, has become a volatile fashion item. Supporters think Kering has hit on a formula for connect-

ing with modern luxury consumers that it can roll out to other troubled brands in its stable, like Bottega Veneta.

Gucci's success comes from a new look under creative director Alessandro Michele, whom the company drew out of in-house obscurity in 2015. It draws eclectically on a wide range of colors, patterns and periods, often in the same garment. It could hardly be further removed from the classic, business-friendly vibe favored by previous top designer Frida Giannini.

The new Gucci has been a hit with millennials in particular. In the first three quarters, roughly 55% of sales were made to consumers under 35. This is much higher than average for luxury brands: Millennials and their successors in Generation Z will account for roughly 32% of total luxury consumer spending this year, according to a new report by consultancy Bain & Co. Many will come from China: Bain figures Chinese nationals now account for 32 cents of every dollar spent on luxury.

Millennial luxury consumers value experimentation and self-expression more than their seniors, argues Claudia D'Arpizio, author of the Bain report. Mr. Michele

seems to have hit on a brand identity that reflects this spirit.

Gucci has done a good job getting the word out: The brand is very active on the digital media millennials grew up with. Last year Gucci moved to top place in research company L2's Digital IQ index, replacing longtime leader Burberry.

Resonating with the consumers of the future is something many brands aspire to. There is just one snag: As big consumer groups have discovered, experimental consumers make more fickle consumers.

Gucci keeps tabs on how often its clients come back. Kering Chief Financial Officer Jean-Marc Duplaix said on an investor call last week that the brand's retention rate with millennials had been improving and was now close to its rate with other age groups. But while the brand is hot, this is hardly surprising; Kering will need loyalty when its fashion star fades.

The returns to be made from Kering's youthful reinvention of luxury are apparent, but the full risks aren't. Like Gucci's new look, Kering stock may best suit the young and adventurous.

—Stephen Wilmot

Sickly Earnings For Drug Stocks

All of a sudden, the bull market has left the drug industry behind.

This earnings season has been an unhappy one for pharma investors. The NYSE Arca Pharmaceutical Index is down more than 5% over the past three weeks. The damage looks worse under the surface.

While there have been some bright spots, at least 10 major drugmakers have traded lower after reporting earnings so far this month, according to FactSet. Some of these declines have been significant. **Merck & Co.** sold off by 6% on Friday after earnings. **Celgene**, one of the stronger stock performers in recent history, collapsed by nearly 20% on Thursday and fell further on Friday.

Interestingly enough, nine of these companies, including Merck and Celgene, beat the quarterly analyst estimate for adjusted earnings per share. But the companies cast doubt about their long-term prospects.

Celgene cut its 2020 sales and profit targets and announced a negative clinical-trial result, while **Gilead Sciences** sharply lowered revenue expectations for its hepatitis C franchise. Merck announced it was amending a closely watched clinical trial, which means the trial will end later than previously thought. Merck also announced late Friday it was withdrawing a new application to sell its top cancer drug in European markets, which won't give investors any more reassurance.

Growth in new products, like **Biogen**'s spinal muscular atrophy drug Spinraza, have stalled in key markets.

The picture on drug pricing has muddled once again, though instead of centering on possible new rules from Washington, this time investors are worried about **Amazon.com** entering the pharmacy market. That may not directly affect the profits of pharmaceutical companies, but it is conceivable that the way Americans buy and pay for drugs will eventually change.

Meanwhile, cyclical industrial stocks and large-cap technology companies are performing very well, meaning less interest for industries that aren't dependent on economic strength, like pharmaceuticals.

Other parts of the health-care industry have been suffering for some time. Generic drugmakers, hospitals, drug distributors and pharmacy-benefits managers have all seen shares fall as pressure on costs hits profits and growth.

The selloff remains modest and major pharma and biotech indexes are solidly higher so far this year.

But the sour reaction to fairly decent earnings suggests that Big Pharma's troubles may linger.

—Charley Grant

Turn for the Worse

NYSE Arca Pharmaceutical Index



Source: FactSet

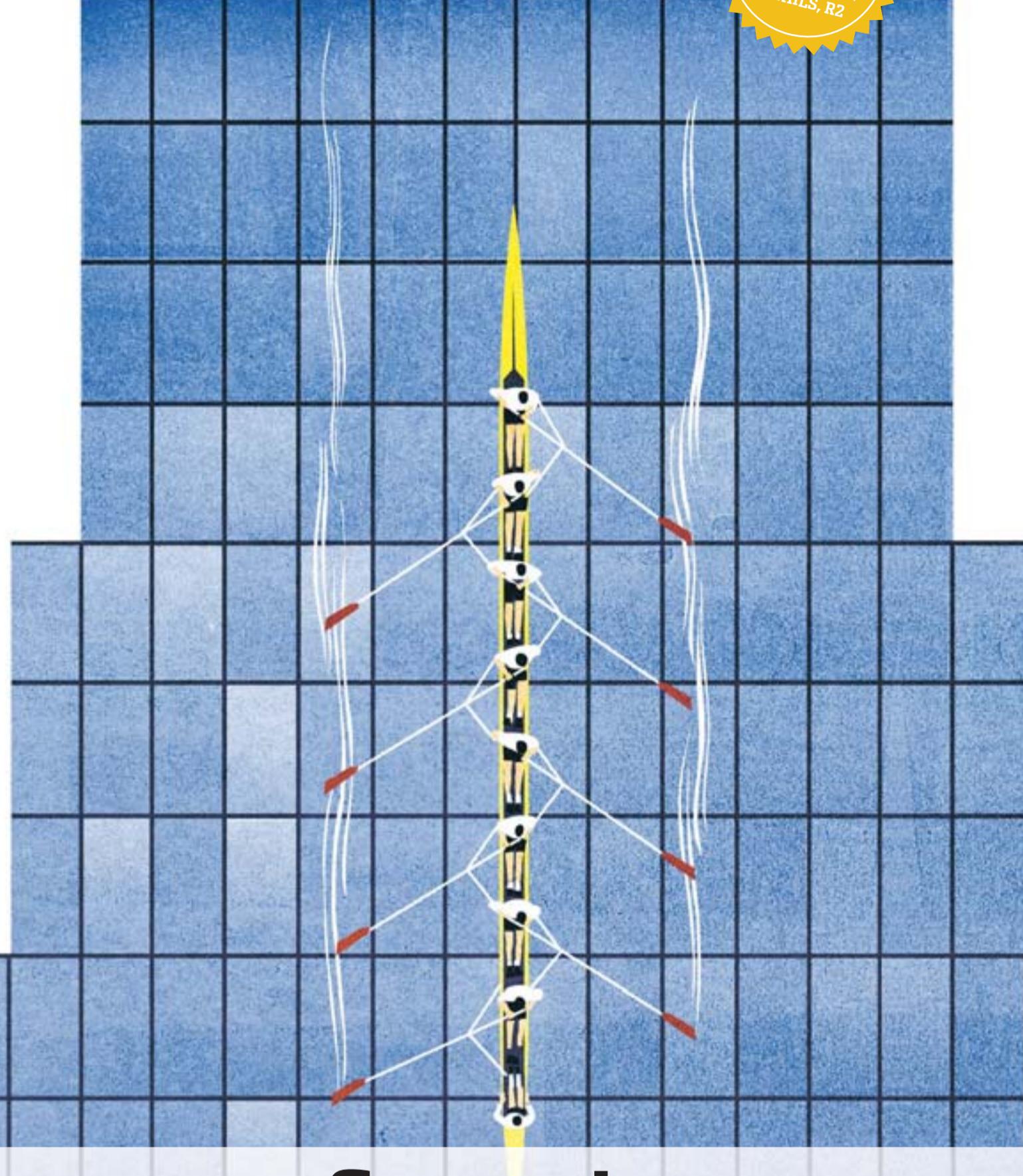
C-SUITE STRATEGIES

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Monday, October 30, 2017 | R1



HIRING IS TRADITIONALLY A piecemeal endeavor, with managers bringing individuals on board one at a time to fill specific openings.

But what if companies didn't always hire this way? What if they sometimes hired groups of people instead?

A few intrepid companies are doing precisely that. One Silicon Valley company I researched experimented with allowing small groups of people to apply for jobs together. The company either hired the entire group, or none of its members.

More commonly, a number of high-profile companies have engaged in "acqui-hiring," buying startups with an eye toward acquiring their talented teams. Similarly, new CEOs sometimes bring along colleagues with whom they've worked in the past. In addition to trusting these people, the new CEOs know they can be relied on to work well together.

Or consider the practice of outsourcing. Why would a company ever outsource anything? In part, it may be because teams of talented operators have already demonstrated excellence in a specialized task or function, and it's easier or cheaper to tap those teams than to create new teams of your own.

Dr. Finkelstein, the Steven Roth professor of management and director of the Tuck Center for Leadership at Dartmouth College, is the author of "Superbosses: How Exceptional Leaders Master the Flow of Talent." He can be reached at reports@wsj.com.

Companies Should Hire Teams, Not Individuals

Among the benefits:
Existing groups work well together, they contribute more quickly, and they are more likely to shake things up (in a good way)

BY SYDNEY FINKELSTEIN

Still, such activity raises the question: Is hiring teams instead of individuals really a smart move?

The answer is yes, for a number of reasons. First, it allows companies to hire more reliably, avoiding many of the unconscious biases we all have. A large body of research has shown that conventional job interviews poorly

predict applicants' future job performance. We think we understand how successful applicants will be after bringing them in and barraging them with tough questions. But we really don't know much at all. Our biases as hiring managers lead us astray—we tend to favor people who look like us, think like us, come from the same cultural background or went to the same schools that we did. We rely on old rules of thumb or "gut instinct," forgoing the benefit of real data.

By contrast, employers who hire preformed teams can feel confident that the new employees will work well together. After all, they already have. Managers have hard evidence that the team has the right mix of personalities and skills to succeed, in the form of the team's performance record—revenue increased, deals notched, customers acquired and so on—and its longevity and stability over time. Such data is far more valuable than the largely subjective impressions gathered during job interviews.

In effect, hiring a team allows an organization to hedge against the risk that individuals won't be as strong as advertised, especially in critically important social skills.

Last year, the World Economic Forum circulated a list of the top 10 skills that companies would most seek in 2020. A number of these skills—people management, coordinating with others, emotional intelligence, and negotiation—are notoriously difficult to evaluate in

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How Verizon Wireless Handles Hurricanes

Chief Network Officer Nicola Palmer says the lessons from previous disasters are crucial

BY HENRY WILLIAMS

NICOLA PALMER, chief network officer at **Verizon Wireless**, began preparing for this year's hurricane season long before meteorologists started predicting any would hit the U.S.

Still, even she was surprised when one severe storm hit Texas, then another hit Florida, then another hit Puerto Rico.

Verizon employees try to learn from every devastating storm to help them prepare for future extreme-weather risks and to speed up service-recovery times when damage occurs. In what follows, Ms. Palmer shares some of the lessons learned. Edited excerpts follow.

Location, location

WSJ: How does Verizon prepare for natural disasters?

MS. PALMER: When you're in the middle of a crisis, that is not the time to be planning and figuring out what needs to be done. Off-season is when you invest in the network and train your people and develop your playbook. So when it's game time you're just pulling out your plays and making gameday calls based on the situation that presents itself.

The biggest thing is starting way up front and choosing where to build. We choose sites for our equipment that are safe and secure, and we take into account the likelihood of hurricanes and earthquakes, wildfires, mudslides and floods. We have some cell towers that are built on stilts [to keep them clear of floodwaters]. Sometimes we have to be in the areas, like New Orleans, that are inherently risky.

We have backup generators at virtually all of our sites. Where we can't get a permanent generator, we have the ability to plug in a portable generator should it be needed.

In addition, our switching locations [data centers that connect a number of cell sites to the Verizon network] are built to withstand Category 5 hurricanes in Florida, for example.

WSJ: How are those cell sites connected to your network?

MS. PALMER: We have a mix of our own connections, and purchased connections from third parties.

You can still have problems where an aerial fiber can get cut if a tree can fall on it, or if it's underground an earthquake can affect it. But you don't want active electronics in the field if you can help it. [Fiber has increased the distance that signals can travel without a boost, reducing the need for network equipment in the field.] When I look at the results of these storms that have just really hit us, this move was one of the things that provided a great level of redundancy.

When something hits, you think about power and you think about the [data connection]. Those are the two big things that are going to hurt you.

WSJ: What was it like on the ground during the recent hurricanes?

MS. PALMER: Every one of our territories has a fleet of emergency equipment. Those are deployed throughout the network; they're not stored in any one location.

We're watching the weather and other events as they unfold. As these hurricanes were

looking like they were going to hit the U.S., that was when you stage your portable equipment where you think you're going to need it.

We prearrange to have fuel at our locations. It doesn't help if you have a generator at a site if it runs through its two days of fuel.

Our switches are built to withstand the hurricanes, so they are probably one of the safest places to be during the impending storms.

Sometimes we'd have a husband and wife who both work at Verizon, and they have children—we had families staying in our switches riding out Irma. We had pets that we put in a special room. They were housing our employees, their families, their pets, and housing some of our suppliers too.

Send in the drone

WSJ: What's your priority after a disaster?

MS. PALMER: We know a lot from our systems. We can tell if a cell site is out of service. Because of our backup power strategy, we know it's probably not a power problem. It's probably one of the data links.

In the case of Harvey, there was a lot of flooding. It could be that the equipment was flooded. We have diagnostics that can give us a pretty good flavor of what the situation is. If we know a site is not working, but you can't get to it because it's inaccessible because of the floods, the roads are closed, we can send an aerial drone with a camera to access the site for us.

In one example, we could see with the drone that the water hadn't submerged the cell site [which was on stilts], but the generator must have run out of gas. So we put some gas on a boat. Get the

gas out there and refuel the generator and you're back in service.



'Off-season is when you develop your playbook.'

NICOLA PALMER

WSJ: What has Verizon learned from previous disasters?

MS. PALMER: I think one of the biggest things was fuel—having tankers of fuel ready. Stretching back to Sandy, it was very difficult to get fuel around New Jersey. Our switch locations, with prearranged fuel, were one of the few places you could get it. That's what we bring now to our response effort.

Before and after each storm hit, we trucked in almost 80,000 gallons of fuel for Harvey, and in Irma we trucked in 490,000 gallons of fuel, and we used 209 fuel trucks during the operation and deployed more than 100 mobile generators.

Also, some suppliers performed, and others won't be with us for the next hurricane. You see who shows up in the

manner in which we want to serve customers, and who does not.

WSJ: How important will tech be in responding to the next big storm?

MS. PALMER: During Hurricane Matthew [a Category 5 hurricane in 2016], we were able to inspect cell sites with a drone, and we've done the same during these hurricanes. We're getting better at it and deploying them faster and more frequently.

We've even done a series of tests where we put a mini cell site in the belly of the drone, and you're providing coverage [from midair]. We've only done that in a test environment, but I'm looking forward to using that in a situation that arises.

WSJ: What happened to the cell network in Puerto Rico?

MS. PALMER: We don't actually provide our own service in Puerto Rico. When our cus-

tomers go there, we use roaming partners [Claro and Open Mobile]. So, we don't have our own towers or switches, but we're working closely with FEMA and both providers down there. I'm sending people and other resources, along with some assets, and we're doing our very best. Besides the money we've pledged, we're also providing our expertise.

WSJ: What role do you think the government has to play in hardening critical infrastructure?

MS. PALMER: We have every commercial incentive to create a robust and resilient network. Consumers want to buy a service they can rely on. I don't think we need any incentives from the government to do that.

Mr. Williams is a deputy editor for The Wall Street Journal in New York. Email him at henry.williams@wsj.com.

Companies Should Hire Teams, Not Individuals

Continued from the prior page
job interviews. But these skills become readily evident as individuals interact with others in team settings.

Sudden impact

Hiring people in groups also enables new employees to contribute much more quickly. When individuals join new teams, they typically require a couple of months, and often longer, to adapt to the team's culture and to make it their own. During that time, they usually feel compelled to embrace team norms, a process that can lead them to sacrifice their own creativity.

Most managers are painfully aware of the irony: The very people they bring into an organization to "shake things up" and offer original thinking wind up conforming. Within months or years, they sound just like everyone else on the team. By hiring preformed teams, companies can welcome in several individuals at once who already are part of a different kind of team culture. Strength in numbers increases the odds that these newcomers will retain their fresh perspectives.

Hiring teams further helps organizations by allowing them to navigate a number of challenges specific to today's workplaces. Many organizations, for instance, have tried to diversify their workforces, and they've particularly struggled when it comes to hiring and promoting women. Evidence suggests that team-based hiring might help make specific workplaces more attractive to women.

In a 2011 study published in the Economic Journal, Andrew Healy and Jennifer Pate found that women were significantly more likely to choose to compete when they were part of a team rather than on an individual basis. The study's clear implication is that if you want to attract more women to your organization, structuring their work so that they become team members—which team-based hiring automatically does—will be more effective than having them compete as individuals.

Less conflict

Many companies today also struggle with conflict in the workplace, a veritable plague that leads to job stress, burnout, employee

Team Players

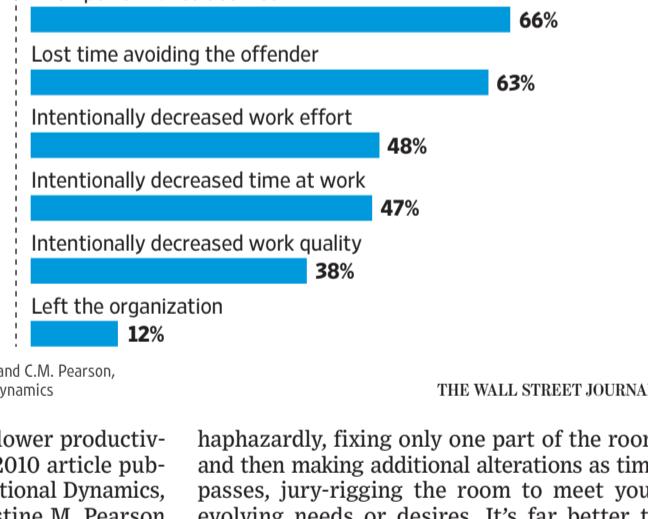
Companies increasingly want skills that are hard to evaluate in job interviews but easily seen in team work settings. Here are the World Economic Forum's top 10 skills that companies will seek in 2020:

- 1 Complex problem solving
- 2 Critical thinking
- 3 Creativity
- 4 People management
- 5 Coordinating with others
- 6 Emotional intelligence
- 7 Judgment/decision making
- 8 Service orientation
- 9 Negotiation
- 10 Cognitive flexibility

Sources: World Economic Forum; C.L. Porath and C.M. Pearson, "The Cost of Bad Behavior," *Organizational Dynamics*

The Cost of Bad Chemistry

Hiring a team with a record of working together can avoid conflicts and behaviors that hurt performance. How employees in a study said they were affected after colleagues were rude or uncivil:



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haphazardly, fixing only one part of the room and then making additional alterations as time passes, jury-rigging the room to meet your evolving needs or desires. It's far better to think ahead, anticipate your future needs, and come up with a single, unified design that will stand the test of time.

Yet in companies, managers take the haphazard approach all the time. They hire individuals for different reasons and then try to cobble them together into a team afterward. All too often, it doesn't work.

Why not pick a number of individuals simultaneously with the express purpose of crafting a group of talents with complementary skills and outlooks?

Elite operation

Doing so will confer the additional benefit of creating a "cohort effect" among the new hires, whereby they feel special as a group and bonded to one another. As my research has shown, the world's most effective leaders

know that members of a cohort typically support one another, while also pushing one another to grow and perform. These leaders explicitly encourage collegiality among colleagues to take root, while also fostering healthy competition between teammates. That unusual combination gives rise to intense team environments, which lead in turn to extremely high performance, high engagement and rapid development on the part of team members. By hiring teams, managers can take a page out of the playbook of these great bosses, initiating a cohort effect in a single stroke. New hires will join an organization feeling like insiders, members of a group of high performers so elite that the organization saw fit to bring them in en masse.

Hiring teams is by no means a panacea for organizations seeking to compete on talent. Organizations will continue to see value in hiring exceptionally talented people on an individual basis. And in hiring teams, they might well have to negotiate tensions between the new groups they hire and existing political centers of gravity. They'll also face the challenge of assimilating new teams into the organization without losing the very uniqueness that made the team worth hiring to begin with.

The task, though, is hardly impossible. Leaders might experiment with keeping the team intact most of the time, but also having team members collaborate on a project basis with colleagues on other teams. They might create external touchpoints for individual team members—mentors, buddies and so forth—that allow them to build bridges to the wider organization, even as they retain their sense of belonging to a privileged cohort.

Think about it this way: So much of human-resources practice involves incremental improvement. Yet winning in our age of disruption requires that leaders change the game on competitors, operating in bold, unexpected ways that are simply better. It requires that they rethink their processes from top to bottom, taking on sacred cows and best practices. From that perspective, hiring teams might be exactly what leaders should start working on—not least because their less adventurous competitors aren't.

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JOURNAL REPORT | C-SUITE STRATEGIES

Behind Philip Morris International's Smokeless Bet

Most of its revenue still comes from traditional cigarettes. But CEO André Calantzopoulos says they aren't the future.

BY SAABIRA CHAUDHURI

CIGARETTE MAKER Philip Morris International Inc. is betting big on smokeless products with a device called IQOS that heats but doesn't burn tobacco.

The number of cigarettes big companies sell is declining and, with regulations continuing to tighten, the companies are focused on future-proofing their business, investing in e-cigarettes and "heat not burn" products that they say are less harmful than traditional cigarettes. Philip Morris has joined with Altria Group Inc. to apply for Food and Drug Administration approval to market IQOS in the U.S. as a less risky alternative to cigarettes.

Philip Morris, spun off from Altria in 2008, sells cigarettes only outside the U.S.; Altria sells cigarettes only in the U.S. If Philip Morris's IQOS wins

FDA approval, it will be sold in the U.S. by Altria in a licensing agreement with Philip Morris, which will receive royalties from U.S. sales.

Making IQOS—pronounced eye-koss—a success has become an obsession for the company's chief executive, André Calantzopoulos.

A tobacco industry lifer and former smoker, Mr. Calantzopoulos is a walking advertisement for his new product, puffing away on the cigarette-shaped device through the day. He's counting on lower taxes and looser marketing restrictions than those levied on traditional cigarettes to push smokers to switch to these new, higher-margin products.

He's also betting many smokers will prefer IQOS, which heats tobacco, to existing e-cigarette options that heat a nicotine-laced liquid but contain no tobacco, making for an experience that's

less like traditional smoking. Philip Morris has poured money into clinical trials that have shown IQOS is safer than smoking. The company maintains that combustion, rather than the tobacco or nicotine in cigarettes, is what's harmful. Critics say more long-term studies and independent research are needed to evaluate IQOS's health effects.

The company in January relaunched its website, stripping away prominent mentions of big moneymakers like Marlboro and Benson & Hedges cigarettes and touting its decision to "develop, market, and sell smoke-free alternatives, and switch our adult smokers to these alternatives, as quickly as possible around the world." Last month, Philip Morris pledged \$1 billion to create a foundation to encourage people to switch to smoke-free alternatives.

Critics note the company is still aggressively selling traditional cigarettes while challenging display bans and rules in some places that require plain packaging with graphic health warnings.

"I don't see any sign at all they're backing off the very aggressive effort to sell as many traditional Marlboros to as many people as they can," says Matthew Myers, head of the Campaign for Tobacco-Free Kids.

In an interview with The Wall Street Journal, Mr. Calantzopoulos discussed how Philip Morris sees the future of smoking and why he thinks IQOS is the key to the company's success. Edited excerpts follow.

Filling a gap

WSJ: With e-cigarettes already available in so many markets, why do we need IQOS?

MR. CALANTZOPoulos: The problem we had with electronic cigarettes since the beginning of development was the satisfaction of the smoker. Because the taste is dramatically different and, at the initial stages, the nicotine pharmacokinetics were very slow. You could not get the satisfaction.



'We are focusing the organization much more on the new business.'

ANDRÉ CALANTZOPoulos

tion. It's not so easy to crack this code.

The taste satisfaction is very important. The closer you are to this, the more chances you have to switch people. It's very nice to have a zero-risk product, but if nobody uses it, you don't have any reduction in public health risk.

WSJ: Which markets are likely to be the biggest ones for these new, alternative products?

MR. CALANTZOPoulos: When you look at the potential of these products you need to understand what is the readiness of smokers to switch. That relates to public-health concerns, social pressure, concern for people around you and many other more subtle things. You cannot say that Indonesia is at the same level of readiness as the U.K., Western Europe or the U.S.

The potential is in every market, because eventually I think people will switch to these products as they become available. There are two unmet needs in smokers: something that is much better for my health and something that

bothers others much less or doesn't bother them. These are things cigarettes can't resolve. These new products are developed to address these needs.

WSJ: What's more profitable for you, IQOS or traditional cigarettes?

MR. CALANTZOPoulos: Today it's IQOS because of the lower taxes.

WSJ: You say you don't want to encourage new cigarette smokers. If that's true, will you have a business in 40 years? What's the long-term plan?

MR. CALANTZOPoulos: First, I don't think it's 40 years we're talking about here. It's much longer. Second, we only have, if you include China, a 15.4% share of the world [cigarette market outside the U.S.] With [alternatives to traditional cigarettes] we have seen we can grow our market share even if the market reduces. Plus we've started introducing accessories for the product.

WSJ: At over \$100 for the starter kit, IQOS isn't cheap. Can you explain your pricing strategy?

MR. CALANTZOPoulos: Innovation, in the minds of people, cannot be something extremely cheap. If you are an average person and you hear that something that is much better than cigarettes comes to the market at the cheapest possible price, you'll not trust it. This is the reason we didn't initially manufacture in China, because you need to create that credibility.

Over time you need to make the products available and affordable to different categories of people.

The big shift

WSJ: You redesigned your website recently to describe yourself as "committed to a smoke-free future" even though most of your business is still in traditional cigarettes. Why?

MR. CALANTZOPoulos: We developed the website because we needed to make clear to our own stakeholders and employees here that this is the direction of the company.

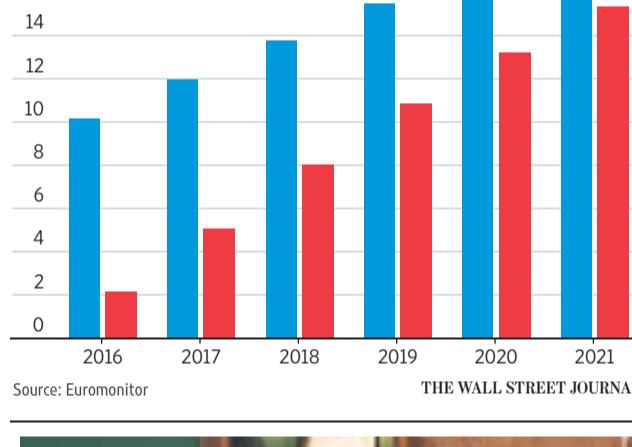
This is not an easy thing, because we are entering into a territory that is very unknown.

Please see PHILIP page R10

A New Spark?

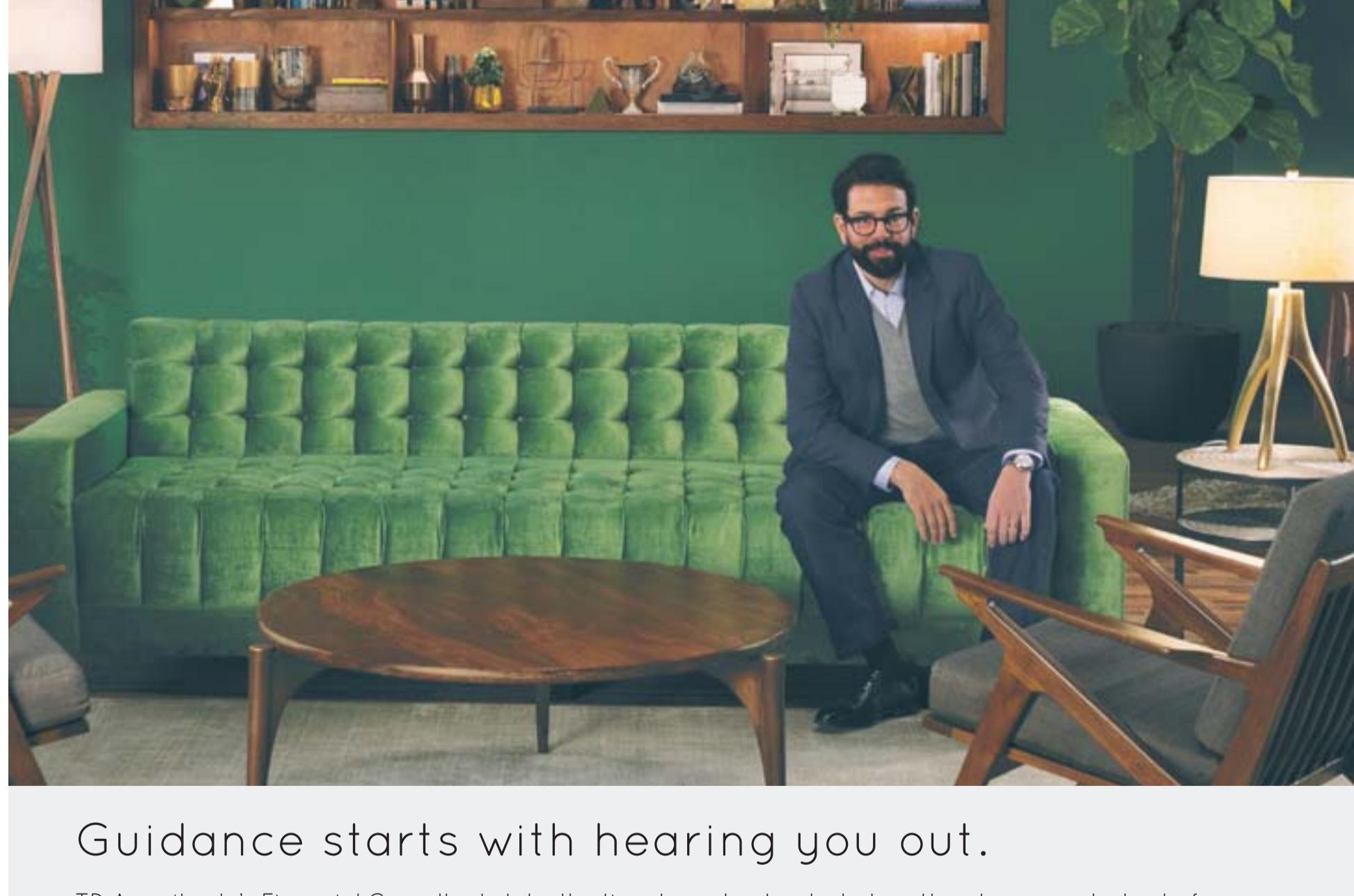
Philip Morris is putting its corporate heft behind IQOS, a smokeless, heated-tobacco product. Global sales of heated tobacco among all companies are projected to close in rapidly on e-cigarettes.

\$20 billion



Source: Euromonitor

THE WALL STREET JOURNAL.



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JOURNAL REPORT | C-SUITE STRATEGIES

TV Shows Every Manager Should Watch

What executives can learn from 'Project Runway,' 'Brooklyn Nine-Nine,' 'The Young Pope' and more

BY ALEXANDRA SAMUEL

IF YOU THINK of TV as a way of unplugging your brain at the end of a long workday, it's time to plug that brain back in. With so many great shows on television, there are plenty of viewing options that will keep you entertained and offer you valuable management insight.

Here are my picks for shows that make for great viewing—and great business learning.

Brooklyn Nine-Nine: Built around Andy Samberg, "Brooklyn Nine-Nine" is an ensemble sitcom that follows a detective squad in a Brooklyn police precinct. The show stealer turns out to be a deadpan Andre Braugher, playing the squad's gay, black captain as an admirable but humorless father figure. For those of us raised on a generation of management books exhorting leaders to show human warmth, Mr. Braugher's Capt. Holt provides a surprisingly appealing alternative.

Capt. Holt reminds us that not only is there no single management style that works for all managers, but there's no single style that works for all employees. And Capt. Holt is a master at calibrating his management style to each member of the team. With an eager sycophant, he's explicitly directive: "It should take 70 seconds for you to fully gauge someone's character. Here's what to look for: grammar, posture, scent, attire, level of perspiration, type of shirt collar." With the overgrown child, he's appropriately stern: "Get your act together."

And when he makes the mistake of disrespecting his colorful and talented assistant, he knows how to correct himself: "You're tenacious, you're strong. You're a great leader." Watch "Brooklyn Nine-Nine" for laughs—but keep a close eye on Capt. Holt's approach to hypercustomized management.

The Americans: Set in the 1980s, this show follows the personal and professional lives of a pair of KGB operatives, Philip and Elizabeth, who are undercover as suburban American parents. Much of their work would look familiar to today's smartest hackers: Philip and Elizabeth are masters of the human manipulation



BRAVO TV/EVERETT COLLECTION; 20TH CENTURY FOX/EVERETT COLLECTION; GIANINI FIORITO/HBO

Lessons in giving feedback, from Tim Gunn, top left; leading as an outsider, from Jude Law as 'The Good Fight'; and tailoring your management style to individuals, from Andre Braugher's Capt. Holt in 'Brooklyn Nine-Nine.'

that hackers refer to as "social engineering." Watch them at work, and you'll learn to defend your company against the many varieties of human error that can expose companies to massive security risks.

Whether they're befriending a family to set up a blackmail scheme, seducing a midlevel manager to get access to classified documents, or using a mistress to get a man alone in a hotel room, these two almost always choose a human being as the weak link in a security system. If you did nothing but catalog the schemes in "The Americans," you'd start your next security audit way ahead.

Project Runway: This long-running reality show is a laboratory for the creative process, since each season challenges a group of fashion designers to create a new outfit every single week. One week they might be asked to create a ready-to-wear ensemble for a working woman, while the next week they have to assemble an outfit out of materials they collect at a hardware

store. Each week's aesthetic mandate and materials list offers a reminder of the value of constraints in fostering creativity: The best designs often emerge from the challenges that offer the least flexibility. The other key ingredient? Skilled mentorship.

That mentorship comes from Tim Gunn, who provides feedback on each designer's work in progress—and can teach any executive how to give better feedback.

Step 1: Before providing feedback on someone's work, check in on their goals. Mr. Gunn always begins by asking what the designer is trying to achieve, so that his feedback is keyed to supporting their vision, rather than his own.

Step 2: Share your most important resource—your professional history and experience. Mr. Gunn's feedback often consists of pointing out when someone is echoing the work of a designer they may not know about, or if they're trying to execute a design that won't be feasible with their chosen fabric.

Step 3: If you've got negative

feedback, articulate the problem directly, and then invite—but don't impose—a solution. When Mr. Gunn sees that someone's in trouble, he tells them exactly what the issue is, and then points them in a direction to find their own solution. If you want to deliver feedback that is candid and effective—without being unkind—this show is a master class.

The Good Fight: A spinoff of the long-running "The Good Wife," this show tackles the challenge of becoming a team player when you're used to running the show. Its central character is Diane Lockhart, who retires from her job as managing partner of a big corporate law firm only to get embroiled in a personal and financial crisis that leaves her desperate for work—and virtually unemployable. She lands a new job at an African-American law firm where she has to take orders, instead of giving them, while also navigating the novel experience of being a white person in a black office.

Diane offers a reassuring example

to any executive who experiences gnawing anxiety about the possibility of someday being knocked off their perch—and a great reminder of why your very best hires may be people who are former bosses themselves. Because Diane has been a boss, she accepts that she'll sometimes be left out of senior meetings. Because she's been responsible for an entire firm, she knows to offer her resignation when her actions have exposed the business to some risk (even if she's relieved when that offer isn't accepted). And because she's been a boss, she knows that the only way she can expect a better financial deal from her employer is if she brings more money to the table (in the form of a lucrative client).

Watch a few episodes of "The Good Fight," and you'll be clamoring to hire more deposed managers onto your own team.

Orange Is the New Black: While it focuses primarily on the lives of women in a minimum-security prison, "Orange Is the New Black" also delves into the lives of prison staff—and that's where it offers the most poignant lessons for managers. The show portrays prison management as a nonstop series of dismal, conscience-searing trade-offs, and many managers will relate to the various situations in which a manager must choose between equally terrible options.

While the show holds out little hope for truly reforming a ruthless organization, it's still able to offer a path for doing good when you're working in a business that offers little room for virtue. That path is illuminated by the prison warden, whose efforts at prison improvement are repeatedly rejected or perverted by his higher-ups. Instead, he finds his opportunities to make change in the moments that don't require anyone else's buy-in: He uses blackmail to protect the prison from closure, leaks incriminating photos to the press as a way of advocating for an ill-treated prisoner, and asserts his management prerogative when he's on live TV and can't be overridden.

Those particular strategies may be a tad dramatic for a real-life office, but the underlying lesson rings true: If you can't sell your organization on wholesale change, look for

Please see TV SHOWS page R10

The Future of Automobile Dealerships

Mike Jackson, CEO of AutoNation, talks about taking his company's network in new directions as new-car sales become a commodity business

BY ADRIENNE ROBERTS

MIKE JACKSON got his start in the auto industry 45 years ago as a technician at a Mercedes-Benz dealership. Now he's chief executive of the nation's largest dealership group, **AutoNation** Inc., at a time of huge uncertainty for the industry.

Sales have reached a plateau. Margins are shrinking on new cars. The potential disruption is rising from ride sharing, which could drive down sales, and autonomous and electric vehicles, which could give dealerships an entirely new purpose as a place for charging and housing vehicles during off hours. And there's the longstanding threat that the dealership model will vanish in favor of online sales.

But Mr. Jackson says he isn't worried. Since joining the company in 1999, he has guided it through a number of other challenges, including the Chrysler and General Motors bankruptcy filings, as well as the broader threat from the recession and financial crisis.

"As a matter of fact, the more disruption, the more change, I've always felt myself of more value," he says. "I'm attracted to dramatic, massive change because I think the opportunity to make a difference is great."

He spoke to The Wall Street Journal about the road ahead for his business. Here are edited excerpts of the talk.

New-Car Squeeze
U.S. car dealers' average gross profit margin on new vehicles as a percentage of selling price



we've opened the door to the possibility of brand extension, and really no other competitor can match that. That has set the stage for a period where we can grow profitably despite the headwinds.

WSJ: How have you changed your business model to adapt to these changes?

MR. JACKSON: About three years ago, we said we're going to build a coast-to-coast brand. We have a scale in the U.S. that no competitor can match, and we're going to leverage that scale to our advantage to invest in used cars; parts, service and collision operations; and branded precision parts and automotive accessories. We're going to develop proprietary digital capabilities such as a website that allows customers to start the car-shopping process at whatever point they want, and offers them the ability to search inventory and hold a car.

We had to go through a considerable period of risk, disruption and investment to build all that out, but now

End of Ownership?

Car sharing may become cheaper than traditional vehicle ownership as autonomous technology advances. The cost per mile today and projected for 2030:

	TODAY	2030
Owned	\$0.76	\$0.75
Shared	\$1.50	\$0.50

Source: Morgan Stanley Research



'We have a scale in the U.S. that no competitor can match.'

MIKE JACKSON

MR. JACKSON: No, absolutely not. Customers—and I'm talking about 90% of customers—want a brand they can trust, they want a great price, of course, and they want to be in control. But it is a big purchase. They want the ability to come in, test-drive, compare and confirm they made the right decision. That happens at a physical location.

Now, what happens within the brick-and-mortar storefront is changing dramatically. Consumers come into stores with more information and expect help, not a hard sell, from salespeople. But brick and mortar still has a role. I think in automotive retail with a price point on new vehicles of \$35,000 and preowned vehicles of \$20,000, I don't see that changing.

The next generation

WSJ: What is AutoNation's role when consumers may not own cars, they share them, and vehicles are electric and autonomous?

MR. JACKSON: Are you talking 100 years from now? Seriously, I think autonomous will arrive in the sharing marketplace. If I look at the marketplace out

there, already today it is 70% personal use and 30% a shared market, which includes rental cars, taxis, buses, etc. Autonomous will be very disruptive to the 30% that's shared in the relatively near future, in a five- to 10-year horizon.

A true autonomous car, with all the computers, equipment, etc., costs about \$200,000 a vehicle. The only way you can justify that level of expense per vehicle is to eliminate a professional driver.

So if you're taking a taxi driver out of the vehicle or a truck driver out of the vehicle, you can justify the cost of a truly, fully autonomous vehicle. I think it arrives in the existing, shared marketplace first.

WSJ: When do you see autonomous vehicles affecting the personal-use market?

MR. JACKSON: In the personal-use market, it will come in more like a guardian angel where it has some benefit, like it will interfere if you're about to do something stupid. But the dilemma in the personal-use market is to get something that's affordable. The only way you can do that is, you have a semiautonomous vehicle, and

you tell the driver, "Look, you have this vehicle with limited self-driving capabilities that you have to monitor 100% of the time." This is almost inhuman, where you say to somebody, "Look, trust this system but you've got to watch it like a hawk. Be ready to intervene at any moment."

I've tried all the systems, and after five minutes I'm like, it is easier if I just drive the car myself than monitor the system. I think it will take much longer in the personal-use market for it to be truly autonomous, fighting that dilemma the whole way.

I think there is a limit on sharing, and there's still a joy of driving. In a 10- to 20-year horizon, there will gradually be more capabilities in personal use, but it will still be a long, hard journey. I'm not a believer in this moment where you wake up and one paradigm is obsolete and the new paradigm has taken over, as you have seen in some low-price tech issues.

Ms. Roberts is a reporter for The Wall Street Journal in Detroit. She can be reached at adrienne.roberts@wsj.com.



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The Benefits When a Nontechie Runs Tech

Bank of America's Cathy Bessant says it helped her integrate business and technology



you know how to do is code. But no kidding, I would say that the initial reaction of the deep technologists on the team was skeptical, and that might be kind. My need to learn was great, and it had to be rapid.

Fortunately, with the marketing underpinning, I knew how to do that with confidence. I knew I could lead the organization and do that learning at the same time.

For executives these days, it's a really important thing to figure out. The skill sets of the future are creative, problem-solving skill sets. They aren't, come up through the finance organization and know how to spread a financial statement. I used to do that with a No. 2 pencil. That's how I started in corporate banking. That isn't the skill set anymore. The skill set is all about creative problem-solving.

So I figured out very quickly which executives on my team would be great teachers and allow me to learn and lead at the same time. Then I had to figure out who would be resistant, and [I had to] make organizational change over a relatively short period.

telling my people that I didn't know anything about marketing. That isn't a leader you want to follow. As a result, nothing I tried to do had any credibility for quite some period of time.

I understand the skills that I brought here and I understand why the organization put me here, and I have confidence that the learning will come and that I can run the organization as it does.

'I made a mistake'
WSJ: What was it like to shift to a technology role after years of working in other units? What was easiest to figure out, and what was difficult?

MS. BESSANT: When I went from running a P&L in a big geography to chief marketing officer, I learned a lot about how to come into a strong functional discipline with a strong general-management background. [Making a change like that] requires confidence, and I wasn't particularly great at it at first.

RECENT advances in technology have revolutionized the business of banking. Mobile and online banking have allowed financial institutions to cut down on paper costs and branches, saving banks billions. But at the same time, the growing threat of cyberattacks means lenders are constantly trying to prevent themselves from becoming the next Equifax Inc.

At **Bank of America** Corp., the second-largest U.S. bank by assets, that responsibility rests with Chief Operations and Technology Officer Cathy Bessant. About 40% of the bank's more than 200,000 employees report to Ms. Bessant, a 35-year veteran who held business and marketing roles before taking on her current job in 2010.

When I entered the marketing organization, I made a mistake. I spent six months

telling my people that I didn't know anything about marketing. That isn't a leader you want to follow. As a result, nothing I tried to do had any credibility for quite some period of time.

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WSJ: Why do you think CEO Brian Moynihan asked you—someone without a technology background—to become the company's chief operations and technology officer?

MS. BESSANT: By the time he asked me to take on technology and operations, he had a very clear vision of what he wanted, which was business and technology integrated.

You can't really do that if all

My cyberteam would tell you I have invested a tremendous amount of time in ensuring that I have cutting-edge knowledge of cyber and cybertechnology. Cyberteams are heavily populated by former military or intelligence people and [people from] the defense industry. Knowing that their leader is well-versed in what they do is actually more important to them in many cases than what they are paid.

Art of cyber

WSJ: Tell us about the dynamic between business needs and technology decisions.

MS. BESSANT: There is only

one way to be fully protected, and that is to shut the place down.

The constant balance every day is between doing business and continuing to move forward and protecting the firm. Here's an example: My team at one point a few years ago brought me an idea of creating speed bumps for incoming and outgoing email.

I asked them, how long will the speed bump be? How long will it slow things down? They said it depended, but it could be as long as 20 to 30 seconds, depending on the traffic. OK, we run lots of businesses where 20 or 30 seconds shuts the place down. Think about sales and trading in the equity space, where we are managing milliseconds and nanoseconds.

I decided that we needed to find a different way to protect ourselves because 20 seconds might not matter one day, but the day that it does, it's too late. I couldn't let the company become dependent on things that impeded our ability to be agile for clients and customers.

The art of cyber is to keep the firm in business and continue to grow and serve the needs of the customer every day. That is judgment. That is creative problem-solving.

WSJ: The biggest story in cyber right now is Equifax, an organization with which pretty much all banks do business. Can you walk us through your response once you learned of the breach?

MS. BESSANT: The first thing as it relates to third parties, including Equifax, is that we structure state-of-the-art contracts with regular rights of inspection. Many of our vendors tell us we're onerous to do business with because of it. Thank goodness we have scale and we're attractive to them because we write big contracts.

We require certification of capabilities and defenses and require reporting. Where the most sensitive work is going on, we require our third parties to use our devices and our

network. We can control the security of our own network.

We engage with the third party immediately. We offer, and in some cases insist, that we help them figure out the solution. At the moment of a breach at a third party of ours, our destinies are aligned.

Next big thing

WSJ: The ATM and mobile banking have revolutionized the consumer side of the business. What's the next one?

MS. BESSANT: One is voice recognition. We are working on our own version of [Amazon.com's] Alexa, which we call Erica. The ability for people to access information and to manage their banking through voice recognition is a huge source of growth in the future. With the exception of its inability to produce actual coin and currency, it has the potential of putting a branch, financial adviser or corporate banker into a home or office.

The second thing is biometrics and digital identity. Today, we think two-factor authentication is great. We need three- and four-factor authentication.

WSJ: Where do you see Erica going, say, within one year?

MS. BESSANT: Today, voice recognition is more of a reporting, data-retrieval process and less of an analytical process. You're going to see us very quickly move from "What is my balance?" to a set of recommendations on what to do with the balance. "I see you've got a larger balance than normal, would you like to make a larger mortgage payment this month?" Or, "I see that your investment returns are higher than your objectives. How about investing that bigger balance this month back into your investment-management account?"

Ms. Ensign is a reporter for The Wall Street Journal in New York, and **Ms. Nash** is a senior writer for CIO Journal in New York. Email them at rachel.ensign@wsj.com and kim.nash@wsj.com.

'My need to learn was great, and it had to be rapid.'

CATHY BESSANT

BY RACHEL LOUISE
ENSIGN
AND KIM S. NASH

In an interview with The Wall Street Journal, Ms. Bessant talked about the big shifts in responsibilities she has made at Bank of America and what she brings to her current role. Here are edited excerpts:

'I made a mistake'
WSJ: What was it like to shift to a technology role after years of working in other units? What was easiest to figure out, and what was difficult?

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JOURNAL REPORT | C-SUITE STRATEGIES

The Tricky Task of Selling Diamonds to Millennials

De Beers CFO Nimesh Patel says the company is changing its message to attract younger consumers

BY TATYANA SHUMSKY

DE BEERS, the 129-year-old company that helped make diamond engagement rings a global standard, is working on a new proposition for customers.

The London-based company is navigating a generational shift as millennials succeed baby boomers as the largest cohort of consumers. New tastes and social customs, including less emphasis on careers, money and marriage than in previous generations, pose a particular challenge for makers of expensive jewelry and other luxury goods.

De Beers Group's chief financial officer, Nimesh Patel, says his mission is to make sure diamonds appeal not only to millennials but to the generations that follow them.

The company reported \$6.1 billion in revenue last year, up from \$4.7 billion a year ear-

ability and it's about desirability. That's what we're looking to drive, desirability.

WSJ: How are you conveying the heritage of the De Beers brand to millennials?

MR. PATEL: Our research has shown that while the millennial generation will have many interactions with their peers through social media, for example, the number of real connections that they have are fewer, and they're harder to sustain. There's a message, naturally, that is conveyed by a diamond in symbolizing the relationship between two people. Our product is also real,

it's rare, it's timeless, it's highly valuable.

This is in a world where the number of millennials is growing. In China and India you're looking at in excess of 400 million millennials in each of those two markets, so the opportunity to us is huge.

A lot of these millennials are reaching financial affluence at a much later age, 10 years later than previous generations. They're buying the same proportion of diamond jewelry as previous generations. They haven't yet reached peak financial age, but they've already demonstrated an affinity for the product.

As these millennials go through the traditional life cycle, whether it's development of careers, whether it's having families, whether they're married or not married, building those real emotional connections, having already bought into owning a piece of diamond jewelry, you can see that actually they would want to own more.

WSJ: De Beers was also the driving force in the Diamond Producers Association's "real is rare" ad campaign, which promotes diamonds rather than a specific brand. Did that connect with the new generation of diamond consumers?

MR. PATEL: These messages were very different from anything that De Beers has done before. They don't mention, necessarily, marriage. They're about much younger couples. In fact, in one of the videos, the young woman says, "We may never get married." But they're about a shared journey between two individuals, and about the recognition of that shared journey through the gifting of diamond jewelry. So there's a real different emphasis in the way that we are marketing there.

Origin story

WSJ: Millennials value experiences and authenticity, goods that have an interesting backstory. How are you addressing that?

MR. PATEL: We're saying that buying diamonds is an experience. We're going to talk to you about where the diamonds have come from, how they were formed, where they were mined, and all the good that they've done on their journey. Whether that is contribution to local economies in Namibia and Botswana, whether it's education of young girls, whether it is preservation of the white rhino, whether it is investing in clean water.

WSJ: De Beers bought out LVMH's share of its joint venture, De Beers Diamond Jewelers, in March, opting to go all in on diamond retailing. What changes have you implemented since taking control of the 29 stores across the U.S., Europe, Middle East and Asia?

MR. PATEL: We've started to deploy a different feel in the stores. It's part of a program to display the jewelry but also the diamond heritage as prominently as we can. In a number of stores, they'll be carrying rough stones so they can talk to the consumer about where the polished stone and the piece of jewelry comes from.

WSJ: Women are increasingly buying diamond jewelry for themselves. What trend are you seeing there?

MR. PATEL: De Beers Diamond Jewelers had for some time really been thinking about and progressing a focus on the strong, independent, often ca-

reer woman and looking to adapt its offering to be more appealing to that growing base.

A lot of self-purchase is in fact, rings. Not engagement rings, but diamond jewelry rings. There's a lot of necklaces, earrings, bracelets. The self-purchasing isn't confined to any particular category.

And by the way, we should not make the mistake of believing that all self-purchasing is coming from unmarried women. Actually, it's coming from married and unmarried women. In the U.S., 57% is women who are married, and 43% is women who are single.



'We're saying that buying diamonds is an experience.'

NIMESH PATEL

WSJ: How do you approach e-commerce?

MR. PATEL: The importance of the digital platforms is around education of the consumer on

what diamonds are, what diamond jewelry is, how to think about diamond jewelry, how to think about buying diamond jewelry. Given that these prod-

ucts have significant value, the experience of buying diamond jewelry is as important as owning it. It's something that people remember.



DE BEERS

De Beers has pushed further into jewelry retailing.

lier. But in 2014, De Beers reported revenue of \$7.1 billion.

De Beers, majority-owned by **Anglo American** PLC, with a 15% stake owned by the government of Botswana, operates mines in Botswana, Canada, Namibia and South Africa. De Beers sells most of those stones uncut to the so-called mid-stream market of international diamond cutters and polishers.

But even with three-quarters of the company's profit coming from mining, Mr. Patel says that marketing diamonds to the new wave of consumers will be critical to the future of De Beers. Here are edited excerpts of a conversation he had with The Wall Street Journal about wooing the millennial consumer.

Driving demand

WSJ: Before you joined De Beers, you were head of corporate finance at Anglo American, where you buttressed Anglo's balance sheet by selling off mines. By contrast, De Beers was on much firmer financial footing when you joined. How does that change your focus as CFO?

MR. PATEL: This is a consumer-facing business. We have a very material mining part to our business; mining contributes 75% of our profits. But that's to underestimate the value of the rest of the business. Because it's the rest of the business that's going to help us drive consumer demand. It's the rest of the business that's going to help us sustain the value of the mining business. It's all about making sure that people understand what diamonds are and making sure that they maintain that affinity with the product.

WSJ: You've raised De Beers's marketing spending. Why step up diamond advertising?

MR. PATEL: Given the size of the opportunity, marketing will deliver a significant benefit in terms of consumer demand both through our downstream business, Forevermark and De Beers Diamond Jewelers, and through our sale of rough diamonds to the mid-stream industry.

It's important not to be complacent in a changing world. We are seeing more competition from other luxury-good categories [such as designer shoes and handbags], and we know that selling any luxury good—it's about afford-

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JOURNAL REPORT | C-SUITE STRATEGIES

Yes, Toys 'R' Us Is Still Open for Business

Carla Hassan, global chief marketing officer, on how the retailer plans to make a comeback

BY SUZANNE VRANICA

JUST FOUR DAYS after Toys "R" Us Inc. filed for chapter 11 bankruptcy protection last month, a young boy from Michigan named Bradley sent \$3 to the big-box chain with a note written in red crayon that read: "I gave you 3\$ to help save your store."

The toy emporium, known for its iconic advertising jingle, "I don't wanna grow up, I'm a Toys 'R' Us kid," is betting the strong bond that children like Bradley have with the 60-year-old brand will help turn around its business.

The challenge is daunting. Saddled with enormous debt for years, Toys "R" Us has had difficulty with a wide range of issues that include pricing wars with Wal-Mart Stores Inc. and other retail rivals, the growing power of Amazon.com Inc., and massive changes in consumer behavior.

The company's move to seek bankruptcy protection came just weeks before the start of the holiday shopping season, when Toys "R" Us will have to battle for a piece of the \$682 billion that consumers are expected to spend.

With plenty of media attention paid to the bankruptcy, getting the word out that Toys "R" Us is open for business will be critical. That task falls to Carla Hassan, a 43-year-old marketer, who joined the com-

pany in February as global chief marketing officer.

She spoke with The Wall Street Journal about her plans to rebrand the company and bring customers back to the stores. Here are edited excerpts.

In need of tending

WSJ: You spent 13 years at Pepsico Inc. working on popular brands such as Gatorade and Mountain Dew. Why join Toys "R" Us, given its issues?

MS. HASSAN: I believe we have these beautiful brands that are just in need of having value in people's lives today like they did in years past. They are just in need of reinvention.

WSJ: You are airing ads that show children complaining about their over-scheduled lives, in an effort to promote that youngsters need more play time. Is this the right approach given the financial struggles of the company?

MS. HASSAN: Children today are overscheduled. For too long we were a business that was focused on transactions, sales and deals. As we looked at our rebranding, we saw an opportunity to have a purpose that was much bigger than just the products that we sell.

WSJ: Do you plan to run ads that remind consumers that Toys "R" Us is open for business, since people might think the chain will disappear given

the bankruptcy headlines?

MS. HASSAN: We're actively monitoring what consumers are saying. If we reach an inflection point with consumer sentiment and we're hearing enough concern, we will be prepared to activate communication and engagement tactics.

WSJ: Toys "R" Us found that children's playtime has decreased 25% since 1981. Isn't that bad for toy makers and retailers?

MS. HASSAN: The industry isn't an industry that is in decline. Toy sales in the U.S. grew 5% last year and are up 3% for the first half of 2017. But we think it could be even healthier if kids really refocused on this notion of traditional play.

The store experience

WSJ: A big part of your current promotional efforts are focused on in-store marketing. Why is in-store marketing so important?

MS. HASSAN: In-store is extremely important because it's the way that we can differentiate ourselves from our competition. Many millennials believe that experience is really important. We are going to become more relevant to millennial parents. It's really about having a place in their lives that is bigger than just the products that we sell. What is our social purpose? Why do we exist? That is obviously more and more important to people than before.

WSJ: You launched an augmented reality app, "Play Chaser," that children can use to unlock minigames and experiences in the store. Why?

MS. HASSAN: One of the key pillars to driving our growth is really creating these experiences in store. The longer consumers stay and the more that they engage with our brand, the more sales we see.

There will be zones indicating where the app is activated. For example, there will be a car game where kids will be able to play, gather points that



ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL

'In-store is the way we can differentiate ourselves from our competition.'

CARLA HASSAN

will unlock levels and compare themselves to others playing the game. The app will also be activated in our holiday catalog, where certain pages will come to life enabling children to engage with the content beyond a static picture.

WSJ: Isn't the new app about getting more customer data? How will that data be used?

MS. HASSAN: That data will be critical. It will help us understand what games people are playing, what things are more meaningful to them. Once we add our loyalty program to this, we'll learn even more. Is the game helping drive loyalty? Is it helping drive purchase? We plan to link it to promotions and sweepstakes. You are in the store, and, based on your location, if we have a deal on a product or brand, you'll get a coupon served to you through the app.

WSJ: How careful do you have to be with the data because it's used by children?

MS. HASSAN: Everything we are going to do is going to be COPA [Children's Online Privacy Protection Rule] compliant. We are very careful.

WSJ: How will you promote your e-commerce business

during the holiday season?

MS. HASSAN: We just launched our new website. We are seeing some pretty strong sales conversion numbers versus our old website. It isn't just an e-commerce site. The new site is providing tips and tools for parents and grandparents as they're looking to buy gifts. We added a personalized dashboard; a notification system for sales alerts, local classes, and a "help me decide" function that guides expectant parents on the best cribs, strollers and car seats that best fit their lifestyle.

Playing to strengths

WSJ: How can retailers defend themselves against the rise of Amazon?

MS. HASSAN: Focus on their core strengths. For us, it's our core strength as a specialty retailer. We need to bring the stores to life in ways that nobody else can and offer tips and tools as the expert.

In November we will be having Parents Night Out, where parents can come in without their kids. We'll have personalized shopping services, wrapping services and refreshments. They can party and shop. We're really trying to add value to the consumer in a way that is meaningful.

It's this idea of hands-on, and we are a part of your local community.

We are also creating play labs in our stores. These will be permanent areas where kids can come in and play.

WSJ: What are the biggest challenges marketers face?

MS. HASSAN: How do we pivot quickly and learn? We've got to think about the data we have at our fingertips. How do you take that, learn from it, and then change your marketing in real time?

WSJ: Consumers are accustomed to price-cutting in the toy industry during the holidays. How can Toys "R" Us compete in that environment?

MS. HASSAN: This year we will definitely be making sure that consumers understand we price-match. I think that will help dramatically in addressing perceptions that we are more expensive.

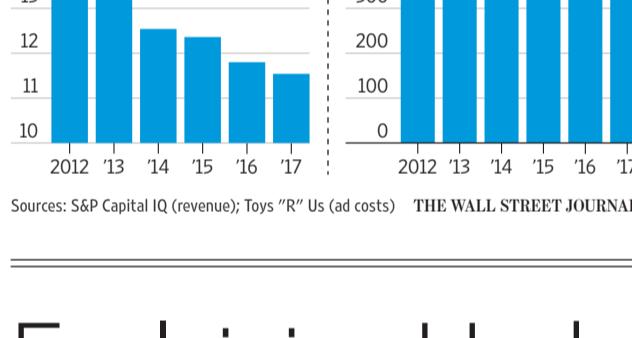
WSJ: What was your favorite toy growing up?

MS. HASSAN: A light up yo-yo. I was so bad at yo-yo.

Ms. Vranica is a news editor for The Wall Street Journal in New York. Email her at suzanne.vranica@wsj.com.

Not All Fun and Games

Two key metrics for Toys "R" Us, for fiscal years ended in late January



Sources: S&P Capital IQ (revenue); Toys "R" Us (ad costs) THE WALL STREET JOURNAL

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more of our retailers are developing capabilities to not only sell in store but also to sell online, to sell online and pick up in store. We're even seeing some of the pure online players developing brick-and-mortar capability. I think the retailers, all of our partners, are adjusting appropriately to reflect this new world where people demand variability in how they buy a product. While some are struggling, there are also some that are prospering in not only the U.S., but many markets around the world.

WSJ: Why do some simple toys, like Hasbro's Play-Doh, continue to do well, while some built with extra bells and whistles struggle?

MR. FRASCOTTI: At the end of the day, it's all about the experience. Technology can play an important role in enhancing the experience, and we've certainly done that across a number of our products. But technology purely for technology's sake clearly has been proved time and time again not necessarily to enhance the experience.

WSJ: What research or insights does Hasbro use to develop toys?

MR. FRASCOTTI: It includes everything from observational research—meaning putting product ideas into our fun labs and observing how children play—to broad qualitative and quantitative studies, to online research where we've developed what we call hot-spot communities, where we interact with consumers online and get their direct feedback.

WSJ: How has some of this research manifested itself recently in your products?

MR. FRASCOTTI: With Nerf blasters, we found that when children got to be a certain age, they wanted a little more excitement and adrenaline. We developed an entirely new segment of our Nerf brand called Nerf Rival [Nerf guns that fire foam pellets at a high veloc-

ity]. Think of it as paintball without the paint and the mess. It has been one of our most successful segments.

videos, consuming traditional media and engaging with their networks on social media. We need to make sure we're reaching consumers with the right message on the right platform and giving them the information they want.

Some of the most powerful messages that resonate most authentically with parents are from other consumers. This includes reviews on e-commerce sites and social media, as well as bloggers and influencers. When people share their own personal experiences with our brands, it's very authentic, and that resonates.

WSJ: What role does advertising on TV play?

MR. FRASCOTTI: Television commercials in general are still an effective vehicle, but they can't be the only vehicle. It's more of an awareness-building mechanism to let children—and adults, for that matter—know that this new product is available.

Online picture

WSJ: Last holiday season, online sales grew three times the rate of overall sales. With the rise of online shopping, how have you changed how you design, market and sell toys?

MR. FRASCOTTI: We have over the last several years devoted a significant amount of incremental resources to making sure that our e-commerce and omnichannel partners [retailers who sell both online and in stores] have all the digital assets they need so that someone shopping online, child or parent, can get a very full view of the product, including demonstrations, including what exactly is in the box. Then of course all the reviews that go along with it. We often do video demonstrations and other types of information so people can get a full picture of what they're buying.

Mr. Ziobro is a Wall Street Journal reporter in New York. Email paul.ziobro@wsj.com.

Explaining Hasbro's Success: It's the Story

President John Frascotti on how the company is adjusting to a very different marketplace for toys



HASBRO

'At the end of the day, it's all about the experience.'

JOHN FRASCOTTI

BY PAUL ZIOBRO

HASBRO INC. has managed to dodge some of the troubles striking the largest players in the toy industry.

Mattel Inc. has been mired in a multiyear slump marked by shrinking sales and loss of market share. Lego A/S recently reported a drop in sales for the first half of the year, laid off 8% of its workforce and made another leadership change. In September, Toys "R" Us Inc. filed for bankruptcy, throwing into question the future of one of the industry's key retailers.

Hasbro President John Frascotti attributes the Pawtucket, R.I., company's performance to its ability to tell stories around its brands—which include Nerf, Transformers and My Little Pony—and adapting to a world where

more toys are bought online.

Hasbro has warned that the Toys "R" Us bankruptcy filing will dent sales in the key holiday quarter, with the company now on pace to log sales growth of 4% to 7% in the period. But Hasbro's recent success has driven its market capitalization to about \$12 billion, more than 2.5 times that of Mattel, which last year clocked higher revenue than Hasbro.

In an interview, Mr. Frascotti, who previously served as Hasbro's chief marketing officer and was promoted to the No. 2 role in February, discussed the state of the toy industry and how to market to children and parents today. Edited excerpts follow.

Good times ahead?

WSJ: In the toy industry, Mattel is struggling, Lego has hit a wall and Toys "R" Us has filed

for bankruptcy. Is there reason for optimism?

MR. FRASCOTTI: The industry overall has been growing. It was predicted to grow last year, and it did grow. It was predicted to grow this year, and through the first six months of the year, it's grown. People are predicting that it's going to continue to grow.

WSJ: What does the recent Toys "R" Us bankruptcy filing mean for Hasbro?

MR. FRASCOTTI: Toys "R" Us has been a great partner over the years. While the near-term impact of the bankruptcy filing is disruptive, we have reached an agreement and are working together to meet anticipated holiday demand.

WSJ: Do brick-and-mortar retailers' struggles concern you?

MR. FRASCOTTI: More and

more of our retailers are developing capabilities to not only sell in store but also to sell online, to sell online and pick up in store. We're even seeing some of the pure online players developing brick-and-mortar capability. I think the retailers, all of our partners, are adjusting appropriately to reflect this new world where people demand variability in how they buy a product. While some are struggling, there are also some that are prospering in not only the U.S., but many markets around the world.

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Special Advertising Feature

A Commitment TO SAVINGS

How much money do you put away each month?

If you're like most Americans, you're not saving regularly — or you may not be saving at all.



PurePoint Financial's new survey, *American Savings Trends*, presents a thought-provoking look at the state of savings in the United States, with a few uncomfortable truths about the way we save our money. **Pierre P. Habis, president of PurePoint Financial**, has some ideas on how to turn things around.

Many of the statistics produced in this survey were surprising, even pessimistic. What surprised you?

Overall, I was most surprised, and frankly disappointed, to find that people's perception of the American dream has changed from owning a home, sending their kids to college and retiring comfortably to not having to live paycheck to paycheck. That's different from what I grew up with. Seventy-one percent of Americans think the American dream is different today than in the past — and that manifests in their savings behavior.

How would you like to see that behavior change?

I would start with a very basic activity, something only about a third of Americans do today — save a fixed percentage of every paycheck. I'm not talking about in a retirement account or other investments, but putting money aside in liquid savings they can easily access if the need arises. I would like to see every American save 10 percent of their paycheck each month. That's the first step toward becoming a committed saver.

What is a committed saver?

Committed savers have good savings habits from which we can all learn. They set specific goals they are saving for, be it a child's education, a vacation or a home. We know when people have a specific goal in mind, they tend to save more. Committed savers are also more likely to have direct deposit set up to automatically transfer money into their savings account on a regular basis. When people save regularly, they get used to a slightly smaller take-home pay — and before long, that savings adds up.

According to the survey, the vast majority of Americans believe financial literacy should begin at home, but their parents didn't teach them to save. What should parents be

teaching their children about savings?

I have two kids, ages 9 and 13. We give them a small monthly allowance, and we teach them to put a portion of it into their piggy banks. It's a wonderful habit to get into, and just like anything else, once they start doing it, it becomes automatic. I don't expect children to just save to save. Like adults, it's easier if they have a goal. For an adult, it may be retirement. For a child, it may be a new bike.

What would you tell the risk-averse consumer who keeps his money parked in a low-interest savings account?

I'd say keep your money in an FDIC-insured account — it's 100-percent safe and backed by the government — but keep in mind not all FDIC-insured accounts are created equal. Take a look at your savings account and ask, "Is my money working as hard as I am?" If you're not earning at least 1 percent, you're losing money.

How do you suggest consumers use technology to take control of their financial future?

There is a lot of technology at your fingertips — on your phone and on your computer. This technology can help you establish a more disciplined approach to your savings, track your progress to your savings goal, set up automatic deposits, link your high-rate savings account to your checking account and more. The tools are out there, and they're free. Committed savers leverage them, and we encourage everyone to.

At the same time, it seems like technology can make it easier to spend money. How do you warn against those pitfalls?

It is easier to spend money than ever before. You once had to go to the bank for cash. Then, credit cards made spending

simpler. Now, you can touch a button on your phone and go on a spending spree. People are spending, yes, and probably not thinking about it the way they would if it required a physical cash transaction. But committed savers are using digital tools to keep their spending in check. For example, we've found that the more you visit your savings account — the more you look at the amount you have saved — the more you're motivated to stop spending and work to reach your savings goal.

Do you think your savings habits can affect your overall outlook on life?

Our survey found that 75 percent of committed savers feel better about what tomorrow will bring, versus just 56 percent of non-savers. If you think about it, it makes sense. If you feel like you're saving for tomorrow, you will feel more confident.

Eighty-one percent of those surveyed expressed fear about rising health care costs. Are they right to be afraid?

People are uncertain about a number of issues, from health care to taxes and the economy overall. Interestingly, in our research, we didn't see that uncertainty translate into behavior change. But we all have to save for whatever tomorrow brings us.

Is it fair to say that is what PurePoint Financial is all about?

I think so. We designed this business so that we could focus on savings. That's our purpose. We feel like we could have a great company and a great bank while still doing a lot of good things for people. Even if Americans don't bank with us, we want to wake them up to savings. We won't feel like we've accomplished our goal until we see a double-digit savings rate in America — and we invite other institutions to join us in this mission.

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

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The Man With a Track Record That Rivals Disney's

Chris Meledandri, founder of the company behind the Minions, says it's time to promote its brand

BY BEN FRITZ

IN THE PAST decade, every major Hollywood studio has invested hundreds of millions of dollars or more into animation to take on **Walt Disney Co.** None has done it as successfully as **Illumination Entertainment**, creator of such films as "Despicable Me" and "Sing."

Founded 10 years ago by Chris Meledandri, a veteran producer and studio executive, Illumination has a track record that rivals Disney's recent performance. All seven of its animated movies, released by Universal Pictures, have been hits (a live-action/animation hybrid, "Hop," was its only miss). Six have grossed more than \$500 million, and two, "Despicable Me 3" and "Minions," grossed more than \$1 billion world-wide.

The manic yellow minions, with their made-up language and trademark goggles and overalls, have also become consumer-product successes and the stars of attractions at Universal theme parks.

Illumination movies are made in Paris by a studio called Mac Guff that Illumination acquired soon after its founding in a bid to find animation talent outside the U.S. at lower cost. Along with Mac Guff's team of 800, Illumination employs 86 executives and artists in Santa Monica, Calif., outside Los Angeles, and 30 artists who work remotely.

Mr. Meledandri—who owns a minority stake in Illumination, which is controlled by **Comcast Corp.'s NBCUniversal**—spoke in his Santa Monica office about the challenges of turning a series of successful movies into a global brand and what digital platforms matter to him for producing family entertainment in the future. Edited excerpts follow.

The branding effort

WSJ: Families know the Disney and Pixar brands, and clearly that makes a difference in the success of their films. How much time have you spent thinking about building the Illumination brand?

MR. MELEDANDRI: We never forget how big the shadow of Disney is that looms over us. It's this unbelievably strong

to market to a global audience, and it's becoming more difficult. We have a commitment to not only build out franchises we have but to create new stories, and some brand foundation can be extremely relevant.

A brand matters to parents, whereas kids are largely driven by their urgent reaction to the product. In the future, where there are going to be choices that have to be made by parents because it will be prohibitively expensive to access everything, those will be driven partially by brand.

Gone to the Movies

Global box-office sales for Illumination films, in millions

MOVIE, YR. RELEASED	BOX OFFICE
Minions, 2015	\$1,159.4
Despicable Me 3, 2017	1,023.0
Despicable Me 2, 2013	970.8
The Secret Life Of Pets, 2016	875.5
Sing, 2016	632.4
Despicable Me, 2010	543.1
Dr. Seuss' The Lorax, 2012	348.8
Hop, 2011	184.0

Source: IMDbPro Box Office Mojo

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brand that is ubiquitous and beloved. But I've never tried to engineer a brand persona.

Early on, I thought about two things: making a film that was going to delight an audience and would also be successful, so that we would then be able to make more films.

WSJ: As competition for family entertainment in theaters and at home keeps growing, do you think having a strong brand will matter more?

MR. MELEDANDRI: I do, especially given how the world of media is evolving. Being branded to some subset of your fans is important when it comes to creating films and characters they're not familiar with. It's enormously difficult

to make it to a global audience, and it's becoming more difficult. We have a commitment to not only build out franchises we have but to create new stories, and some brand foundation can be extremely relevant.

A brand matters to parents, whereas kids are largely driven by their urgent reaction to the product. In the future, where there are going to be choices that have to be made by parents because it will be prohibitively expensive to access everything, those will be driven partially by brand.

WSJ: There's more competition for children's eyeballs than ever, in theaters and on all sorts of digital devices. How big a concern is that for you?

MR. MELEDANDRI: There will be increasing temptation to watch movies where you want to when you want to, and so I'm very focused on how we innovate to keep the in-theater experience vibrant and urgent. In part I think it's what movies you're choosing to make and why those are films we feel are best enjoyed surrounded by a group of people. I also think it's continuing to look at things technologically.

I also am very aware our industry's success has triggered a lot more product in the next



ALEX J. BERLNER

"We pride ourselves on making character-centric movies."

CHRIS MELEDANDRI

five years and that the risk of sameness is significant when you talk about a mature business combined with a cluttered market. So I think a lot about what we do to remain distinctive among all that clutter.

Profitable me

WSJ: Your most successful characters have been the Minions. I feel like I see them everywhere. How do you gauge if you're overdoing it?

MR. MELEDANDRI: What I've found is there is no barometer that allows you to chart when you're oversaturating a desire. You're left really trying to respond on a gut level, because by the time you might do research, it's already too late. There's also a healthy tension between what are very sound business objectives and a very amorphous desire to preserve what's special.

WSJ: You started your career as a producer and still do that, but you're also a CEO of a nearly 1,000-person company. How was that adjustment?

MR. MELEDANDRI: If I was going to point to an area where I

think I should be doing better, I ran the company like a startup for too long and didn't transition into a structure that could properly support the activity. Part of that was my remaining too involved in too many parts of the company.

What I find in a creative company is while there is a desire to build a management foundation that can feel clear and consistent, the unique product we're making doesn't always allow for that. You have to be much more fluid. So rather than following management strategy that talks about building your structure and then staffing that structure, I tend to build the structure around the strengths of the individual people we have. It confounds management experts at times when I've asked them to come in and critique what I'm doing, but it's the only way I've been able to figure out how to do this.

WSJ: So have you started to become less involved as a producer?

MR. MELEDANDRI: Not yet, but I'm definitely putting the

pieces in place where we're going to transition to that.

WSJ: You're trying to build a multimedia company, but you haven't had the same level of success in all your businesses.

MR. MELEDANDRI: There's an entire area where we've yet to be financially successful, which is our games division. We've done three mobile games, two based on "Despicable Me" and one on "Pets." Our first game was widely downloaded, north of 800 million, and has roughly two million daily active users, but when you hear numbers like that, you would expect far greater revenue.

Our next two games basically have not worked at all financially. It's the one area where we haven't figured out how to be successful. We're still going to approach it in the same way, by creating teams that really try to keep the core creative DNA of the films present in expressions on other platforms.

Mr. Fritz is a reporter in The Wall Street Journal's Los Angeles bureau. Email him at ben.fritz@wsj.com.

CHARISMA, QUANTIFIED

BY DANA WECHSLER LINDEN

We're used to thinking of charisma as indefinable. It has been called alchemy, or a mysterious gift.

But maybe charisma isn't such a mystery, after all.

According to a study in the *Journal of Personality and Social Psychology*, researchers from the University of Toronto have developed a scientific measure of charisma that they say is a simple, accurate way to figure out if you have it.

The team of psychologists worked with 966 participants in successive stages to devise the questionnaire, asking some to list characteristics of charismatic individuals, some to rate how well the characteristics cited most frequently described someone who is charismatic, and some to rate themselves. Statistical analysis winnowed out traits that often go along with charisma, including extroversion and attractiveness. No significant relationship was found between charisma and intelligence.

"What we found is charisma is composed of two elements," says the paper's lead author, Konstantin Tskhay, who now works as a consultant at Deloitte. "One relates to influence, or the ability to guide others, and the other to affability, or making other people feel comfortable and at ease." The test consists of three questions about each category.

Once they had devised the questionnaire, the researchers needed to see if it could predict real-world outcomes. In one experiment, they showed that people's self-ratings on the charisma test were very similar to charisma ratings they were given by others. Another experiment involved 120 students reading one of two arguments, a strong or a weak one, for wind energy. Their reading was recorded, and they also took the charisma quiz. Six hundred participants were then asked to listen to the recordings and rate the persuasiveness of the speaker. For the weak arguments, they rated students who scored higher on charisma as more persuasive.

For the strong arguments, charisma ratings had no effect on persuasiveness. It may be that strong arguments need no additional help to be persuasive, but to understand why will take more study, the researchers say.

"The study tells us, hey, we can see charisma in others, it can be identified, we can even pick it out in ourselves, and maybe we can start screening" for it, says Howard Friedman, distinguished professor of psychology at the University of California, Riverside, and a longtime charisma researcher who developed a charisma scale, focusing on "nonverbal expressiveness," more than 35 years ago.

Dr. Tskhay says the new scale defines charisma more broadly. "We wanted to generate a scale that viewed an individual more holistically

in terms of their personal qualities, perceptions and nonverbal behavior aspects," he says.

Much recent charisma research has focused on leaders and how they sway their constituencies, such as through oratory. The University of Toronto researchers were studying personal, everyday charisma—a measure that applies whether you're a chief executive officer or a barista at Starbucks. Still, charisma is widely considered a trait of effective leaders and anyone who aspires to influence and motivate others.

If you take the test and aren't happy with the result, don't despair. "Lots of research has shown that charisma can be taught," says John Antonakis, a professor of organiza-

JFK, Springsteen...and You?

How charismatic are you? Take this quiz and see. On each item, assign yourself a rating from 1 (strongly disagree) to 5 (strongly agree).

INFLUENCE | I am someone who...

- Has a presence in a room
- Has the ability to influence people
- Knows how to lead a group

AVG. SCORE

If you gave yourself an average score above 3.5 on Influence, and above 3.9 on Affability, the test indicates that people will find you more charismatic than most.

Source: *Journal of Personality and Social Psychology*, "Charisma in Everyday Life," Konstantin Tskhay et al.

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zational behavior at the University of Lausanne in Switzerland. He led an unrelated 2011 study of 34 managers, half of whom were trained in a set of charismatic leadership tactics. The tactics included verbal techniques, such as using rhetorical questions and expressions of moral conviction, and nonverbal ones, such as making eye contact and using an animated voice. Co-workers rated the trained managers as significantly more charismatic and leaderlike.

Dr. Antonakis warns that "you can't just turn anybody into Barack Obama or Maggie Thatcher, but you can improve them." It takes a lot of practice, he says, adding that having a coach, filming and role-playing are helpful.

Ms. Linden is a writer in New York. Email her at reports@wsj.com.

TV Shows

Continued from page R4

the tiny windows where you can make an impact by going rogue.

The Young Pope: Jude Law plays an American who surprises the Catholic establishment by winning the papacy as a relative outsider. His position will look all too familiar to executives who have been hired into leadership roles from outside the organization, and indeed, watching Pope Pius navigate the Vatican proves highly instructive for anyone who's trying to make major changes while new to their company's management.

The Pope Pius recipe for reorienting an organization: Publicly signal that you're moving in a new direction, while privately tapping into long-established sources of knowledge and expertise. Pius shows he's his own man by bringing in a trusted adviser from outside the Vatican, while quietly seeking counsel and information from those who have been in Rome for many years. He cultivates relationships with longtime Vatican insiders—but picks those he trusts from far down the food chain, where they have experience and knowledge rather than a vested interest in the old regime. He makes use of the talent that is available within the existing team, but only to the extent that old-timers will explicitly commit to his new agenda.

While it may be tricky to follow Pius's map if your authority is based on something more tenuous than papal infallibility, anyone can borrow his approach of marrying the rhetoric of a fresh start with behind-the-scenes outreach to the establishment.

Borgen: This Danish series covers both the political and personal life of a minor politician who becomes the surprise prime minister in a coalition government. The show divides its attention between the political machinations that allow the prime minister to stay in power, and the personal juggling involved in being both a prime minister and the married mother of two children.

That juggling act offers a clear lesson to any executive who struggles to balance work and home: If you're going to make the personal sacrifices that leadership demands, you have to *really* believe in your work. Throughout the series, we see Borgen's prime minister make both personal and policy decisions that directly affect her family life, like introducing transparency rules that put her husband out of a job. Even when these decisions exact a high personal price, however, we see little that looks like regret. Instead, the prime minister glows with satisfaction at accomplishments like enacting gender-parity requirements for corporate boards. Watch "Borgen" for its sharp depiction of the personal cost of leadership—and to set a high bar for what makes those sacrifices feel worthwhile.

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Philip Morris

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It's not your traditional competitors.

Our industry has been a fairly linear and predictable industry. You know what's going to happen every year. You know from time to time you are going to have a tax increase, you are going to have regulatory restriction, but, as it applies to everybody, I think we are going very well.

But now you move to a model that from linear can become exponential for a period of time. It's much more technology-driven, much more digital-driven. Competitors other than our traditional competitors can come in, whether legitimate or fly-by-night ones, and you have to anticipate all those things. We are the first ones to be in the category, so we anticipated quite a lot. We are learning every day. The whole organization has to gear up to this new reality and these new competitive rules around it.

WSJ: There are still many regions of the world where you're actively trying to grow revenues in your traditional cigarette business. How do you reconcile those actions with your mission statement of switching adult smokers to alternatives as quickly as possible?

MR. CALANTZOPoulos: Shifting the company to these products doesn't mean that I will give market share to my competitors free of charge. In the markets where we are not present with IQOS yet or the other reduced-risk products, you still need to defend your share of the market.

They still represent the bulk of our income, and so far they have financed the billions of dollars we have put behind these new products. But once we go national in a market, and absent capacity constraints, then you shift your resources and your focus to these new products.

WSJ: But isn't there an inherent contradiction here? Your new efforts are being funded by your traditional cigarette business, so it's important that you keep that going.

MR. CALANTZOPoulos: Take a market like Indonesia as an example. If I just take my foot off the pedal completely, nothing is going to happen to the total market except that I lose share.

The logic says you don't do this until you go with IQOS.

We are focusing the organization much more on the new business. We will have very few new traditional product introductions, and as markets switch to IQOS we would remove resources [from the old business] completely.

Next year IQOS becomes profitable, so even the financing from these traditional businesses isn't necessary anymore, because it becomes fully self-sustaining.

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A Startup Where Board Meetings Are Open to All

At Rubrik, the aim is to have total transparency in all respects. For better or worse.

BY JOHN SIMONS

THERE'S NO such thing as TMI—or too much information—at **Rubrik**. That's because co-founder and Chief Executive Bipul Sinha runs the data-management startup under a strict code of radical transparency.

Mr. Sinha is up front with executives about where they stand, and open with employees about the company's business and financial performance. He believes the extreme honesty helps create a strong corporate culture. "These moments can be scary, but if you are true and transparent it creates trust," he says. "It creates empowerment."

Mr. Sinha, a former Oracle Corp. engineer who later became a financier at Lightspeed Venture Partners, expects the same frankness from the Palo Alto, Calif., company's six-member board. Each board meeting is open to all 600 of the company's employees—and a majority of them attend in person or via teleconference. They are encouraged to probe and challenge Rubrik's directors. No relevant business topics are off the table, except confidential client information.

The Wall Street Journal spoke to Mr. Sinha about the open board meetings and how he handles the awkward moments that sometimes arise from radical transparency. Edited excerpts follow:

'Good and bad sides'

WSJ: Where did this idea of open board meetings originate, and why did you think it would be good for Rubrik?

MR. SINHA: When people leave their established careers and jump in to build the foundation of a young, new company, they crave context, they crave information. But in most of these places, people like to control information to control the

power. We wanted to create a platform at Rubrik where people can fulfill their career ambitions, professional ambitions, and we thought if we created a radical transparency, [it would sustain the company] through the ups and downs that are inevitable in any startup.

WSJ: How do you open up to employees about, say, a bad financial quarter, while also keeping them focused and engaged in their work?

MR. SINHA: There are both good and bad sides to transparency. Our goal is to create an institution that lasts. If we create trust, then people take both good and bad news in stride because they know that it is part of a much bigger story that is unfolding. When we provide information about good news and bad news, we create a context around it. When employees understand the opportunities and challenges, they feel very empowered. They are in the know, and they might also be able to help solve some of the challenges that are outside of their functional silos.

WSJ: What are some ways you might contextualize bad news at a meeting? Can you give an example?

MR. SINHA: Almost two years

ago, we were building a new database application product. Our engineering team had put in long hours to build the product, and our marketing team and product team were working on a global marketing strategy. We decided that the product's functionality wasn't up to Rubrik's standards.

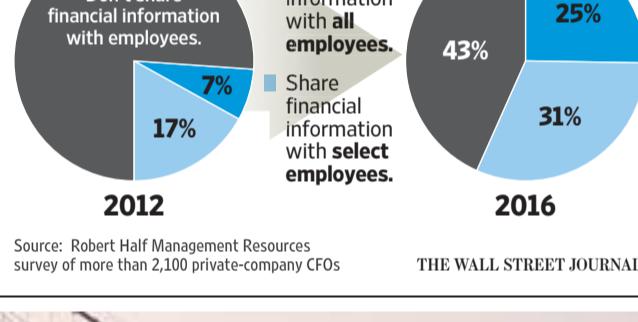
At the board meeting, we said we aren't going to have this product out for at least the next two quarters because it doesn't meet the standard of Rubrik. A lot of people were disappointed because they had put in long hours to build the product. But then we contextualized that information by saying that as a startup, we need to build trust with customers. We can't push a product out just because people have worked hard on it. We can only push out a product that creates real value for the customer. When people are given information, they can better understand why you made a certain decision even if they don't fully agree with it.

WSJ: At the board meetings, do employees have opportunities to respond to what they're hearing? What are the ground rules?

MR. SINHA: We deliberately didn't set any ground rules.

Opening the Books

More private companies are providing employees with regular updates on quarterly and annual financial performance.



Source: Robert Half Management Resources survey of more than 2,100 private-company CFOs

THE WALL STREET JOURNAL



'We deliberately didn't set any ground rules.'

BIPUL SINHA

The way we look at the company, investors are one stakeholder, our board members are one stakeholder, and employees are the other stakeholders. The only thing we said was that if a question is more educational in nature, we will take it offline, but there are no questions that are off-limits. In the early days, employees asked a lot of educational questions, but then they started to self-regulate, and now we get more in-depth questions about strategy.

WSJ: Does the open concept process make board meetings longer?

MR. SINHA: Our board meetings are typically 2½ hours. Sometimes they go 10 to 15 minutes more.

Uncomfortable topics

WSJ: What about uncomfortable questions?

MR. SINHA: It can be challenging sometimes to answer those. In our last board meeting, somebody asked whether the midlevel manager in a functional area would be able to scale to become a top func-

tional leader. I wanted to be completely transparent about my thinking, so my answer was that we don't know whether this person can scale or not, but what we see is that this person is doing an excellent job and showing all the signs of that growth.

WSJ: Was that person at the meeting?

MR. SINHA: Yes, and everything is recorded in all of the meetings. I was thinking in my head that this is a very scary thing for someone to hear, but I wanted to be truthful.

After the board meeting, this person came up to me and said, "Bipul, I really appreciate the transparency because Rubrik deserves the best person for a role, and you said that you don't know whether I'm that person or not, but you were very clear that you see all signals in me becoming that person." So it actually became a very motivating force.

WSJ: Have there ever been topics raised where you felt it necessary to close the meeting?

MR. SINHA: No, not so far. We

understand that there are costs to transparency, and we are ready to bear that. When you shut things down, it's a slippery slope because if you start to say you can't talk about this or can't talk about that, then eventually it kind of comes back to a place where you're hiding information.

WSJ: Do you think that the concept of open board meetings can work for companies that aren't startups?

MR. SINHA: Open board meetings build trust among employees, and they can work for companies that aren't startups. If the company is a public company, however, there are some parts of the informational material, nonpublic information, that could be classified as insider information. But I certainly believe that in the era that we are living in, breaking informational boundaries and building trust is the way to create a long-lasting company.

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¹ Ericsson, June 2016; Brookings Institute, July 2012; PGIM Real Estate, February 2017.

² Data as of 6/30/17.

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