

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, OCTOBER 31, 2018 ~ VOL. CCLXXII NO. 103

WSJ.com

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DJIA 24874.64 ▲ 431.72 1.8% NASDAQ 7161.65 ▲ 1.6% STOXX 600 355.53 ▲ 0.01% 10-YR. TREAS. ▼ 8/32, yield 3.111% OIL \$66.18 ▼ \$0.86 GOLD \$1,222.60 ▼ \$2.10 EURO \$1.1347 YEN 113.12

What's News

Business & Finance

GE's troubles came into sharper relief after it disclosed that federal prosecutors had opened a criminal accounting probe and as the company slashed its dividend to a token amount. **A1**

◆ Facebook posted lower revenue than expected and said it is in the early stages of a transformation in its core businesses that will lead to slower growth in the short term. **A1**

◆ U.S. stocks surged to cap another wild session. The Dow gained 431.72, or 1.8%, to 24874.64. The S&P 500 and the Nasdaq both rose 1.6%. **B1**

◆ The Conference Board said its index of U.S. consumer confidence rose in October to an 18-year high. **A2**

◆ Annual home-price gains fell below 6% for the first time in a year in August. **A2**

◆ An official gauge of activity in China's manufacturing sector slipped to a more than two-year low in October. **A9**

◆ Apple unveiled two more-expensive versions of its Macs and a redesigned iPad, as it aims to reinvigorate sales of PCs and tablets. **B1**

◆ Barnes & Noble alleged that ex-CEO Parneros was justifiably fired because he sexually harassed a female employee and undermined the potential sale of the firm. **B1**

◆ Coca-Cola's core soda business was lifted in the latest quarter by a rebound in demand for diet cola. **B1**

◆ BP reported that its profit more than doubled, as strong crude prices put Big Oil on track to deliver record levels of cash this year. **B3**

World-Wide

◆ Trump said he wants to sign an executive order that ends the automatic right to citizenship for anyone born in the U.S., ratcheting up his election-season remarks on immigration. **A1**

◆ A migrant caravan crossed into Mexico, a few hundred miles behind a larger group in an exodus that has drawn Trump's ire. **A10**

◆ The president went to the Pittsburgh synagogue where 11 people were killed and mourned the victims, a visit marked by a protest and a national conversation about political rhetoric and violence. **A3**

◆ Mueller's investigators are examining comments by longtime Trump adviser Stone about WikiLeaks during conference calls in 2016. **A4**

◆ Former crime boss James "Whitey" Bulger died in a federal prison. A union representing prison workers characterized the death as a murder. **A3**

◆ The Interior Department's internal watchdog referred an investigation into Zinke to the Justice Department. **A6**

◆ Saudi Arabia's royal family is closing ranks to protect the monarchy from criticism after Khashoggi's killing. **A7**

◆ Taliban members once held at Guantanamo have joined the group's political office in Qatar, a potential step forward for Afghan peace talks. **A9**

◆ Denmark said that it had interrupted an Iranian assassination plot. **A7**

◆ Potentially faulty or misleading airspeed indications have emerged as an initial focus in the Lion Air crash. **A9**

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WEDNESDAY, OCTOBER 31, 2018 ~ VOL. CCLXXII NO. 103

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A Grieving Pittsburgh Says Farewell to Synagogue Attack Victims



LAID TO REST: A casket is carried out of Rodef Shalom temple after funeral services Tuesday for Cecil Rosenthal, 59 years old, and his brother David, 54. The two were among the 11 victims of a mass shooting at the Tree of Life Synagogue on Saturday. President Trump and first lady Melania Trump visited the site of the shooting. **A3**

GE Shares Tumble Amid Big Payout Cut, Criminal Probe

By THOMAS GRYTA

General Electric Co.'s troubles came into sharper relief on Tuesday—and the need to salvage the conglomerate took on new urgency—after it revealed federal prosecutors had opened a criminal accounting probe and GE slashed its dividend to a token amount.

By cutting its dividend for the second time in a year, the once-mighty manufacturer can hold on to the little cash it is

currently generating. That will buy some breathing room while Larry Culp, its first outsider chief executive officer, restructures the company and finishes breaking it apart. Meanwhile, executives warned GE would significantly miss its profit targets for the year, without giving a new forecast.

The latest dose of bad news spooked GE's already battered investors. Shares tumbled 8.8% on Tuesday to \$10.18, reaching their lowest levels since the

depths of the financial crisis. The stock has fallen about 50% in the last year, and GE was removed from the Dow Jones Industrial Average in June.

Jack Ennis, a retired schoolteacher in New Jersey, said he had sold on Tuesday the roughly 8,000 GE shares he had held for decades. "I made the decision upon learning this morning that the dividend was slashed from 12 cents to a token penny per share," he said. "I can't afford to commit a

sum of money like that not earning a dividend."

In addition to cutting the dividend, GE executives revealed that the Justice Department is looking into the company's recent accounting, alongside an investigation already under way at the Securities and Exchange Commission. GE also said that the

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◆ Heard on the Street: GE has few levers left to pull..... **B14**

Trump To Seek Curb on Birthright Citizenship

By ALEX LEARY
AND JESS BRAVIN

WASHINGTON—President Trump said he wants to sign an executive order that ends the automatic right to citizenship for anyone born in the U.S., ratcheting up his election-season remarks on immigration with a proposal many legal scholars said is unconstitutional.

In an interview published Tuesday morning, just ahead of next week's midterms, Mr. Trump said he planned an executive order to end what is known as birthright citizenship, bypassing Congress and waving off the belief of many legal scholars that such a move would require a change to the Constitution.

"It was always told to me that you needed a constitutional amendment. Guess what? You don't," he told Axios. "It's in the process. It'll happen, with an executive order."

Constitutional scholars dismissed the idea, saying a president has no legal standing to end birthright citizenship with an executive order. "It's basically saying the president is above the Constitution," said Laura K. Donohue, a senior scholar at the Georgetown Center for the Constitution.

The White House didn't further explain Mr. Trump's assertion that he alone could make

Please turn to page A2

◆ More migrants enter Mexico and begin trek north..... **A10**
◆ U.S. raises estimates of troops going to border..... **A10**

The Chasm That Explains U.S. Politics

White women with college degrees and white men without are on rapidly diverging tracks



Note: Share favoring preferred party minus share favoring other party. Polls from years 2010-2018 were merged into an annual average, years prior to 2010 are represented by one month from that year.

Source: WSJ/NBC News telephone polls

By AARON ZITNER
AND DANTE CHINNI

To understand how American voters are being driven apart, look no further than two powerful demographic forces: gender and education.

Once, the political outlooks of white men without a college degree and white women with one were similar. In recent years, the groups, which represent about 40% of voters, have moved sharply apart. Analysis of the latest Wall Street Journal/NBC News survey shows the division to be at its widest since the poll began measuring it in 1994.

The gap is something new in American politics, and it has fundamentally changed how campaigns are waged. Once, white voters as a whole were "persuadable"—they might have leaned to-

ward one party or the other, but no big bloc within the group was out of reach. Today, a campaign for Congress in many places starts with 60% of college-educated white women favoring the Democratic nominee. An even larger share of white men without degrees favor the Republican—making both essentially unreachable by the opposing candidate.

Among the women, the share who want Democrats to lead the next Congress is 33 percentage points larger than the share favoring GOP control. The men, by contrast, favor Republicans by a net 42 points.

Facing a polarized electorate, many candidates aren't spending time trying to win over the resistant group.

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◆ Georgia race is a microcosm for midterms..... **A6**

Facebook Sees Slower Growth as It Revamps

By DEEPA SEETHARAMAN

Facebook Inc. recorded lower third-quarter revenue than expected and warned that it is in the early stages of a transformation in its core businesses that will lead to slower growth and higher costs in the short term.

The results, in tandem with the guidance from the company, were largely well received by investors, many of whom feared even worse after the company's earnings report in July resulted in a historic collapse of the stock price.

Chief Executive Mark Zuckerberg said the main Facebook service has thus far made an unsteady transition from the newsfeed format to increasingly popular but less lucrative products like Stories, which lets users share photo and video montages that disappear after 24 hours.

Mr. Moracchini, wearing an extended goatee, starts out restrained in his version. By the time he hits the chorus, his eyes roll back, he attacks his

Please turn to page A9

erberg said Tuesday, though he said the Facebook Stories format is "growing quickly and I think we'll be in a better position soon." He also said ads in videos earn "significantly less" per minute than those shown in the news feed.

Mr. Zuckerberg added that he believes the company is at least a year away from upgrading its internal systems to the point that it can prevent misinformation and abuse "at the level we want."

"I expect 2019 to be another year of significant investment" across the company, he said.

As investors digested the earnings and guidance from Facebook officials, the stock price gyrated in after-hours trading. It dove sharply during Mr. Zuckerberg's remarks and

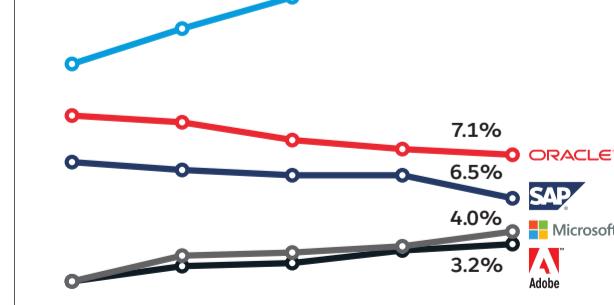
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◆ Heard on the Street: Facebook still has more work to do.... **B14**

◆ Apple lifts prices on MacBook Air, iPad Pro..... **B1**

Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017 Market Share Revenue Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2018.

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salesforce.com/number1CRM

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U.S. NEWS

Consumer Confidence Hits 18-Year High

BY SHARON NUNN

WASHINGTON—A measure of U.S. consumer confidence rose in October to an almost two-decade high, as Americans expected economic and jobs growth to power ahead despite recent stock-market volatility.

The Conference Board on Tuesday said its index of U.S. consumer confidence rose to 137.9 in October, the highest level since September 2000.

At the same time, U.S. stocks have dropped since the beginning of October. Private

analysts and the Federal Reserve think an economic slowdown is looming.

"While market participants seem to be extremely eager to call for a recession, consumers have a brighter view of the landscape," Stephen Stanley, chief economist at Amherst Pierpont Securities, said in a note to clients.

Americans' assessment of present conditions remained positive, primarily because of strong employment growth, according to Lynn Franco, senior director of economic indi-

cators at the Conference Board.

"The Expectations Index posted another gain in October, suggesting that consumers do not foresee the economy losing steam anytime soon," she said. "Rather, they expect the strong pace of growth to carry over into early 2019."

Stocks tend to be held by wealthier Americans, and job prospects appear to matter more to lower income consumers when gauging sentiment; the jobless rate is at the lowest level since 1969, potentially

explaining the stock-market-sentiment disparity.

Indeed, Richard Curtin, chief economist of another sentiment survey done by the University of Michigan, said last week his consumer survey is increasingly driven by jobs growth. That gauge ticked down in October but remained elevated.

The Conference Board's October survey found the proportion of consumers expecting fewer jobs in the coming months declined and the percentage of consumers expect-

ing an improvement in income prospects rose.

Despite an apparently slowing housing market and rising interest rates, the proportion of consumers who say they plan to buy a home in the next six months rose in October. A larger proportion of Americans said they planned to buy a car in the coming months.

"That provides some reassurance that spending in the most rate-sensitive areas of consumption is not about to fall off a cliff, though note that in every case, those balances

are still below their recent peaks," according to Michael Pearce, senior U.S. economist at Capital Economics.

Measures of how consumers feel about the economy climbed after President Trump was elected in 2016 and have been buoyed by strong economic growth, low unemployment and rising wealth. Gross domestic product grew at the fastest pace in nearly four years in the second quarter and continued to grow at a solid 3.5% annual rate from July through September.

Waterslide Involved in Fatal Kansas Accident Is Dismantled



TRAGEDY'S AFTERMATH: Crews in Kansas City on Tuesday removing the waterslide on which 10-year-old Caleb Schwab was killed in 2016.

Birthright Citizenship Targeted

Continued from Page One
the move, and it didn't provide further details about the scope of the proposed executive order or the timing.

"We will let you know when we have an announcement," White House press secretary Sarah Sanders said.

Birthright citizenship is a pillar of U.S. immigration law and is protected by the Constitution's 14th Amendment, which, among other goals, was designed to grant full citizenship to former slaves. But some conservatives who favor more restrictive immigration laws have opposed the policy, saying it improperly rewards the children of people in the country who lack proper documentation.

Mr. Trump's proposal is the latest in a string of pronouncements as he seeks to invigorate GOP voters ahead of the midterms. He recently suggested a middle-income tax cut that appeared to surprise both his staff and lawmakers. Last week, he said he would seek to cut prices that Medicare pays for some prescription drugs, but that wouldn't go into effect until late 2019 or 2020.

On immigration, Mr. Trump has seized on a slow-moving migrant caravan headed toward the U.S.-Mexico border, part of

his push to toughen rules on people seeking asylum in the U.S. Mr. Trump has previously said he opposed birthright citizenship, but he hadn't floated an executive order nor included it in his list of requests during the latest round of congressional negotiations.

The Justice Department's official position from 1995, posted on its website, is that only a constitutional amendment can alter the citizenship provision; a bill or executive order doing so would be "unconstitutional on its face," the department's Office of Legal Counsel concluded. A spokeswoman didn't respond when asked if that opinion would now be reconsidered.

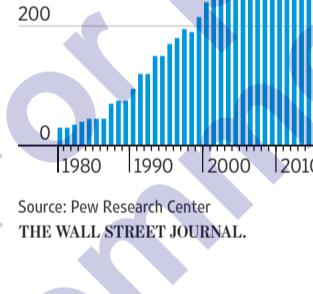
The 14th Amendment, ratified in 1868, states, "All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States." Some opponents of birthright citizenship have argued the "subject to the jurisdiction thereof" clause could be read to exclude babies born to people who were in the U.S. illegally.

That interpretation, however, runs contrary to the Constitution Annotated, published by the Library of Congress, which says the "jurisdiction" exclusion applies to "children born of diplomatic representatives of a foreign state, children born of alien enemies in hostile occupation, or children of members of Indian tribes subject to tribal laws."

The Supreme Court has routinely applied the amendment broadly when it has been tested.

Born in the U.S.

Since 2007, the number of births to unauthorized immigrants has declined.



Source: Pew Research Center
THE WALL STREET JOURNAL.

Critics of birthright citizenship also have taken aim at what some call "birth tourism," in which pregnant women travel to the U.S. in order to have children who receive the benefit of citizenship. Companies in China have attracted attention in recent years for advertising such services.

Amending the Constitution is exceedingly difficult, requiring supermajority support from Congress and assent from 38 state legislatures, or a constitutional convention, the last of which was held in 1787. As a workaround, Republican lawmakers have periodically introduced legislation to change the historic understanding of the 14th Amendment, without success. Rep. Steve King (R., Iowa) has repeatedly done so, and Sen. Lindsey Graham (R., S.C.) said Tuesday morning that he would push for another legislative effort.

"I plan to introduce legislation along the same lines as the proposed executive order," Mr. Graham wrote on Twitter while praising Mr. Trump. "Finally, a president willing to take on this absurd policy of birthright citizenship."

Sen. Chuck Grassley (R., Iowa), chairman of the Judiciary Committee, said he would "closely review" any order from Mr. Trump, but he indicated any policy changes on immigration should be left to Congress.

Others openly disagreed with Mr. Trump. House Speaker Paul Ryan (R., Wis.), who is leaving office after this year, dismissed the idea of an executive order in an interview with a Kentucky radio station. Tweeted Rep. Justin Amash (R., Mich.) about Mr. Trump's comments: "A president cannot amend [the] Constitution or laws via executive order."

In 2014, about 275,000 babies were born to unauthorized-immigrant parents, about 7% of the four million births that year, according to a Pew Research Center report on government data.

Mr. Trump, in his Axios interview, incorrectly said the U.S. is "the only country in the world where a person comes in and has a baby, and the baby is essentially a citizen." Dozens of countries in the Americas, including the U.S., Canada, Mexico, Brazil and Argentina, have birthright citizenship, according to the CIA World Factbook. Most countries in Europe, Asia and Africa don't, and they require that at least one parent be a citizen for their child to get automatic citizenship.

People in the U.S. support birthright citizenship by about a 2-to-1 ratio, a Wall Street Journal/NBC News poll from September 2017 found. In the survey, more Republicans called for ending birthright citizenship than continuing it, by 52% to 42%. Independents and Democrats supported birthright citizenship by large margins.

"We all think this is a base election. But today's announcement, and everything Trump's done in the immigration space, is having a large impact on the independent and moderate voters," said Ali Noorani, executive director of the National Immigration Forum, which advocates for comprehensive changes to immigration law. "Those are the voters who will determine which way these races go and they don't like the idea of changing our Constitution or separating families" apprehended at the border.

—Aaron Zitner

contributed to this article.

Growth in Home Prices Tapers Off

BY LAURA KUSISTO

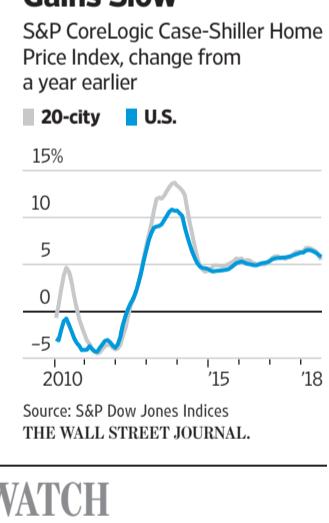
pullback in buyer demand in recent months, fell to third place with a 9.6% annual gain in prices.

David Blitzer, managing director at S&P Dow Jones Indices, said that even though there is a pullback in the housing market, there are no signs that the current weakness will become a repeat of the crisis in 2008 because mortgage-default rates remain low. "Without a collapse in housing finance like the one seen 12 years ago, a crash in home prices is unlikely," he said.

More than five years of rapidly rising prices, combined with higher mortgage rates are making homes increasingly unaffordable for buyers. Rates for a 30-year mortgage averaged 4.86% last week, up nearly a full percentage point from the beginning of the year, Freddie Mac said Thursday. Because Case-Shiller home-price data lags behind by a couple of months, it doesn't yet reflect the most recent run-up in rates.

"Coupled with mortgage rate increases that picked up steam in September, higher prices are stifling home sales as more buyers are priced out of the market," said Danielle Hale, chief economist for Realtor.com.

Gains Slow
S&P CoreLogic Case-Shiller Home Price Index, change from a year earlier



Source: S&P Dow Jones Indices
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U.S. WATCH

NEW YORK

'El Chapo' Trial Is Set to Proceed

A U.S. judge is keeping the trial of Mexican drug lord Joaquin "El Chapo" Guzmán on schedule to begin next month.

Judge Brian Cogan denied a defense request on Tuesday to delay the trial so attorneys could review evidence. The judge said jury selection will take place next week as previously planned.

He said jurors will hear opening statements on Nov. 13.

Mr. Guzmán has pleaded not guilty to charges that his cartel laundered billions of dollars and oversaw murders and kidnappings.

The trial in federal court in Brooklyn, N.Y., is expected to last up to four months and feature the testimony of several cooperators about multiple killings.

—Associated Press

FLORIDA

More Funds Allocated For Everglades Project

Florida Republican Gov. Rick Scott has directed \$3.5 million in state transportation funds to finish raising a highway across the Everglades.

Mr. Scott announced the funding Tuesday atop a new 2.6-mile span of the elevated Tamiami Trail. A 1-mile section was raised

in 2013. The completed project will allow water to flow under nearly 6 miles of the highway into Everglades National Park.

HOUSE OWNERSHIP Young Buyers Drive Increase in Rate

The U.S. homeownership rate edged higher in the third quarter, driven by many young buyers entering the housing market for the first time.

The share of households who own their home and are headed by someone under 35 years old rose to 36.8% in the third quarter from 36.5% in the second quarter and was up 12 percentage points from a year earlier.

That was significantly more than the overall increase in the homeownership rate. The share of American households that own a home inched up to 64.4% in the third quarter from 64.3% in the second quarter and up half a percentage point from a year earlier, according to data released Tuesday by the U.S. Census Bureau.

"The recovery is now at this point driven by first-time home buyers and not older generations," said Skylar Olsen, director of economic research and outreach at Zillow.

The homeownership rate data aren't terribly reliable and this quarter's change wasn't considered statistically significant.

—Laura Kusisto

CORRECTIONS & AMPLIFICATIONS

The Dow Jones Industrial Average dropped 245.39 points on Monday. A Page One article Tuesday about the stock market's recent selloff incorrectly omitted the decimal point.

Starbucks Corp. is evaluating a paper cup made by U.K. startup **Frugalpac**. A Business & Finance article Tuesday about paper coffee cups incorrectly said Starbucks has invested in Frugalpac.

Among states that Hillary Clinton won in the 2016 presidential election, Connecticut is the only other governor's race as competitive as Oregon's in which a Republican has a shot, said Jennifer Duffy, an analyst with the Cook Political Report.

A U.S. News article Monday about the Oregon race failed to make clear that Ms. Duffy was speaking only about close races and not ones in which Republicans are heavily favored.

In some editions Monday, a photo with a U.S. News article about the victims in Saturday's shooting at a Pittsburgh synagogue incorrectly credited the photo of Cecil Rosenthal to the victim himself.

McDonald's Corp. is based in Chicago. A Business & Finance article Oct. 24 about the company's third-quarter results incorrectly said Oak Brook, Ill., where it was based before a June move.

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

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U.S. NEWS

Boston Crime Boss Bulger Dies in Prison

By JON KAMP
AND JENNIFER LEVITZ

BOSTON—Onetime crime boss James "Whitey" Bulger, one of the most notorious figures in this city's history, died on Tuesday at the age of 89, federal authorities confirmed.

The union representing workers at the federal prison where Bulger died, the U.S. Penitentiary Hazelton in West Virginia, characterized the death of the alleged government informant as a murder.

Authorities, including the Federal Bureau of Prisons and Federal Bureau of Investigation, declined to comment on the manner of his death.

Bulger had only been at the prison for a day after being transferred from a facility in Florida, where he resided for years. He had a history of medical problems, and his legal team had been trying to get him moved for better medical care.

Hank Brennan, Bulger's lawyer, said he was surprised Bulger had been sent to the high-security West Virginia prison.

"I was informed the FBI is going to investigate, and it's obvious they would not be

investigating if he died of natural causes," Mr. Brennan said.

"The U.S. attorney's office for the Northern District of West Virginia and the FBI will be conducting an investigation into the death of James Bulger. No other information will be released at this time," said Stacy Bishop, a spokeswoman for the attorney's office, in a statement.

Union representing penitentiary workers characterizes the death as a murder.

According to the Bureau of Prisons, Bulger was found unresponsive Tuesday morning. Staff initiated life-saving measures, and he was subsequently pronounced dead by the local county medical examiner.

Bulger's story has long been the source of grim fascination in Boston and beyond, sparking books and a 2015 film in which Johnny Depp portrayed the crime boss.

He was serving a life sentence in federal prison following a 2013 conviction on a sprawling racketeering indictment that included playing a role in 11 murders. He eluded capture for 16 years before his arrest in 2011 and was on the FBI's Ten Most Wanted list.

The alleged murder "just adds more unnecessary intrigue to the whole Whitey Bulger saga," said Richard DesLauriers, who led the Boston FBI office when the former gangster was finally apprehended.

His death "reminds you of the old adage: live by the sword, die by the sword," Mr. DesLauriers said. He said he hoped the circumstances of Bulger's death wouldn't diminish the closure that families of his victims got five years ago, when he was tried and convicted.

Patricia Donahue, the widow of one of Mr. Bulger's victims, didn't condone Bulger's apparent murder but expressed relief about "the end of an era in my life here."

"I'm going to buy myself a bottle of champagne and I'm going to pop that cork," she said in an interview with a local television station.



Whitey Bulger, at left in an orange jumpsuit, was led away after court hearings in Boston in 2011. He ultimately received a life sentence following his 2013 conviction for playing a role in 11 murders. Above, a mug shot of the longtime crime boss from Alcatraz in 1959.

information that saved the prosecutor's life.

J. David Cox Sr., national president of the American Federation of Government Employees, called Bulger's death "unsurprising." The union said three inmates have died at USP Hazelton in the past seven months.

Trump Mourns Pittsburgh Victims as Some Protest

By ALEX LEARY
AND KRIS MAHER

PITTSBURGH—President Trump visited the Pittsburgh synagogue on Tuesday where 11 people were shot to death Saturday and mourned the victims.

The visit was marked by a protest amid national debate about whether heated political rhetoric is playing a role in episodes of violence.

Mr. Trump and first lady Melania Trump lighted candles in the Tree of Life temple and outside placed a stone and white flower, taken from a White House garden, on stars erected in memory of those who were slain. They were joined by Tree of Life Congregation Rabbi Jeffrey Myers, who provided an account of the incident and described the bravery of the law enforcement personnel who responded, White House press secretary Sarah Sanders said.

"The president was very moved by the visit and his time with the rabbi and called it very humbling and very sad," Ms. Sanders said Tuesday night.

Mr. Trump's daughter Ivanka and son-in-law Jared Kushner, who are Jewish, also made the visit.

The event was punctuated by cries from protesters gathered nearby. More than 1,000 people marched through Squirrel Hill, the Pittsburgh neighborhood where Tree of Life is located, singing in Hebrew and carrying signs reading "No place for hate" and "We do bridges not walls."

Several said they thought the president was drawing attention to himself, rather than letting the community mourn.

"He's my president but he has no solution for this thing," said Berry Barta, 70 years old, who lives in the neighborhood and said she



President Trump and first lady Melania Trump, with Rabbi Jeffrey Myers, placed stones and flowers at a memorial to 11 killed Saturday at the Tree of Life synagogue.

didn't want Mr. Trump to visit. "For him to blame the people because they didn't have security—it's terrible."

Mr. Trump also visited University of Pittsburgh Medical Center Presbyterian, where some of the wounded were taken. He met with doctors and three members of law enforcement, including an individual who had been shot seven times, Ms. Sanders said. Mr. Trump also spent time with the widow of Dr. Richard Gottfried, a dentist killed in the attack.

Mourners on Tuesday said

goodbye to Jerry Rabinowitz, a family physician, and brothers Cecil and David Rosenthal, who were killed Saturday.

Saturday's shooting came amid several criminal incidents with political overtones. A Florida man was arrested last week in connection with mail bombs sent to a number of Democrats the president has criticized and to CNN, another target of his ire. Authorities are investigating the shooting of two black patrons last week at a Kentucky grocery store as a hate crime.

Funerals Begin for Jews Who Were Slain

By JAMES R. HAGERTY
AND KRIS MAHER

PITTSBURGH—Mourners began arriving Tuesday morning more than an hour before the funeral of Jerry Rabinowitz, a family physician who was one of 11 people killed in Saturday's shootings at the Tree of Life temple.

Many wore yarmulkes to Tuesday's service at the nearby Jewish Community Center in the Squirrel Hill district; a few were in Steelers or Pirates caps. They soon filled a 450-seat auditorium and spilled into a hallway, staircase and gymnasium.

As the first of the shooting victims' funerals began, the abstraction of a list of names gave way to the raw, personal grief of a family, a congregation and a city.

Jerry Paul Rabinowitz, who

would have turned 67 next month, was born in Newark, N.J., in 1951 and grew up there and in nearby suburbs. He earned his undergraduate and medical degrees at the University of Pennsylvania, did his residency in Pittsburgh and stayed on for more than three decades as a physician.

He was remembered for his bow ties, habit of riding a bicycle to work, seemingly constant smile and enthusiasm for a Saturday morning Torah-study discussion group, which some believed was the high point of his week. He was with that study group when shooting broke out shortly before 10 a.m. Saturday. Some of his friends said they assume he was shot while rushing out to care for the wounded.

A childhood friend at the service recalled young Jerry as an impish but studious boy

who, if asked to play ball, was likely to say: "I can't. I have a term paper due in a month."

In the late 1980s, Dr. Rabinowitz dove into the study of AIDS and soon was treating large numbers of people suffering from a then-mysterious and highly feared disease, his partner in medical practice, Kenneth Ciesielka, told the congregation. That was his finest hour, Dr. Ciesielka said.

"It will take a long time for us to heal, but we will, we will," said Cheryl Klein, lay cantor at the Dor Hadash congregation that Dr. Rabinowitz helped lead. The way to cope with such a loss, she said, is first to rebuild a broken world and only then to look back and mourn. "Jerry's death," she said, "should be a call for all of us to model his compassion and urgency to heal the world."

An hour after his funeral, hundreds of people filled the Rodef Shalom temple, a Pittsburgh landmark, for the funerals of brothers Cecil Rosenthal, 59, and David Rosenthal, 54, whose open hearts and playful personalities outshone their intellectual disabilities.

"We referred to them as 'the boys,' maybe because they were innocent like boys, not hardened like men," said Diane Rosenthal, their middle sister.

"We always thought of Cecil and David as two gentle giants."

Tree of Life Congregation Rabbi Jeffrey Myers said the two men were dedicated members at the synagogue and would welcome people who arrived and hand them prayer books. He offered a prayer for the men he called "beautiful souls" who didn't have any hate in them.

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U.S. NEWS

Mueller Probes Stone's Conference Calls

BY DREW FITZGERALD
AND SHELBY HOLLIDAY

Special counsel Robert Mueller's investigators are examining comments by Roger Stone—a longtime adviser to President Trump—about WikiLeaks during a series of conference calls he hosted in 2016, according to a witness in the probe and another person familiar with the matter.

In at least two August conference calls advertised online to the public and promoting himself as "the ultimate political insider," Mr. Stone told callers about WikiLeaks' plans to release information that he said would affect the 2016 presidential campaign before the election, according to people who listened to the sessions and recordings of one of the calls published online and reviewed by The Wall Street Journal.

Investigators have collected records and interviews related to the biweekly calls, according to the witness—Jason Sullivan, a social-media specialist who organized some of the conference calls on Mr. Stone's behalf—and the person familiar with the matter.

"In the background of this entire race going forward is the fact that Julian Assange...is going to continue to drop information on the American voters that is going to roil this race," Mr. Stone said in a call on Aug. 4, 2016, according to the audio recording reviewed by the Journal.

Mr. Assange is the founder of WikiLeaks, which released thousands of hacked Democratic National Committee emails in July 2016 and proceeded to publish thousands of other emails a month before the election. Mr. Mueller's office has said the emails, meant to damage Hillary Clinton's presidential campaign, were hacked by Russian officials.

In another conference call two weeks later, Mr. Stone claimed he was in touch with Mr. Assange, according to Mr. Sullivan. Mr. Sullivan said his recording of that call was among the materials he turned over to Mr. Mueller's office in May in response to a subpoena.

"Cooperation with Julian Assange, that's the main thing," Mr. Sullivan said about the special counsel's questions related to Mr. Stone. "They're pretty much fixed on him."

The subpoena of information related to the conference calls—which hasn't been reported before—may inform investigators working under Mr. Mueller as they focus on potential connections of Mr. Stone and his associates to WikiLeaks. What Mr. Stone knew about WikiLeaks' plans has been of interest to investigators probing Russian interference in the 2016 election and whether Mr. Trump's associates coordinated with people working on Russia's behalf.

Mr. Stone also told listeners on the Aug. 4, 2016, call that Russia had "nothing to do with"



Roger Stone said his claim he dined with Julian Assange was a joke.

KEVIN LAMARQUE/REUTERS

the hacked DNC materials WikiLeaks released in July 2016.

Mr. Trump has denied any collusion with Russia. Russia has denied interfering in the election. WikiLeaks, which didn't respond to a request to comment, has denied being in contact with Mr. Stone.

Longtime Trump ally told callers about WikiLeaks' plans to affect 2016 campaign.

Mr. Stone said in an email to the Journal that he was never in direct touch with Mr. Assange, and that his prediction in the Aug. 4 conference call that more emails would drop merely reflected what was "common knowledge and

expectation" at the time. Mr. Stone said in his email that in June 2016, Mr. Assange told a British television station he had material related to Mrs. Clinton pending publication.

Around that same time, a Stone associate, Randy Credico, had told him that WikiLeaks had significant material that would drop in October 2016, Mr. Stone said in his email.

Last year, Mr. Stone told the House Intelligence Committee that Mr. Credico, a New York radio personality, was his back channel to WikiLeaks. Mr. Credico denies the claim.

Mr. Mueller in recent weeks has investigated WikiLeaks' potential contacts with Mr. Stone and his associates, the Journal previously reported.

In addition to subpoenaing material related to Mr. Stone's conference calls, the special counsel has also obtained Mr. Stone's text messages, emails

and social-media messages, according to Mr. Sullivan and other witnesses in the probe, including Mr. Credico and Sam Nunberg, a former associate of Mr. Stone's.

Mr. Sullivan said Mr. Mueller's team contacted his attorney in recent days with more follow-up questions. "They keep asking me in 100 different ways, did you ever hear anything at any point?" he said, referring to Mr. Stone's discussion of Mr. Assange. "We'll see if they're onto something."

A spokesman for Mr. Mueller's office declined to comment.

So far, Mr. Mueller's probe has resulted in more than two dozen indictments as well as guilty pleas by six people, including four Trump associates.

Mr. Stone promoted the conference calls through Twitter and on a public website ahead of the 2016 election as biweekly conversations with the "man in the arena" and the "ultimate political insider."

On the calls, he discussed his friendship with former Trump campaign chief Paul Manafort, the inner workings of the Trump campaign and other topics, such as men's fashion, according to recordings reviewed by the Journal.

Snippets of the Aug. 4, 2016, conference call were published in recent days by Sharon Rondeau, the editor of a website called the Post & Email. Ms. Rondeau described many of the conference calls on her website in 2016, but

she didn't post audio recordings until contacted by the Journal last week.

The Aug. 4, 2016, call marks one of Mr. Stone's earliest known predictions WikiLeaks would release more hacked emails before Election Day, beyond the ones published in July 2016. Hours before the call, Mr. Stone emailed an associate, saying, "I dined with my new pal Julian Assange last nite," the Journal previously reported.

Four days later, in an appearance before the Southwest Broward Republican Organization, Mr. Stone made another prediction: "I actually have communicated with Assange. I believe the next tranche of his documents pertain to the Clinton Foundation, but there's no telling what the October surprise may be," he said.

On Aug. 21, 2016, Mr. Stone appeared to foreshadow trouble for Mrs. Clinton's campaign manager, John Podesta, whose emails would be dumped online by WikiLeaks in October. "Trust me," Mr. Stone tweeted, "it will soon the Podesta's time in the barrel."

In an email, Mr. Stone told the Journal that his email about dining with Mr. Assange was a joke, and that his tweet about "Podesta's time in the barrel" was in reference to the lobbying activities of Mr. Podesta and his brother Tony. Mr. Stone also said he "had no advance knowledge about the acquisition and publication of John Podesta's e-mail."

GE Shares Fall on Cut In Dividend

Continued from Page One
SEC had expanded the scope of its inquiry.

Both the Justice Department and SEC are investigating a \$22 billion charge the company booked in the third quarter tied to acquisitions in GE's power unit, as well as a \$6 billion charge in the first quarter for a shortfall in insurance reserves, GE's finance chief Jamie Miller told investors on a conference call.

GE reported a net loss of \$22.8 billion in the third quarter because of the \$22 billion charge. Mr. Culp took over on Oct. 1 after GE ousted John Flannery as CEO and warned it would miss its cash-flow and earnings goals for the year.

"It is tough for an industrial company to play offense to compete and win with a balance sheet in the condition that ours is in," Mr. Culp said in an interview Tuesday. "That is a long-term issue that we need to address—and we are going to



General Electric's power division, which had been the company's biggest in terms of revenue, has been at the center of GE's financial and operational woes.

AKOS STILLER/BLOOMBERG NEWS

address it in every way possible with a real sense of urgency."

Mr. Culp declined to discuss the regulatory probes but said he had spent his time as a GE director since April and first month as CEO conducting his own due diligence. "I don't think any CEO could ever, should ever, say there is

nothing in the woodpile," he said. "I think we've got our arms around a good bit of the company."

Investors had braced for another reduction in the company's once-reliable dividend. The new quarterly dividend of a penny a share is down from 12 cents. The move will save GE about \$3.9 billion a year.

On Tuesday's conference call, Mr. Culp said the overall strategy set in June under his predecessor "is the right plan going forward" and GE had no plans to sell shares to raise additional capital. However, he said dramatic changes were needed in the power business, which Mr. Culp said he plans to separate into two units. "Everything is on the table at power," he said.

Revenue in the power unit in the latest quarter tumbled 33% from a year earlier to \$5.74 billion, and the unit swung to an operating loss. Overall, GE said revenue dropped 4% to \$29.57 billion in the third quarter, as growth in its aviation and energy units offset some of power's decline.

Excluding charges, GE reported earnings of 14 cents a share. On that basis, Wall Street was expecting adjusted earnings of 20 cents a share on revenue of \$29.92 billion, according to Thomson Reuters.

When it switched CEOs earlier this month, GE warned it would take an accounting charge of up to \$23 billion for previous acquisitions in the power business, which makes turbines that generate electricity at power plants. The century-old business has suffered from deep losses amid a global drop in demand for power-generating equipment.

The power division, which had been the company's biggest in terms of revenue, has been at the center of GE's financial and operational woes. The unit has cut thousands of jobs to adjust to the market,

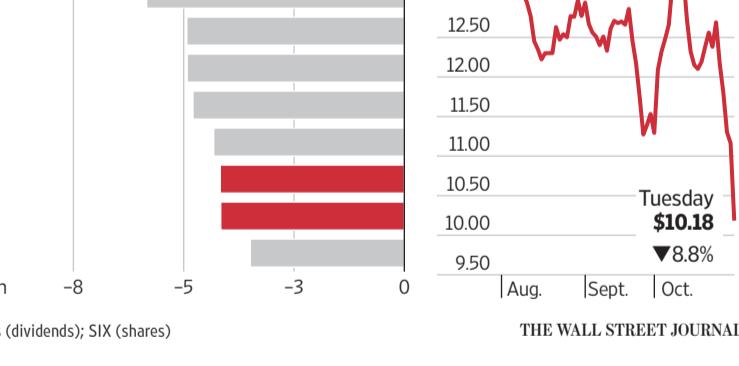
Deep Cuts

General Electric has made three of the biggest dividend cuts since the 2008 financial crisis.

Largest dividend cuts

GE '09	
Bank of America '09	
Bank of America '08	
JPM Chase '09	
Wells Fargo '09	
Citigroup '08	
Pfizer '09	
GE '18	
GE '17	
Citigroup '08	

Sources: S&P Dow Jones Indices (dividends); SIX (shares)



THE WALL STREET JOURNAL.

on "shrinking and deleveraging GE Capital, the company's financial-services arm. The division has been pared back significantly in recent years, but remains a source of problems, including the need to boost reserves on its insurance portfolio by \$15 billion.

Ms. Miller said that GE may need to give more financial support to GE Capital "either to achieve desired capital levels or to execute strategic options around its portfolio."

She said the company is also performing the annual review of its insurance reserves in the fourth quarter, which could lead to an increase in the cash it sets aside.

The Boston-based company has already announced plans to sell its transportation business, which makes locomotives, and spin off its health-care unit, which makes MRI machines and hospital equipment. It also has said it plans to reduce its 63% stake in Baker Hughes, an oil-field services provider.

In the third quarter, revenue and profit at the health-care and transportation units were roughly flat with year-earlier levels.

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but GE has said it would take years to get the division back on track.

Earlier this month, GE had warned it would miss its forecast for adjusted 2018 earnings of around \$1 a share. Before Tuesday's report, analysts had lowered their adjusted per-share earnings targets, pushing the consensus down to 88 cents, according to a Thomson Reuters. Up until last

year and \$11.6 billion in 2016.

Mr. Culp said the company would provide an update to investors in early 2019.

GE plans to split the power-generating division into two units, one for its natural gas turbines and related services, and another that includes steam and nuclear power, along with equipment and services for distributing electricity.

Last month, GE disclosed a flaw in its newest power-plant turbines after a key part failed, forcing utility customer Exelon Corp. to shut down two Texas plants. GE, which has been making repairs to the fleet of turbines, booked \$240 million in reserves related to the problem in the third quarter.

The company's aviation business, which produces jet engines, remains the brightest spot.

fall, GE had targeted 2018 adjusted earnings of \$2 a share. The amount of cash the company generates from its power and other industrial businesses has dried up. In the first nine months of the year, the industrial business had a negative \$335 million in adjusted cash flow. Previously, GE had projected about \$6 billion in cash flow for the year, compared with \$9.7 billion last

year. GE said it remains focused



|||||| Our Vision for Safe and Sustainable Agriculture

An Open Letter to Our Stakeholders

There has never been a more important time for innovation in agriculture. Our world faces enormous challenges, from a changing climate, to limited natural resources to a growing population.

For more than 150 years, Bayer has been dedicated to creating products that help people in a changing world. Our focus has been on new treatments for diseases, helping people get well and stay well, and providing farmers with breakthrough innovations to help nourish our growing world and preserve natural resources. We call it Science for a Better Life.

This passion is deeply personal to me. Visiting my grandfather's farm in Mexico at a young age, I learned the value farmers place on protecting their precious resources to continue to produce bountiful crops each year. These early lessons shaped how I view agriculture and are the same values that inform Bayer's commitment to delivering better solutions for farmers and more choice for consumers to help them and our planet thrive. As part of our portfolio, glyphosate-based herbicides will continue to play a key role in helping agriculture meet pressing environmental and food security challenges as the global population grows by two billion people through 2050.

Take just one example: The combination of glyphosate with glyphosate-tolerant crops promotes environmentally friendly practices, such as the reduction of fuel use on sprayer passes over the field and the adoption of conservation tillage methods, which reduce the need for plowing the soil. By adopting conservation tillage, farmers can leave their soil intact while the previous year's crop residue or organic matter acts like mulch on top of the soil, keeping healthy microbes intact and supporting soil health, while preventing runoff into nearby rivers and streams. The combination of glyphosate-tolerant crops with glyphosate-based herbicides results in a substantial reduction in greenhouse gas emissions, a reduction equivalent to taking 11.8 million cars off the road in 2015 alone—or more than five times the number of cars registered in New York City.

Recently, there has been increased media attention on the safety of glyphosate-based products. As a science and innovation company, we feel a deep responsibility—to society and our planet—and want to reiterate our commitment to sound science and the safe use of our products.

Glyphosate-based herbicides are among the most rigorously studied products of their kind. Hundreds of government-required studies, peer-reviewed publications and ongoing reviews by regulatory and scientific bodies for over 40 years confirm that glyphosate-based products are safe for use as labeled. The largest epidemiology study on real world pesticide use, which was released in 2018 through the support of the independent National Cancer Institute, followed more than 50,000 pesticide applicators for over 20 years and found no association between glyphosate-based herbicides and cancer.

When it comes to the safety of herbicides, manufacturers like Bayer are subject to strict regulatory requirements and must submit their products for periodic review by oversight authorities around the world. These independent regulatory agencies continue to find that glyphosate-based products can be used safely, and that glyphosate is not carcinogenic—not only the U.S. EPA, but also European Food Safety Authorities (EFSA), European Chemicals Agency (ECHA), German BfR, and Australian, Canadian, and Japanese regulatory authorities, as well as the Joint FAO/WHO Meeting on Pesticide Residues (JMPR). Indeed, glyphosate is currently approved for use in more than 160 countries.

We regularly hear from farmers, consumers and environmental and scientific experts that glyphosate-based herbicides are essential for sustainable agriculture and our planet. We certainly agree.

We also understand that some people may have questions about glyphosate or other innovations farmers use in modern agriculture. As consumers, parents, and community members ourselves, we are eager to share our work and want consumers to have the information they need to feel confident about the food they put on the table. Just as my grandfather looked after his farm and its crops for future generations, when it comes to sustainability, we take a long-term view, and prioritize meeting our commitments to sustainability as rigorously as we strive to meet our financial commitments to our shareholders.

Dialogue with consumers is one of our key commitments. We invite you to visit Bayer.com to learn more, and we look forward to continuing to improve lives through excellence in research and innovation.

A handwritten signature in black ink, appearing to read "Jesus Madrazo".

Jesus Madrazo
Head of Agricultural Affairs & Sustainability
Bayer Crop Science Division

U.S. NEWS

Georgia Race Is Microcosm Of Midterms

By REID J. EPSTEIN

ROSWELL, Ga.—A week before the midterm elections, the contest remains focused where it began 18 months ago—in America's suburbs that are home to swaths of educated and wealthy voters who will determine which party controls the House.

Here in an area north of Atlanta, GOP Rep. Karen Handel is vying to retain the House seat she won in a special election last year, which, at \$60 million, was the most expensive House race ever.

Both her campaign and that of Democratic challenger Lucy McBath—along with scores across the country—are drawing from the experience of that June 2017 election, which presaged this year's fierce fight for control of the House and the 2018 Democratic fundraising avalanche when Jon Ossoff, a previously unknown candidate with a thin résumé, raised \$31 million.

Ms. Handel, as she and GOP allies did with Mr. Ossoff, is trying to tether her challenger to House Democratic Leader Nancy Pelosi—a Republican bête noire—in speeches and TV ads. The incumbent also is reviving accusations from last year that her opponent lacks deep ties to the district.

Still, after campaigning in the special election with President Trump using funding from House Speaker Paul Ryan's super PAC, Ms. Handel is now pitching herself as an independent voice focused on local issues.

That shift has accompanied falling approval ratings for Mr. Trump in the district. The biggest applause line in her stump speech at a Sunday campaign rally at a guitar store came when she touted a \$184 million federal grant to build express lanes on a local

highway.

"I am not an extension of the White House," Ms. Handel said in an interview in the store. "I am not even an extension of the House Republican leadership."

Ms. McBath, a former Delta Air Lines flight attendant, became a gun-control activist after her son was murdered in 2012 and was a surrogate for Hillary Clinton's 2016 campaign. While Ms. McBath has benefited from the volunteer network built for Mr. Ossoff, she has made more explicit policy appeals to women than he did.

She also has dismissed the notion that Ms. Handel is independent from the Trump White House. "A vote for her is definitely a vote for Trump," Ms. McBath said during an interview at her campaign office in Dunwoody.

Her TV ads tell her story of surviving breast cancer twice. She criticizes Ms. Handel for opposing abortion rights and for backing the GOP health-care bill that "would cut coverage for people like me, with pre-existing conditions."

Ms. Handel's seat, which Republicans have held since Newt Gingrich first won it in 1978, is home to the largest concentration of college-educated women—30% of the district's population, according to census data—of any congressional district represented by a Republican.

The latest Wall Street Journal/NBC News poll found 70% of college-educated women disapprove of Mr. Trump, versus 27% who approve of him. The poll also found women with college degrees are the most likely demographic to vote in the midterm elections.

Of the 40 districts with the most college-educated women, Republicans hold 11—and 10 of those are rated competitive by the Cook Political Report. Poll-

DUSTIN CHAMBERS FOR THE WALL STREET JOURNAL (2)



GOP Rep. Karen Handel seeks to keep the House seat she won in a special election last year.



Democratic challenger Lucy McBath became a gun-control activist after her son was killed in 2012.

ing shows Ms. Handel's race against Ms. McBath within the margin of error.

"Demographics all across the country are changing," said Tom Price, Mr. Trump's former Health and Human Services secretary who held the seat before Ms. Handel.

"You get folks coming from all over who are moving to At-

lanta."

At a house party for Ms. McBath and two other Democrats running for the Georgia state legislature, the appeal to educated women was focused on upending Mr. Trump and GOP majorities.

"This is not the Republican Party that we used to know," said Essence Johnson, a Dem-

ocrat running for a Georgia state House seat. "With everything that's going on from the top, people are just fed up with the current administration."

Ms. Handel is arguing her Democratic opponent has flimsy ties to the district. Ms. Handel's ads dub Ms. McBath an "out-of-towner."

Probe of Interior Chief Goes To Justice

BY HEIDI VOGT

WASHINGTON—The Interior Department's internal watchdog has referred an investigation into Secretary Ryan Zinke to the Justice Department, a person briefed on the matter said Tuesday, a move that could lead to a criminal inquiry.

Mr. Zinke is the subject of at least three investigations by the department's inspector general's office. Those are looking into his decision to block two Native American tribes from operating a casino in Connecticut, his involvement in a development deal with the chairman of oil-field services company Halliburton Co. in Montana and a plan to sell land that is part of a Utah national monument.

It wasn't clear which investigation had been referred to the Justice Department, but the action was taken more than two weeks ago, the per-

Interior Secretary Ryan Zinke is the subject of at least three investigations.

son said.

Mr. Zinke's lawyer, Steve Ryan, said he wasn't aware of any such referral or any Justice Department investigation.

"The Secretary has not been contacted or notified of any DOJ investigation or Inspector General referral," Mr. Ryan said in a statement. "The Secretary has done nothing wrong."

A spokeswoman for the inspector general's office, Nancy DiPaolo, said she couldn't comment on any ongoing investigations. The watchdog office doesn't make its investigations public. The Justice Department declined to comment.

—Jim Carlton contributed to this article.

The Gap Explaining Politics

Continued from Page One

This often happens in midterm elections but is happening now to an extreme. The divergence helps explain the issues at the top of each party's

agenda, and why some districts that were held securely by one party have competitive races this year.

A gender gap has been a durable feature of American politics, most easily seen in presidential election results. Since 1980, American women have consistently backed Democratic candidates for president at higher rates than have men, while men have favored Republicans.

Now, educational attainment has supercharged that

split among white voters, who account for more than 70% of the electorate. Those with bachelor's degrees have shifted toward the Democratic Party, while the Republican Party has gained among voters who don't have four-year college degrees.

The educational divide isn't strong among nonwhite voters, who lean heavily toward the Democrats. In fact, minority voters with and without bachelor's degrees have become more politically aligned in recent years.

These two divisions—gender and education—have radically changed the political orientation of white voters. The economy and cultural differences are two main causes. The recession hit people without college degrees hard, and many felt left out of the recovery that followed. The income of men with only a high-school diploma actually fell in the decade from 2008 to 2017.

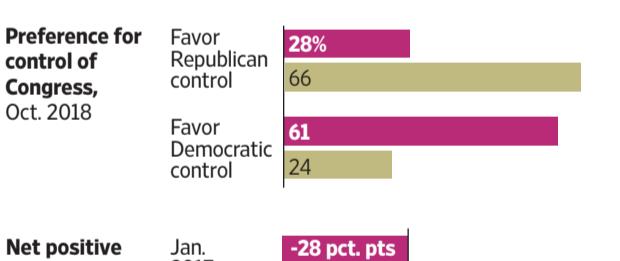
Differences in cultural values and views of government widened during President Obama's time in office, when he promised to build an activist government that would increase spending on education and social programs. Among white voter groups, women with college degrees were by far the most supportive of Mr. Obama's governing philosophy, while men without degrees have grown more skeptical of it, especially in the past three years.

President Trump promised an "America first" government aimed largely at helping the "forgotten men and women" in blue-collar communities. Under his tenure, the two white groups have moved further apart. The men without bachelor's degrees have grown warmer toward Mr. Trump since his inauguration, while the views of the women with degrees have grown more negative.

The differences between the two groups are stark on many of the issues dominating the midterm campaign: immigration, gun control and health care. In each case, white men without college degrees support Mr. Trump's policy stance,

A Political Chasm

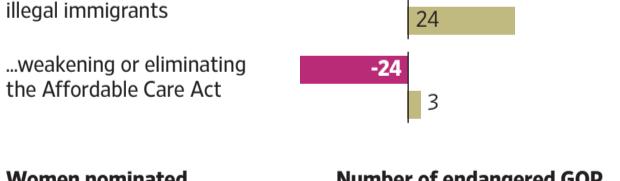
These groups of voters have moved in opposite directions, polarizing the electorate and driving issues key to the midterms. It helps explain why Democrats nominated so many women for Congress, and why districts with higher levels of education are in play.



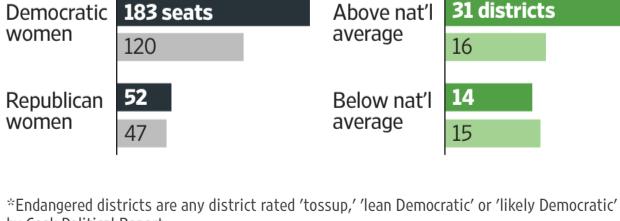
Net positive or negative view of President Trump



Net favorability for...



Women nominated for House seats



*Endangered districts are any district rated 'tossup,' 'lean Democratic' or 'likely Democratic' by Cook Political Report.

Sources: WSJ/NBC News telephone polls (Congressional preference, Trump views, favorability); Rutgers University Center for American Women and Politics (women nominees); U.S. Census data and estimates via L2; Cook Political Report (education)

control of the House has shifted to districts with higher levels of education. One other big shift in the electorate further shows how the Republican appeal among college-educated voters is weakening: White men with bachelor's degrees, once the most reliable Republican voters, now swing between parties and in the past year have consistently polled in favor of Democrats.

In July 2006, about half of the most vulnerable GOP-held districts exceeded the national average for bachelor's degrees. This year, about 70% of the GOP's at-risk districts exceed the national average.

Virginia's 7th District, outside Richmond, is an example of the splintering of the white electorate. The district has elected Republicans to the House since 1970. This year, analysts rate the race there a tossup.

In 2014 the Democratic nominee campaigned as a nonideological centrist. This year, Democratic nominee Abigail Spanberger is taking up issues that energize the Democratic base. She calls for an assault weapon ban, a pathway to citizenship for illegal immigrants and for allowing all Americans to buy into a public health-insurance plan akin to Medicare.

The Republican candidate, two-term Rep. David Brat, is also trying to motivate his base. He wants to eliminate the Affordable Care Act, opposes "amnesty" for illegal immigrants and promises to fight restrictions on gun rights.

Polling shows that Mr. Brat is winning among white men without college degrees, while Ms. Spanberger leads among white college-educated women. Sample sizes aren't big enough to put precise numbers on those leads, but they are large enough to say that college-educated white voters of both genders favor the Democrat by a net 10 percentage points, while whites without degrees favor the Republican by 30 points.

—Brian McGill contributed to this article.

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while white women with degrees are opposed.

Democratic candidates have campaigned more extensively than in the past on measures to stop illegal immigration, a stance strongly adopted by white men without bachelor's degrees.

The changes help explain why Democrats are nominating so many women for Congress, and why the fight for

WORLD NEWS

Saudi Royals Rally to Shield Family

Prince Mohammed's position is secure for now despite criticism over Khashoggi killing

By MARGHERITA STANCATI AND SUMMER SAID

Saudi Arabia's royal family is closing ranks to protect the monarchy from a storm of criticism after the killing of dissident journalist Jamal Khashoggi in the kingdom's Istanbul consulate.

For now, Crown Prince Mohammed bin Salman's position as heir to the throne appears secure, royals and people close to the ruling family say.

But as international pressure has mounted, octogenarian King Salman has resumed a more active role in government and his 33-year-old son's power could be diluted, those people said. There are also indications that King Salman and Prince Mohammed are more open to listening to voices from the wider royal family after years spent working to concentrate power.

Early Tuesday, one of the king's younger brothers, who opposed Prince Mohammed's promotion to crown prince, Prince Ahmed bin Abdulaziz, returned to Saudi Arabia in a move seen by people close to the royal family and foreign officials as an effort to shore up support for the monarchy.

"There is an appreciation that together we stand and divided we fall," one senior member of the royal family said. "There is a degree of fear and panic here."

The death of Mr. Khashoggi—who was killed by a team of Saudi operatives on Oct. 2—has strained Riyadh's ties with foreign powers including its most important ally, the U.S.

The episode has put pressure on Crown Prince Mohammed, who, since being named heir apparent last year has



Saudi Crown Prince Mohammed attended an investment conference in Riyadh this month.

In the immediate aftermath of the murder, according to royals and people close to the government, the Saudi leadership considered the possibility of the king abdicating in favor of Prince Mohammed as a way to solidify his position domestically and internationally. That option has since been discarded, they said.

Prince Ahmed, a younger brother of the king and a former minister of interior, was one of few senior royals who opposed the elevation of Prince Mohammed to the position of crown prince last year. After opposition to the crown prince coalesced around Prince Ahmed, the government last year temporarily restricted his movements and he later moved to London.

His return to the kingdom, royals say, is the clearest sign yet of the profound impact the Khashoggi crisis is having within the royal family. He landed in Riyadh in the early hours of Tuesday and was greeted by a large delegation that included Crown Prince Mohammed and his younger brother Prince Khalid bin Salman, the Saudi ambassador to Washington, according to people familiar with the matter.

His return is also a sign the country's rulers may be open to the more consensus-driven form of leadership that for decades characterized the royal family. That model eroded after King Salman came to power in early 2015, and the king and his son have gradually concentrated power within a single branch of the family—their own.

"The family has united behind him. They don't want him out. But there is a price to pay: They will remove his advisers and replace them with older ones," a Western official who tracks the Persian Gulf said. "The thinking is: Prince Mohammed will rule for the next 50 years and he will learn from his mistakes. He will become wiser with time."

Danes Say Iran Aimed To Kill Dissident

By LAURENCE NORMAN

Denmark interrupted an Iranian assassination plot in the country, the Danish government said Tuesday as it called for the European Union to respond, at a critical moment in relations between Europe and Tehran.

Danish authorities this month arrested a Norwegian citizen of Iranian descent for allegedly planning the assassination of the leader of an ethnic Arab separatist group, Denmark's Security and Intelligence services said.

The authorities said they believe the suspect intended to pass information to the Iranian intelligence service to help an assassination plan against the leader of the group, known as the Arab Struggle Movement for the Liberation of Ahvaz.

Danish security services said the individual they arrested had denied the charges. An Iranian foreign ministry spokesman on Tuesday said Iran had no involvement in the case.

It was the latest in a series of allegations that Tehran is sponsoring violence in Europe.

"Further actions against Iran will be discussed in the EU," Danish Prime Minister Lars Lokke Rasmussen tweeted.

"At this stage we are following the events and are in contact with [Danish] authorities to get more information," said a spokeswoman for EU foreign-policy chief Federica Mogherini.

European governments have been building links with Iran to sustain the 2015 multinational nuclear accord. President Trump pulled out of the accord in May and the U.S. is set to reimpose more sanctions on Tehran on Monday.

overseen a campaign against perceived dissidents while also pursuing plans to remake his country's oil-dependent economy and loosen some conservative social strictures.

Two of the prince's closest aides have lost their jobs because they are suspected of involvement in the plot. More of the prince's advisers are expected to be sidelined or fired, according to people familiar with the matter. Saudi officials have vehemently denied that the crown prince had any knowledge of the operation.

Prince Mohammed has publicly denounced the killing as a "hideous incident," and vowed the perpetrators will be brought to justice.

Within the royal family there is resentment and frustration with the young prince's missteps. But family members say, there is also recognition that they are better off with him than without him. "We don't like his style and he is shaking the kingdom perhaps way too aggressively—but his removal will only make things worse," one royal said.

Many fear reopening the question of succession at a time of crisis risks destabilizing the monarchy and weakening its hold on power. And few would be in a position to challenge the leadership. Since last year, the king and his son, the crown prince, have pushed aside, silenced from speaking

out, and even detained some of the family's most prominent princes.

As Saudi Arabia's Western allies have distanced themselves from the kingdom's leadership in the wake of the crisis, others have stood by it. King Abdullah of Jordan and Pakistani Prime Minister Imran Khan—both recipients of Saudi aid—showed up at Riyadh's Ritz-Carlton hotel last week for an investor conference patronized by Prince Mohammed. So did tycoon Prince Al-Waleed bin Talal, who had been imprisoned in the Ritz last year as part of the anticorruption campaign led by the crown prince, his cousin.

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WORLD NEWS

Three Vie for Merkel Role

By ANDREA THOMAS

BERLIN—Chancellor Angela Merkel's decision to step down from her party's chair this week started a race whose outcome will shape Germany's political direction.

Three candidates have thrown a hat into the ring, all described as more conservative than Ms. Merkel. Others may join—or any of these three pull out—but the winner, to be picked by party delegates at a convention in early December, will most likely stand as the Christian Democratic Union's next candidate for the chancellorcy.

Their styles and the nuances of their politics could have different consequences for Germany's largest party: reaffirming the CDU as a centrist force attractive to an array of voters and able to form coalitions with virtually all other parties or recasting it as a more conservative force that would recapture voters lost to the right-wing Alternative for Germany.

"It's up to the person who wins," said Tilman Mayer, a political-science professor at the University of Bonn.

Following bitter defeats of her conservative parties in two state elections this month and a poor showing in last year's general election, Ms. Merkel faced increasing resistance in the CDU over her policies. She has also been blamed for the bumpy start of the current coalition government, which nearly collapsed twice since the end of June amid conflicting views on migration issues.

Ms. Merkel on Monday said she intended to stay on as chancellor until the next scheduled general election in 2021. On Tuesday, she predicted her authority on the international stage would be undiminished. "If anything, I might even have more time to focus on my role as government head," she told journalists in Berlin.

Many analysts think the dynamic set in motion by her announcement could precipitate a change of government before 2021. Likewise, a diminished



stream and the rise of antiestablishment upstarts.

The first to declare was Ansgret Kramp-Karrenbauer. The former state premier of Saarland and the CDU's current secretary-general is well connected and popular within the party. While the 56-year-old is a close Merkel ally, her socially conservative views—she opposes same-sex marriage—have endeared her to the CDU's traditionalist base.

Still, Ms. Kramp-Karrenbauer, who critics call "mini-Merkel," would clearly stand for continuity, some analysts said, as opposed to the clear break with the Merkel era for which the CDU's conservative wing, in particular, has been clamoring.

Ms. Kramp-Karrenbauer declined to comment.

The second contender, Jens Spahn, 38, may be the most polarizing of the three. Currently health minister and a rising star in the party's conservative wing, he was among the earliest and most vocal in-house critics of Ms. Merkel's decision to open the borders to hundreds of thousands of refugees in 2015—the decision that started the decline of her political influence.

Mr. Spahn, who couldn't be reached, has called for tougher security policies and would like to roll back legislation that grants dual citizenship to children of foreign parents.

The third declared contender, Friedrich Merz, 62, was once a darling of the CDU's conservative wing. As CDU parliamentary floor leader, he embraced low-tax and pro-market views that made him popular with business. But a clash with Ms. Merkel led to his gradual exit from politics. His conservative profile and opposition to multiculturalism might appeal to voters who rejected Ms. Merkel's centrist course.

Mr. Merz on Tuesday wrote that he wanted to assume responsibility "and do everything possible to strengthen the internal cohesion and sustainability of Germany's CDU."

—Stefan Lange contributed to this article.



Three members of the Christian Democratic Union—Jens Spahn, above left, Annegret Kramp-Karrenbauer, above and Friedrich Merz—are seeking to lead the party after German Chancellor Angela Merkel, top, said she would step down.

All three candidates want to end the exodus of voters that has hurt the CDU's standing since last year's election and, more generally, stop the erosion of the political main-



NATO Secretary-General Jens Stoltenberg in Norway on Tuesday.

Alliance Maneuvers Send Dual Messages

By JAMES MARSON

BYNESET, Norway—A force of NATO warships, aircraft and marines stormed a beach here on Tuesday to practice repelling an invader, part of the bloc's largest military exercises since the Cold War.

The show of strength is a warning to Norway's neighbor, Russia. It is also a message for the host country and the North Atlantic Treaty Organization's 28 other members: Security comes at a price.

The exercises demonstrate the alliance is ready to protect allies such as Norway, NATO Secretary-General Jens Stoltenberg said. "I also expect that Norway will make good on their commitments to NATO and to all their NATO allies," he added, referring to the spending target for NATO members of 2% of gross domestic product.

President Trump has hectored allies who fail to meet the target, straining relations as NATO bolsters its military capabilities in response to a more assertive Russia.

Norway, Germany and other rich European countries have said that hitting NATO's 2% target is difficult because the sums involved are so large.

Mr. Stoltenberg says affluence is no excuse for falling short. "It's not a problem to be rich," he said.

Some analysts say getting

Norway to spend 2% on defense may be hard because it isn't a priority for citizens. Unlike the Baltic states and Poland, Norway hasn't experienced occupation by Moscow.

Norway, a country about the size of California with just over five million inhabitants, has a 122-mile land border with Russia, which has increased strategic bomber and submarine patrols in the area in recent years. Russia has rebuilt its Northern Fleet a few dozen miles from the border.

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The two-week NATO exercises, called Trident Juncture, involve around 50,000 service members, 250 aircraft and 65 ships from NATO and Norway's nonaligned neighbors Sweden and Finland. The U.S. has sent around 18,500 service members.

Russia announced test-firing of missiles later this week in an area where the exercises are taking place. Mr. Stoltenberg said they shouldn't pose any danger.

—Daniel Michaels in Brussels contributed to this article.

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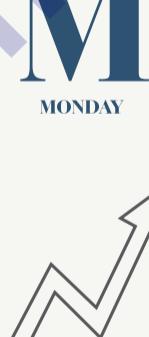
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WORLD NEWS

Former Detainees Get Role As Taliban Talks Near

Senior Taliban members once held at Guantanamo Bay have joined the group's political office in Qatar, a potential step forward in nascent peace talks under way between Washington and Afghanistan's main insurgency.

*By Saeed Shah
in Islamabad,
Sami Yousafzai
in London and Craig
Nelson in Dubai*

Their participation, confirmed by sources inside the Taliban, follows two rounds of talks between the Taliban and U.S. officials in the Gulf nation in July and this month—the last with Zalmay Khalilzad, a new U.S. envoy with a mandate to forge a peace process.

The entry of the "Taliban Five" into the process, which the group has long sought but had been opposed by the U.S., appears to be a significant concession from the White House.

A State Department official said Tuesday that "it is up to the Taliban to choose their representatives" in peace talks, but warned the U.S. won't allow anyone to use their position as a negotiator to fuel the insurgency in Afghanistan.

"It is our expectation, however, that these leaders will work toward a peaceful solution to end the war," the official said. "Indications that members of the [Taliban Political Commission] are using their status of location to further the violence in Afghanistan will result in consequences for the TPC members."

Four of the men are senior members of the Taliban and appear to outrank the head of the office, Abbas Stanekzai. Among them is the former head of the Taliban's army, Mohammad Fazl, who analysts say could help carry the group's military wing into the peace process.

"By having more prominent people in the political office, we're in a better position in terms of negotiation and internal debate," a Taliban official in Doha said.

The Taliban Five were released from Guantanamo by the Obama administration for an American soldier held in Afghanistan, Bowe Bergdahl, and sent to Qatar. Until now they weren't allowed to hold political meetings or travel.

*—Ehsanullah Amiri
and Dion Nissenbaum
contributed to this article.*

Chinese Production Gauge at 2-Year Low

BELJING—An official gauge of activity in China's manufacturing sector slipped to a more than two-year low in October, as worries about escalating trade disputes with the U.S. compounded concerns about a slowdown in the Chinese economy.

The official manufacturing purchasing managers index dropped to 50.2 in October from 50.8 in September, according to data released by the National Bureau of Statistics showed Wednesday.

The fall was more precipitous than economists projected and, though readings above the 50-mark still indicate an expansion in activity, the October reading was the lowest since July 2016.

"Overall, the data confirms that economic fundamentals are weakening. I'm afraid the softness will remain for a long period of time," said Yang Weixiao, an economist at Founder Securities.

Recent economic data show that the Chinese economy is slipping faster than many officials expected, spurring the government to move to support growth and talk up the stock markets. Asian stock markets, buoyed by a rebound on U.S. exchanges, shrugged off the fall in factory activity, with shares in Shanghai up more than 1% earlier Wednesday.

—Liyan Qi



Indonesian President Joko Widodo views items recovered from the crash of Lion Air Flight 610 at the search-and-rescue operations center at a port in northern Jakarta.

ADEK BERRY/AGENCE FRANCE PRESSE/GETTY IMAGES

Airspeed Sensors Focus in Crash

Potentially faulty or misleading airspeed indications in the cockpit have emerged as an initial focus of safety experts delving into the Lion Air jet crash in Indonesia that killed 189 passengers and crew, according to industry officials tracking the investigation.

Boeing Co., which manufac-

*By Andy Pasztor,
Andrew Tangel
and Robert Wall*

tured the twin-engine 737 Max 8 model and is participating in the probe, has privately suggested to at least one airline official and an outside safety expert its interest in whether the pilots received unreliable speed data, according to people familiar with the conversations.

The plane, which was deliv-

ered to the airline in August, plummeted into the Java Sea in good weather 12 minutes after taking off from Jakarta, without the crew sending a mayday message. Indonesian teams on Tuesday were mapping the seabed in their search for the jetliner.

The Chicago-based plane maker also has signaled, according to one independent safety expert with close ties to the company, that its experts are eager to understand the maintenance work that reportedly was performed on part of the plane's airspeed-measuring and reporting systems before the fatal flight.

Boeing has told at least one airline official it understood an airspeed-monitoring issue was addressed by maintenance the day before the crash, ac-

cording to a person briefed on the discussion.

A Boeing spokesman declined to comment, referring to the company's previous statement that it was providing technical assistance in the probe and directing questions to Indonesian authorities.

Discussions about possible speed discrepancies are preliminary and could change significantly, if data downloaded from flight-data and cockpit voice recorders point to other potential system malfunctions or pilot missteps. Pilots are routinely trained to cope with unreliable airspeed indications, and safety experts said such responses—especially in clear weather with the horizon visible—normally shouldn't cause crews to lose control.

Still, safety experts said

coping with erratic speed displays can be tricky because they usually require at least temporary reliance on manual flying, skills used infrequently in automated cockpits.

Indonesian and U.S. government investigators haven't commented on details of the probe, and air-traffic control officials have said the flight crew didn't provide specifics when they requested permission to return to the airport.

Airspeed reporting and maintenance issues will be part of the investigative effort, Soerjanto Tjahjono, the head of Indonesia's National Transportation Safety Committee, which is leading the probe, told *The Wall Street Journal* without elaborating. He confirmed that investigators will examine circumstances sur-

rounding maintenance checks performed before the crash.

Boeing said in a message to carriers operating the latest 737 Max 8 models that it would strive to keep them informed but noted that it "has no recommended operator action at this time," according to a copy reviewed by the Journal.

A search of Federal Aviation Administration records hasn't revealed any unusual pattern of problems or failures affecting airspeed indicators or other mechanical or electrical systems on the 737 Max 8 fleet, according to one person familiar with the matter.

A number of other 737 Max 8 operators also said they weren't aware of any recurring faults with the plane.

*—Ben Otto contributed
to this article.*

WORLD WATCH



LANDFALL: People on Tuesday walked by boats washed ashore in Rapallo, Italy, after a storm that has battered much of the country with heavy rains and killed at least 11 people over two days.

EUROPE

Economic Growth Sputters in Eurozone

The eurozone economy slowed sharply this summer, posting its weakest quarter in five years, as the region begins to feel the impact of a slowdown in China.

Tuesday's figures also suggest the outlook for the bloc remains uncertain. With China's growth slowing, the global economy seems set to cool this year, even as the U.S. enjoys a spurt of activity driven by robust consumer and government spending.

The European Union's statistics agency reported gross domestic product in the currency area's 19 members rose at an annualized rate of 0.6% in the three months through September, a slowdown from 1.8% in the second quarter and well below the 3.5% registered in the U.S. during the same period.

—Paul Hannon

BRAZIL

President-Elect Seeks Quick Pension Reform

President-elect Jair Bolsonaro urged the departing administration to intensify efforts to cut government spending and revive a plan to overhaul the pension system before his inauguration Jan. 1, a move cheered by markets as crucial to jump-start the economy.

Mr. Bolsonaro, who won 55% of the vote in Sunday's runoff, plans to start talks next week with President Michel Temer to try to pass a pension reform plan by the end of this year. The comments boosted the real, while the Ibovespa stock index rose 3.7%.

Investors hope pension reform could breathe new life into an economy forecast to grow 1% this year, unchanged from 2017, while unemployment is close to 12%.

*—Paulo Trevisani
and Jeffrey T. Lewis*

Facebook Growth Slows

Continued from Page One

then bounced higher just as quickly. It was up more than 4% when Facebook finished its call with analysts late Tuesday.

All told, it was a more positive reaction from investors as compared with the previous quarter. When the company in July warned of slowing growth in its second-quarter earnings, Facebook shares suffered the biggest-ever one-day loss for a U.S.-listed company, with nearly \$120 billion lopped off from its market value.

SunTrust Robinson Humphrey analyst Youssef Squali said he was "relieved" by Tuesday's report.

"A year ago, when everything was going great, we assumed everything was going to be great for an extended period of time," said Mr. Squali, who has a "buy" rating on Facebook shares. "Now we've adjusted a little—we have the

fear of God in us."

For the third quarter, Facebook reported per-share earnings of \$1.76, up from \$1.59 a year earlier and beating analyst projections of \$1.46, according to data compiled by FactSet. Facebook's net income rose to \$5.13 billion from \$4.71 billion. The 9% increase in profit was the slowest growth rate in quarterly profit since the second quarter of 2015, according to FactSet.

Revenue leapt 33% to \$13.73 billion, falling slightly short of expectations of \$13.77 billion. The percentage increase was the lowest in six years, FactSet said.

Before Tuesday's earnings report, Facebook shares had fallen about 20% year to date and about 34% since its earnings report in late July. The decline in share price is part of a larger pattern of investors fleeing giant tech companies like Google parent Alphabet Inc. and Amazon.com Inc., which posted underwhelming sales growth last week.

About 1.5 billion people use Facebook every day and 2.3 billion use it monthly.

Facebook's largest sources of user growth are in developing

markets, especially in Asia, where it generates about \$2.67 per user. Facebook's user base didn't grow much in its most lucrative markets, which are the U.S., Canada and Europe. Facebook earns \$27.61 for every user it has in the U.S. and Canada and \$8.82 for its European user base.

This year has marked perhaps the most difficult period in

Facebook's nearly 15-year history. Critics have attacked the company's lax data-privacy practices, following Facebook's disclosure that it provided user records to a third party, which then sold the information to political analytics firm Cambridge Analytica.

Facebook also has been criticized for its failure to enforce its content policies and allowing

misinformation to infect its various apps.

Facebook is bracing for slower growth in its advertising business, which collects the bulk of its revenue from ads that appear in the Facebook news feed. But users are now embracing different features like Stories, video and private messaging, and that will likely replace some of the time they currently spend in news feed.

When it comes to video, Mr. Zuckerberg said Facebook was seeing growing usage of its video-centric products like Facebook Watch and IGTV—but remained "well behind" Alphabet's YouTube, which he called Facebook's primary rival in video. Facebook also faces stiff competition in messaging from Apple Inc., which offers iMessage across all its devices, Mr. Zuckerberg said.

The executive suggested Apple has an advantage over Facebook by being able to bundle iMessage with iPhones, especially in the U.S. "In countries where there's more competition between iOS and Android like much of Europe, people tend to prefer our services" such as WhatsApp and Messenger, Mr. Zuckerberg said.

FROM PAGE ONE

Unfriended

Facebook's growth has been slowing, prompting investors to reconsider its value.

Revenue

\$14 billion
12
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3Q 2018
\$13.73 billion

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WORLD NEWS

Migrants Press Long Trek North

Second group enters Mexico with aim of reaching U.S. as Trump sets interdiction effort

BY JUAN MONTES

TAPACHULA, Mexico—A caravan of about 1,000 Central American migrants crossed into Mexico and began trekking north on Tuesday, a few hundred miles behind a larger caravan also headed to the U.S. border.

The two caravans, plus a third smaller one from El Salvador, are part of an exodus of Central American migrants traveling through Mexico that is straining U.S.-Mexico ties and a target of President Trump's ire before next week's midterm U.S. elections. Mr. Trump, who called the caravans an invasion, this week ordered some 5,200 military troops deployed to the U.S. border to prevent illegal border crossings.

The second migrant group illegally crossed the shallow Suchiate River that divides Mexico and Guatemala late on Monday, Mexican officials said, a day after scores of them clashed with police who had denied them entry at the official crossing. A Honduran was killed in the melee.

This time they crossed the river. Mexico's government has instructed security forces not to use force against the migrants. The government has offered them asylum but most want to press on to the U.S.

On Tuesday, the second caravan trekked north to Tapachula, a traditional migrant stop in the southern Mexican state of Chiapas. Many migrants said they hoped to catch up to the first caravan

that entered Mexico two weeks ago. That group is now in Oaxaca state, still some 900 miles away from the nearest U.S. point of entry, at least a month's journey at their current pace.

"The mission is to join the other caravan and get to the border together. Together, we are stronger," said Edwin Bonilla, 33, a skinny Honduran from La Ceiba, on the Honduran Caribbean coast, removing his sneakers to reveal three big, white blisters.

Meanwhile, a third caravan—with about 500 migrants from El Salvador—began arriving Tuesday to Tecún Umán, a Guatemalan border town, and intended to cross the Suchiate River into Mexico on Tuesday, according to local press reports.

Caravans are fast becoming an increasingly popular way to try to migrate to the U.S. because they skirt smugglers' fees and find safety in numbers, migrants say. The international attention the caravans receive also helps them get food and water along the way from charities mostly run by churches.

The first caravan now has about 4,000 people after hundreds of people dropped out and asked Mexico's government to return them to Honduras. More than 2,100 migrants have also filed for asylum, Mexican authorities say. Most of them are in a government-run shelter in Tapachula.

A greater percentage of the second caravan appears to be young men compared with the first group. But there are also pregnant women, single mothers and complete families. They say they are fleeing from poverty, unemployment and violence. Many carry a bottle of water in one hand and their belongings, a backpack in most



Central American migrants walked north from the Guatemalan border into Mexico on Tuesday, hoping to reach the U.S.

Caravan Routes

Three caravans of migrants from Central America headed to the U.S. have made it to or near Mexico, the first of which is about 900 miles from the U.S. border. A fourth group is seeking asylum in Mexico.

	1 First Caravan	2 Second Caravan	3 Third Caravan	4 Asylum group
Start date	Oct. 12: San Pedro Sula, Honduras	Oct. 23: Chiquimula, Guatemala	Oct. 29: San Salvador, El Salvador	Members from the first and second caravans are seeking asylum in a Tapachula shelter
Location	Juchitán, Mexico	Tapachula, Mexico	Near Tecún Umán, Guatemala	
Approx. size	4,000 people	1,000 people	500 people	2,100 people



Source: staff reports

cases, in the other.

"They come dehydrated and very tired," said José Trujillo, a doctor working for the civil protection agency of Chiapas state. He assisted 15 people on Tuesday morning.

One of those families is that

of Miguel Cáceres and Esmeralda González, both 27 years old. Mr. Cáceres pushes a baby carriage stuffed with their baggage, while his wife breastfeeds their 11-month-old daughter Esmeralda, who is bathed in sweat. His 5-year-old

son Ángel plays with an umbrella they use to get protection from the sun.

The family decided it was time to leave their home when they learned that the first caravan had crossed to Mexico, and that another group was

forming in Tecún Umán, Mr. Cáceres said. The four took several buses, crossed Guatemala and got to Tecún Umán on Friday.

"When you have fear for your family, that fear makes you walk," said Mr. Cáceres, adding that his brother was recently killed by a drug dealer and he and his family were threatened. He wants to seek asylum in the U.S.

"What do we seek? The American dream, as everyone else here," he said, walking quickly.

Irineo Mujica, a social activist who heads People without Frontiers, an advocacy group providing support to the travelers, said the first caravan will get to Mexico City in the coming weeks, after which many will continue their journey north.

"Central America has turned into a hell. Donald Trump doesn't get it," said Mr. Mujica, who started a hunger strike Monday to bring attention to the migrants' plight. The folksy 48-year-old activist who admires Mahatma Gandhi and Hispanic farmworker leader César Chávez was chained to a lamppost in front of a migrant detention center in Tapachula on Tuesday.

U.S. Lifts Troop Estimates for Mexican Border Presence

BY NANCY A. YOUSSEF

WASHINGTON—The number of U.S. troops being deployed to the Mexican border eventually will grow beyond 5,239—the figure officials announced a day earlier—the military commander overseeing the expanding deployment said.

Air Force Gen. Terrence J. O'Shaughnessy said "5,239 is not the top line" but rather an initial request from the Department of Homeland Security.

Gen. O'Shaughnessy, commander of U.S. Northern Command, which is responsible for the territorial U.S., didn't specify a maximum troop figure, but a defense official said 3,000 more troops are on "ready reserve" and could be sent later.

President Trump has said he is sending U.S. troops to the border to help stop a caravan of migrants from Central America from entering America. "This is an invasion of our

country and our military is waiting for you!" Mr. Trump wrote on Monday on Twitter.

Critics of the move and congressional Democrats said the deployment was an unnecessary use of military resources and would take them away from their job of training for external threats. Unlike natural disasters, many said, there was no universal agreement that the caravans pose a threat, as Mr. Trump has repeatedly asserted.

"Troops as props," said Sen.

Richard Blumenthal (D., Conn.), a member of the Senate Armed Services Committee, in a Twitter message on Tuesday. "Trump uses our brave soldiers in a blatant political ploy on the border."

Gen. O'Shaughnessy, who announced the initial figure at a DHS press conference on Monday, declined to specify which units were being deployed to the border for the mission, named Operation Faithful Patriot, or why more troops would be needed. He said 860 troops from seven U.S. Army installations would be in place in Texas by Thursday. That figure is expected to rise to at least 1,800.

Troops will deploy to Texas first, followed by Arizona and California. Defense officials have said 1,700 are slated to go to Arizona and a further 1,500 to California. Last week, when the Trump administration first introduced deploying active U.S. troops at the border, the

estimates were in the hundreds.

U.S. troops will be deployed to ports of entry near U.S. military installations that will serve as housing and allow them to travel to their mission. Among the bases being used is Lackland Air Force Base in Texas, Gen. O'Shaughnessy said.

He said no U.S. active duty troops had reached the border as of Tuesday afternoon and didn't say when they would arrive. With 2,000 National Guard deployed to the border earlier this year, the arrival of the additional troops will exceed the combined U.S. military footprint in Iraq and Syria. There has been no cost estimate for the mission, he said.

The troops are arriving in an anticipation of a caravan of roughly 4,000 mostly would-be asylum seekers and migrants who are traveling by foot through Mexico. A second caravan of more than 1,000 Central American migrants

crossed into Mexico on Tuesday, a few hundred miles behind the larger first caravan.

U.S. troops have been tasked with trying to "harden" an unspecified number of entry ports and supporting Customs and Border Protection personnel by building housing facilities, providing medical support and offering airlift transportation.

The unusual deployment has taken on a strongly political tint, with immigration a top issue in next week's midterm elections. Mr. Trump has seized on the migrant caravans to rally supporters, calling them an "invasion" of criminals and gang members that demands a U.S. military response.

The deployment order didn't specify what threat the border was being secured against, the general said. He rejected suggestions the military was being used for political purposes.

—Vivian Salama contributed to this article.



Military police on Monday prepared for the mission at Fort Knox, Ky.

away from their job of training for external threats. Unlike natural disasters, many said, there was no universal agreement that the caravans pose a threat, as Mr. Trump has repeatedly asserted.

"Troops as props," said Sen.

Richard Blumenthal (D., Conn.), a member of the Senate Armed Services Committee, in a Twitter message on Tuesday. "Trump uses our brave soldiers in a blatant political ploy on the border."

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Pop Music Gets Noisy Overhaul

Continued from Page One

guitar, punishes his drums, rocks his head back and forth and rages into the microphone: "Hello from the other side." The video has been viewed more than 47 million times.

From his home studio in a small town in southwestern Norway, Mr. Moracchioli, 40 years old, releases a new cover song, complete with a homemade, often humorous music video, on YouTube every Friday, from Taylor Swift's "Shake It Off" to Toto's "Africa."

He has found an unusual niche as a successful heavy-metal cover artist. His covers have attracted 2.8 million followers to his YouTube channel, Frog Leap Studios. That dwarfs

the comparable reach of some of the genre's biggest bands, such as Megadeth (474,000 YouTube subscribers) and Iron Maiden (898,000), and puts him in the company of Metallica (3.9 million). His videos combined have been viewed more than 629 million times, he said.

After the surprise success of a metal rendition of Lady Gaga's "Poker Face" that he released for fun in 2013, the covers have become Mr. Moracchioli's full-time job. He said it's been surprisingly lucrative. Thanks to the YouTube covers, he and his wife are building a new house, which he said will include an underground studio that's three times as big as his current one. "I can't believe it until I stand there," he said. "It's really crazy."

Some of the musicians he's covered have given him a welcome reception.

"I discovered it ages ago and think it's brilliant," said Bryan Adams of Mr. Moracchioli's cover of his classic hit, "Summer of '69." Mr. Moracchioli's

athletic strumming gives new meaning to the lyrics: "I got my first real six-string...played it till my fingers bled."

Desmond Child, co-author of Ricky Martin's "Livin' La Vida Loca," said of Mr. Moracchioli's cover: "I love it so much I'm going to use it as my ringtone on my alarm clock so I can wake up in New York City with a BANG!"

The videos are lighthearted—sometimes featuring him in a wig, alongside puppets or performing in his daughter's room on a kid-sized drum set—but he takes the recordings seriously. For the most part he plays all the instruments himself.

Mr. Moracchioli said he makes most of his money selling downloads of his albums. Every few weeks, he packages the past 10 songs he's recorded into an album—he has 20 so far. He also makes money off YouTube ad revenue and through Patreon, a site where fans can support artists.

The videos are typically set in his studio, but he sometimes ventures outdoors. He shoots

them all himself unless he's, say, walking along the beach in a blond wig for the video of his cover of Coldplay's "Yellow," and has to enlist someone else to hold the camera.

Mr. Moracchioli picked up guitar at age 14 and immediately started playing in metal bands. He loved music, but didn't think he could make a living doing it.

He eventually started working as an assistant in a barbershop, the Norwegian equivalent of preschool and kindergarten. Kim Morten Høie, the general manager of the last barbershop Mr. Moracchioli worked at, remembered him as a well-liked, versatile employee who especially enjoyed playing soccer with the kids and building Legos in addition to playing guitar and singing.

Mr. Moracchioli said, "I got better chops playing calmer, acoustic stuff" at the school.

In 2011, after his daughter, Mikela, was born, Mr. Moracchioli decided it was now or never for his music career, and left the barbershop. At gigs, the bands he played in were usually paid in beer or earned just enough money to cover travel expenses.

To make a living, he built a studio at his home in Oltedal, Norway, to record and produce bands. He also posted a few videos of himself playing acoustic music on YouTube to try to get work playing parties. He man-

aged to make a decent living for several years.

In 2013, just for fun, he released a music video of himself playing a headbanging rendition of Lady Gaga's "Poker Face." The video caught on, garnering a million views in less than a year. Mr. Moracchioli decided to go all in on the idea and release a different cover every Friday.

Looking at his YouTube numbers recently, he said 29% of his streams come from the U.S., followed by 8% in Germany and 4% in the U.K.

Mr. Moracchioli said that when he was younger, he and his friends wanted to be rock stars and tour the world. Now, he's less interested in touring than he is being home with his family. But he has put together a metal band, Frog Leap, and played a few shows.

Thomas Zsifkovits, promoter of Austria's Nova Rock Festival, said the band's set this year fetched the biggest crowd he'd ever seen at its smallest stage. He's already booked Frog Leap for 2019.

Leo Moracchioli in his recording studio in Norway.

GREATER NEW YORK

Group Boosts Donations to Democrats

New York real-estate interests are eyeing a potential blue wave in the state Senate

BY JIMMY VIELKIND

With a legislative debate about rent regulations looming in New York, real-estate interests are hedging their bets in the closely divided state Senate, boosting their contributions to Democrats who are bullish that a blue wave will sweep them into control of the upper chamber.

Three political-action committees aligned with landlords and developers have more than doubled the amount of campaign money directed toward Democrats between the 2016 and 2018 cycles, accord-

ing to a Wall Street Journal analysis of disclosure reports.

That increase is almost entirely attributable to the Real Estate Board of New York's political-action committee, which represents developers and has so far directed four times as much money to Democrats as in the previous election cycle.

The contributions reflect a looming challenge for the state's real-estate industry when state lawmakers reconvene next year: A number of insurgent Democrats have campaigned on strengthening tenant protections, and defeated members of the Senate's former Independent Democratic Conference, which allied with Republicans who control of the chamber.

Tenant activists have accused the IDC of backing landlords during negotiations over

the rent laws. The laws, last renewed in 2015, restrict rent increases on roughly 988,000 apartments in New York City.

The laws previously were negotiated at the Capitol with Republicans at the table by virtue of their Senate perch.

Some of the party's insurgent candidates promise to tighten tenant protections.

The prospect of Democratic leadership has led to a new focus on relationships with members of that party.

John Banks, REBNY's president, said 2018 was a "complicated political season" but that

his group is committed to working with members of both parties. "We have what we think are solid working relationships with both sides of the aisle," he said in an interview. "Obviously if this blue wave is what it is, we'll have to build new relationships with new legislators."

In the 2016 election cycle, REBNY's PAC contributed \$57,000 to Democratic committees, compared with \$236,750 in this cycle. It gave \$485,200 to Republicans in the 2016 cycle, compared with \$372,850 so far in 2018, according to an analysis of filings.

It also donated \$92,500 to the central Democratic Senate Campaign Committee this year, after giving nothing in 2016. This doesn't include committees affiliated with the IDC, which dissolved in April.

Two PACs associated with

the Rent Stabilization Association, which represents landlords, maintained their support of Republicans and gave far less to Democrats. RSA officials declined to comment on their strategies. Other developers, donating on their own or through affiliated limited liability companies, have backed candidates from both parties.

Tenant activists hope to repeal a process known as vacancy decontrol, by which units can be removed from rent-stabilization protections if they become vacant when their monthly rent exceeds a threshold, now set at \$2,733. They say that would place more affordable units on the market, presenting more options for New Yorkers.

About 150,000 units in New York City have left rent regulation since 1994 under this program, according to the city's Rent Guidelines Board—though advocates such as TenantsPAC Treasurer Mike McKee and Assemblywoman Linda Rosenthal estimate the number is much higher.

"Repealing vacancy decontrol is the Holy Grail," Ms. Rosenthal, a Democrat who represents Manhattan's Upper West Side, said in an interview. A bill she sponsors regularly has cleared the Democrat-dominated State Assembly, but Republicans have never let it advance in the Senate, where it is sponsored by Sen. Andrea Stewart-Cousins. It would be "full speed ahead" if Democrats took control of the Senate, Ms. Rosenthal said.

The 31 Republicans in the 63-seat Senate currently hold power through an alliance with Sen. Simcha Felder, a renegade Democrat from Brooklyn.

One Year Later, Terror Attack Still Haunts Residents

BY ZOLAN KANNO-YOUNGS

When a terrorist drove a flatbed pickup truck on a lower Manhattan bicycle path last Halloween, the impact was immediate: Eight people were killed and the public was rattled.

In the year since the attack, New Yorkers have continued to adjust to change, from increased security precautions along the popular Hudson River Greenway to coping with the loss of loved ones.

Nelle Fortenberry, who rides her bicycle nearly every day on the greenway where the attack occurred, takes comfort from the barriers that city and state officials have installed along the path. But her routine has changed. She no longer listens to music while she rides.

"I think about it every single time I'm on the path," she said, referring to the attack.

Two days after the Oct. 31, 2017, tragedy, city and state officials announced a plan to install concrete barriers at 31 points where vehicles intersect with the greenway's bike path between 59th Street and the Battery. Authorities also said they would place smaller, cube-shaped barriers at the 26 pedestrian intersections on the Hudson River side of the path.

The Wall Street Journal identified earlier this month two pedestrian intersections—at Morton Street and West

Street, and West 14th street and 11th Avenue—where barriers have yet to be installed.

New York City Councilman Ydanis Rodriguez, chair of the transportation committee, said in an interview that the city and state should move quickly to secure any vulnerable spots with traffic barriers, or bollards.

"Most important, I think we need to expedite the installation of bollards in areas that don't have any protections," he said.

A state spokesman said bollards, gates or concrete cubes will be installed at all of the intersections by June, except where construction is occurring at piers adjacent to the bikeway. Some locations will have gates to accommodate equipment, new construction or delivery of materials.

Mayor Bill de Blasio has allotted \$150 million to pay for security barriers around the city. Barriers are scheduled to be installed in a majority of "high-profile" Manhattan locations by the spring, officials said.

"The city and NYPD have already installed numerous concrete blocks and jersey barriers at several sensitive locations around the city, to provide protection in advance of the bollard installations," said Seth Stein, a City Hall spokesman. "Bollard placements and construction are under way now and on schedule."

Not all New Yorkers have



A year ago
Sayfullo Saipov allegedly drove a truck, left, along the Hudson River Greenway in lower Manhattan on Halloween, killing eight people and injuring others. Some cyclists and pedestrians who continue to use the path say the tragedy is often on their minds and they are more cautious, even as barriers have been installed for their protection.

welcomed the added security measures. John Weyrens, 49 years old, of Manhattan, said when he takes his children to school along the bicycle path, he is reminded of Sayfullo Saipov, the accused terrorist

charged with carrying out the attack. Federal prosecutors in Manhattan are seeking the death penalty for Mr. Saipov, who has pleaded not guilty. The Uzbek man's trial is scheduled to begin in October 2019.

"I think about it every time I have to maneuver through those annoying barricades," Mr. Weyrens said of the attack. "I would rather just take a little more risk in life and just have a better quality of living

than succumb to all that."

Others, like Tim Byrnes, 38, who has biked to work along the path for 16 years, said the barriers "need to be there. It makes us have to pay attention a little bit better."

Ms. Fortenberry said she's still haunted by the Halloween attack. She often thinks of the eight victims, many of whom were tourists. "I imagine in the moments leading up to that they were laughing and having a good time," she said.

New Jerseyite Jimmy Drake, 74, has tried to turn the biggest tragedy of his life into a calling. Since his 32-year-old son, Darren Drake, was killed in the attack, his family started a foundation that raises money for people to pay for vocational school.

"We're just existing," he said. "We really don't have anything to look forward to anymore. We're never going to have grandchildren."

Attorney General Candidates Square Off Over Qualifications

BY CORINNE RAMEY



Either Letitia James or Keith Wofford would make history.

as the state's first African-American attorney general. Ms. James would be the first woman elected to the post.

The attorney general race became unexpectedly competitive in May when Eric Schnei-

derman, the former officeholder, resigned following allegations, which he denied, that he had physically abused women. Barbara Underwood, the current attorney general, was appointed by lawmakers and isn't seeking re-election.

During Tuesday's debate, on Spectrum News NY1, the candidates sought to highlight their differences. Mr. Wofford accused Ms. James of not being able to "police her teammates," a reference to accusations that she is too cozy with Democratic Party leaders.

Ms. James noted Mr. Wof-

ford's firm had represented an opioid manufacturer that has been sued by the attorney general's office. She criticized him for questioning the office's lawsuits against Exxon Mobil Corp. and Mr. Trump's family foundation.

"He is unsuited to be the next attorney general of the state of New York," she said.

But at times the distance between the candidates wasn't so wide.

When the moderators asked the candidates if they supported seeking the death penalty in the case of the man ac-

cused of the Pittsburgh synagogue attack, Ms. James walked a fine line.

"I oppose the death penalty, but in this particular instance I would support it," Ms. James said.

Mr. Wofford said the question was "about the law." He added, "It is eminently clear that the death penalty is appropriate under the federal death penalty statute."

Ms. James is widely viewed as the front-runner. A Siena College poll conducted last month found Ms. James held a 14-point lead over Mr. Wof-

ford, 50% to 36%, although both candidates were overwhelming favorites of voters from their own parties.

Ms. James lives in Brooklyn. Before becoming public advocate, she served on the New York City Council and as the head of the attorney general's Brooklyn office.

Mr. Wofford, who is from Buffalo, has spent much of his career working on corporate bankruptcy cases, in which he has represented hedge funds and money managers.

—Soma Biswas contributed to this article.

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GREATER NEW YORK

METRO MONEY | By Anne Kadet

Most Restaurants Are Making the Grade



I was tickled when my friend Dyske posted a photo on Facebook recently featuring a local restaurant displaying an orange "C" letter grade in its window. "C is for Character," Dyske wrote, and went on to praise grimy restaurants that barely pass their health inspections.

A fellow traveler! I, too, am fond of the C-rated restaurant, where everything is just a little too relaxed. But for better or worse, they're a dying breed.

At the start of 2011, six months after the New York City Department of Health and Mental Hygiene started making restaurants display inspection results, 13% of the city's eateries carried a "C" rating, the lowest possible grade. Now, just 1% of the city's 25,000 restaurants carry a "C." During the same period, those earning an "A" rose from 57% to 89%.

Did restaurants learn to game the system? The Health Department says the initiative produced real improvements in food safety. Between 2010 and 2014, for example, there was a 24% drop in reported salmonella cases.

Restaurant consultants agree. Yes, most kitchens execute a two-minute drill when the inspector visits, says Austin Publicover, principal of Brooklyn-based Bulletproof! Food Safety. Gloves are donned, counters are wiped, "and things are labeled that haven't been labeled in weeks," he says.

But that's not enough to earn an "A," he notes. More restaurants get the top grade these days because they've truly cleaned up their act. So what does that say for the restaurants still earning Cs?

"It's hard to get a C," says



ELLEN WEINSTEIN

Leon Lubarsky, co-founder of New York-based Letter Grade Consulting, which conducts mock inspections and advises restaurants on food safety. "It really takes a lot of messing up."

A restaurant needs to rack up at least 28 violation points to earn a "C," he says. Typically, there's an infestation or multiple "critical" failures that could sicken customers, such as failing to store food at safe temperatures.

Despite Mr. Lubarsky's warnings, I was pleased with a "C" restaurant I tried last week: Sumela To Go, a Turkish cafe in Cobble Hill, Brooklyn, that opened in

April. The service was friendly, the huge portions were tasty, and the entire cafe, decorated with plastic plants and picnic-table seating, looked impeccably clean.

Eren Yesiltas, who moved here from Istanbul two years ago and manages the restaurant for his cousin, says that when the cafe got its first inspection in June, things went well until the official asked to see the basement, which, he adds, the restaurant wasn't using and he had never seen.

Upon escorting the inspector downstairs, he says, he was dismayed to find a dirty cellar littered with rat droppings. The inspector ordered the place closed.

Mr. Yesiltas says he and a crew cleaned the basement, patched holes and installed drywall. Nine days later, a second inspection produced a nearly perfect score, according to city records, and the restaurant reopened.

But that wasn't the end. In July, a surprise re-inspection uncovered flies in a basement storage room, resulting in a "C" rating.

Mr. Yesiltas says the flies vanished the next day. "It was very bad luck. So bad."

When a restaurant gets a "B" or "C" on its second in-

spection, it can post a "grade pending" sign instead of a letter grade until a hearing takes place. In Sumela To Go's case, Mr. Yesiltas says he doesn't dispute the findings and didn't request a hearing. The inspector gave him the option of posting either sign until the next inspection, which typically comes within four months for restaurants that get a "C" rating.

He's glad the city let him hang the "Grade Pending" sign. It hasn't hurt business, he says. "But a 'C' is going to hurt."

Consultants say the impact of a bad grade can vary. Some Midtown delis rely on

business from corporate clients who have an "A" rating requirement in their catering contracts, Mr. Lubarsky says.

An "A" rating is crucial to restaurants in affluent neighborhoods where diners have lots of options, Mr. Publicover says. When there's a dozen A-rated restaurants on the block and one posts a "C," business might fall 45% to 60%, he estimates.

A long-established restaurant in a working-class community, meanwhile, might not suffer so much from a "C," Mr. Publicover says. There may be few alternatives, and residents might even sympathize with the owner.

For a second C-rated excursion, Dyske chose a cafe near his home in Manhattan's Lower East Side, which I'm not naming because I couldn't reach the owner for comment. "They got 47 violations points, which is hard to believe for a sandwich shop," Dyske says. "What the hell are they doing wrong?"

Indeed, the restaurants most likely to earn an "A" are sandwich, doughnut, ice cream and coffee shops—small establishments that don't do much cooking.

I was expecting something on the shabby side when I visited the Lower East Side sandwich shop, and wasn't disappointed. There was bird poop on the awning and crumbs all over the floor. The bathroom featured a rusty sink, a bare bulb and graffiti. It felt very East Village 1992.

Still, the cozy spot had a warm vibe. "It's not exactly clean," Dyske notes. But he likes it. Clearly, so do others—the place was plenty crowded.

Over at Sumela, meanwhile, Mr. Yesiltas says he eagerly awaits another inspection. "When they come we are going to get a grade A," he says. "I am sure."

anne.kadet@wsj.com

Giants Rookie Arrested for Nearly Hitting Cop With Car

BY KATE KING

Police arrested Giants backup quarterback Kyle Lauletta on Tuesday morning after he allegedly made an illegal turn and almost hit an officer while driving through heavy traffic in Weehawken, N.J.

Mr. Lauletta was charged with motor-vehicle and disorderly-persons offenses after he ignored directions from an officer who was directing traffic, tried to drive around the officer and nearly struck him with his car, Weehawken police said. He was then pulled over by another officer but refused to get out of his car or hand over his driver's license, police said.

"We were made aware of the situation this morning, and we have been in contact with Kyle," Giants head coach Pat Shurmur said. "We are still in the process of gathering information. This is obviously very disappointing."

Mr. Lauletta, who was driving a 2017 Jaguar, was arrested around 8 a.m. at an intersection near Route 495, which is undergoing roadwork that has caused severe traffic jams during rush



Kyle Lauletta was a fourth-round draft pick by the Giants this year.

hours, according to police.

No further details were available on his arrest. Attempts to reach his representatives were unsuccessful.

The Giants, who play in the Meadowlands several miles away in East Rutherford, held meetings and practice beginning around 8:30 a.m. on Tuesday.

A Jaguar registered to Mr. Lauletta was involved in a similar incident at the same

location on Monday, police said. In that case, summonses were issued by mail because the car didn't stop at the scene, police said.

Mr. Lauletta was a fourth-round draft pick by the Giants this year. He attended the University of Richmond in Virginia. The Giants are next scheduled to play on Nov. 12 when they face the San Francisco 49ers in California.

GREATER NEW YORK WATCH

NEW JERSEY

New Station House For PATH Opens

Officials from the Port Authority of New York and New Jersey on Tuesday opened the first phase of a \$250 million redevelopment of the PATH station at Harrison, N.J.

"It's a great asset for the town," Port Authority Chairman Kevin O'Toole said following the opening of the westbound station house, the first of four new buildings that eventually will replace the 76-year-old station.

The glass and steel station house stands close to new residential and commercial developments and to the Red Bull Arena soccer stadium, which have helped transform Harrison during the past decade.

Mr. O'Toole, a former New Jersey state senator, said Harrison is unrecognizable from the "downtrodden inner city" it was 30 years ago. "It's a community of choice now," he said.

PATH ridership in the area surged between 2012 and 2017, with increases at the station to 2.6 million passengers from 2 million.

The station, which is about a 20-minute ride from the World Trade Center in Manhattan, includes elevators, escalators and a weather-protected entrance. It also has longer platforms to accommodate 10-car trains, which the Port Authority plans to introduce in the future.

The first eastbound station house is due to open before the end of June 2019. The Port Authority expects to complete the project in 2022.

—Paul Berger

COURTS

Ex-Sports Radio Host Goes on Trial

A prosecutor described former sports radio host Craig Carton as a lying thief as his fraud trial began Tuesday in New York.

The longtime co-host of WFAN's "Boomer and Carton" show went on trial on charges that he swindled investors in an entertainment ticket-reselling business. Mr. Carton diverted the money to gambling and personal expenses, Assistant U.S. Attorney Brendan Quigley said.

Mr. Carton has pleaded not guilty. Prosecutors are "dead wrong" about Mr. Carton, defense lawyer Robert Gottlieb said. Mr. Carton was an on-air partner of NFL quarterback Boomer Esiason.

—Associated Press

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—Associated Press

LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

Your Lonely Child's Path to a Happier Life



Many children come home from school around this time of year with a lament no parent wants to hear:

"Nobody likes me."

While childhood inflicts emotional bumps and bruises on most people, feeling rejected by playmates and peers can be particularly painful, according to several recent studies. Left unchecked, that kind of exclusion can trigger self-doubt and anxiety, undermining a child's well-being and school performance.

But the pattern isn't irreversible. Even small children who feel ostracized can learn new ways of thinking and behaving to help them build a healthy social life.

The topic is heating up amid rising concern about harassment on social media and incivility in public life. Many researchers are wondering, "How do we raise kids to be resilient in the face of real stressors?" says Stephenie Chaudoir, an associate professor of psychology at College of the Holy Cross in Worcester, Mass.

Feeling rejected can be devastating to a child. "They have no idea, how do I move past this?" says Eileen Kennedy-Moore, a Princeton, N.J., clinical psychologist and author of a forthcoming book on self-esteem, "Kid Confidence." It's a minefield for parents,

too. "Sometimes it echoes the experience they had growing up and they think, 'Oh my God, my kid is doomed,'" she says.

The best first response is often a hug. Feeling accepted and loved at home is especially important when children feel rejected at school, Dr. Kennedy-Moore says. Parents also can coach children on thinking less negatively about other children's unkindness, and behaving in ways that will make others want to be around them. "This is the kind of struggle that can make kids stronger," she says.

Chris Brandenburg's daughter, August, had a little trouble making friends when she started elementary school. "It was tough to hear when she would come home and say, 'Nobody wants to play with me,'" says Mr. Brandenburg, of Ellsworth, Wis. "I'd get her to talk about how she's feeling, and help her understand that just because she's feeling that way, it doesn't mean other people are thinking that," Mr. Brandenburg says.

He coached August on social skills, including letting other children set the rules sometimes on the playground. Mr. Brandenburg, co-founder of Twin Cities Dads Group, a networking organization, also encouraged her to empathize with others who are feeling left out. He asked her, "How would you feel if you were the new kid at a new school and didn't know any-

body?" August, now 9, recently welcomed a new classmate.

Social rejection is an especially potent developmental cue for youngsters. It can cause them to behave in ways that invite the ostracism they fear, such as sulking. Teens and young adults who are highly sensitive to rejection are less responsive to others' friendly gestures. They're also quicker to turn cold and defensive when companions are feeling down, according to a 2018 study of 240 college students.

Rejection has a deeper impact on children than previously thought, but they can learn resilience.

Persistent fears of rejection may hamper the body's ability to respond to stress, according to a 2017 study of 32 youngsters ages 8 to 17. Participants were asked to do several stressful tasks while being evaluated by two strangers, including giving a speech and doing mental arithmetic.

Those who ranked high on laboratory measures of rejection sensitivity tended to get more nervous and upset while performing, according to the study, led by Dr.

Chaudoir. Their bodies even reacted differently. Researchers detected lower levels of an enzyme called alpha amylase in participants' saliva, signaling a muted response to stress.

"Normally kids have a quick and robust response that returns to baseline pretty quickly. You need a little bit of adrenaline" to do your best, Dr. Chaudoir says. That response was blunted in children high in rejection sensitivity.

Children who fear rejection tend to perform worse in school, research shows. These fears are made worse when children embrace and compare themselves to idealized images of physical beauty on social media, according to a 2017 study of 365 children ages 9 to 14.

Children's patterns of relating to others begin forming by 3 or 4, and remain remarkably stable if nothing is done to change them, says Mitch Prinstein, author of "Popular," a recent book on forming positive social bonds. However, "these are easily modifiable behavioral patterns" that can be changed with coaching and practice, says Dr. Prinstein, a professor of psychology and neuroscience at the University of North Carolina at Chapel Hill.

While some children want to be popular, Dr. Prinstein encourages parents to stress skills that will make them genuinely likable. Too

Battling Despair On the Playground

When your child declares, "Nobody likes me!"

DO:

- Offer comfort and support and let your child vent.
- Ask questions and listen closely to what actually happened.
- Encourage your child to suggest possible solutions.
- Coach her on friendly behaviors, such as joining a group on the playground.
- Discourage off-putting behaviors such as bragging or being a sore loser.
- Interact with your child in ways you want him to engage socially with friends.

DON'T:

- Tell your child she shouldn't feel that way.
- Assume the other children are bullies.
- Interpret the incident as a sign of serious social problems.
- Vow to intervene immediately with playmates' parents.
- Become so protective that your child feels helpless.
- Complain to the teacher immediately.

UP NEXT

50 YEARS LATER, A NEW SPIN ON 'THE WHITE ALBUM'

BY DARRYN KING

IN NOVEMBER 1968, the Beatles released a follow-up to its psychedelic, extravagantly produced "Sgt. Pepper's Lonely Hearts Club Band." The double LP, presented in a plain white sleeve, became known as "The White Album." Officially, perhaps tellingly, it was simply called "The Beatles."

The new album was chaotic where "Sgt. Pepper" was kaleidoscopic. Acoustic ballads ("Blackbird," "Julia") alternated with scorching rock ("Helter Skelter," "Yer Blues"). The playfulness of "Ob-La-Di, Ob-La-Da," "Honey Pie" and "Piggies" contrasted with the extended, serious-minded sound experiment "Revolution 9."

Over the years, the patchwork nature of the album has led to speculation that it chronicled the discord among the band members. But new special-anniversary editions, to be released on Nov. 9, may dispel that idea.

The three-disc deluxe edition features new stereo mixes and officially unreleased demos, whereas the seven-disc super-deluxe edition features all of the above, plus outtakes, instrumental tracks, impromptu jams and studio chatter.

What emerges is the sense that "The White Album" was as intentional an artistic statement as "Sgt. Pepper," says producer Giles Martin, who oversaw the new editions.

"The work is collaborative, supportive and cohesive," says Mr. Martin, son of the late Beatles producer George Martin. "It's the sound of a band making a record together, not apart."

The super-deluxe edition includes a 164-page hardbound book with track-by-track commentary, rare photographs, reproductions of handwritten lyrics, plus essays, including a piece by Tate Britain's senior curator of modern and contemporary art, Andrew Wilson, contemplating the minimalist packaging as a work of art in its own right.

Thanks to the audio restoration work of Mr. Martin and his team at Abbey Road Studios, even diehard fans may hear something new.

"Much of what I try and do in the remix work is to pull back the layers and draw the listener closer into the studio performance," Mr. Martin says. "I'm so lucky to be allowed to listen to the original tapes. Part of my mission is to have everyone experience the same magic that I do."

The Beatles' "White Album" anniversary editions come out on Nov. 9.



Beatles fans may hear something new in the audio restoration of 'The White Album' anniversary editions. 'Part of my mission is to have everyone experience the same magic that I do,' producer Giles Martin says.

LIFE & ARTS



B. Scott Isquick with his 1914 Stellite that belonged to his father years earlier; the car, with a motor that puts out about 9 horsepower, can cruise at 27 mph; once used as a hen roost, the rare auto is now carefully restored.



DUSTIN FRANZ FOR THE WALL STREET JOURNAL (4)

MY RIDE | By A.J. Baime

A Stellite in the Family

B. Scott Isquick, 93, president of Isquick Annuities from Pepper Pike, Ohio, on his 1914 Stellite, as told to A.J. Baime.

When I was growing up in Ohio, my father loved to talk about his first car—a 1914 Stellite. He grew up in Glasgow, and he and his father-in-law would drive the car on Sundays. There were blue laws in Scotland, and the pubs would be closed on Sundays. If you were a registered guest at a hotel, the hotel was considered your residence and you could have a couple shots of whiskey. So my father and his father-in-law would drive the Stellite to a nearby hotel. On steep hills, his father-in-law would have to get out and walk to lighten the weight so the car had power to climb.

When I got out of the U.S. military in 1946, I used to read a British magazine called Autocar, and in 1953, I wrote the editor a letter asking why I never saw articles about the Stellite car. He published the letter. Three weeks later, I got a letter from a gentleman in Britain who said he knew a man in his town who owned two Stellites. He gave me the man's contact: Leslie F. Willis of Coombe Hill.

In those days, transoceanic flights were rare, so it

was exciting when my wife and I flew to England to meet Mr. Willis. At his home, he showed us his Stellites. He had the original registration books and sure enough, the 1914 Stellite had my father's name in it. He was the second owner. This was the very car I grew up hearing about.

The Stellite was a lightweight car designed by Wolseley Motors in Britain, built for a few short years and discontinued during World War I. Mr. Willis was using the Stellite that had belonged to my father as a hen roost. He told me if I built him a new hen roost, I could have the car. A neighbor came forward—a carpenter—who built a hen roost for £150. I shipped the Stellite from the docks of London to the docks of Cleveland, for \$79, and began to restore it. I have owned it for 65 years.

The car has won awards at antique car shows, and it is a delight to drive. It puts out about 9 horsepower, and cruises nicely at 27 mph. I considered starting a Stellite owners club, but it would be a small club indeed. There are very few Stellites in existence in the world today.

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



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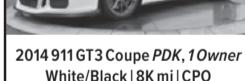
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ART REVIEW

'The Nature Of Arp': Revolutionary Forms

An exhibition juxtaposes Arp with other greats, revealing the full range of the abstract sculptor

BY LANCE ESPLUND

Dallas

HERE AT THE Nasher Sculpture Center, where "The Nature of Arp" is up through Jan. 6, 2019, is an auxiliary gallery in which Arp's abstract sculptures intermingle with other artists' sculptures from the Nasher's permanent collection. Selected by the main exhibition's curator, the Nasher's Catherine Craft, these include masterpieces by Rodin, Maillol, Matisse, Brancusi, Picasso, Calder, Giacometti, Noguchi, and Donald Judd.

This substantial, supplementary group show further extends the Nasher's survey of the French-German artist Jean (Hans) Arp (1886-1966), which comprises more than 80 abstract objects: sculptures in plaster, marble, wood, bronze, brass, stone and Duralumin; painted-wood reliefs, drawings, collages, textiles, prints, illustrated books and maquettes for large commissions; as well as a collection of collaborative pieces he made with his wife, the artist Sophie Taeuber-Arp. ("The Nature of Arp" moves to Venice's Peggy Guggenheim Collection in April.)

These ancillary multi-artist installations are common practice at the Nasher. Highlighting distinctiveness, they spark dialogues among disparate voices—inspiring viewers to look beyond individual artworks and artists, toward broader contexts of influence and relationship. In the case of Arp, a revolutionary figure in modernism's movements of abstraction, Dadaism and Surrealism, this complementary group show illuminates just how foundational and remarkably inimitable Arp's abstractions really are.

Consider Arp's small, white-marble distillation "Automatic Sculpture (Homage to Rodin)" (1938). Seemingly contorting its muscular limbs, Arp's abstract "Homage" is expressive, tightly wound—Rodinesque—evoking, in form and spirit, Rodin's crouching figures, entwined lovers



and clasping hands. As with all of Arp's shifting abstractions, however, its forms are all and, fleetingly, none of those things. As Judd wrote, "Arp's work is never unspecific, although it is unusually general."

Arp was a poet as much as a sculptor. Judd was exalting the malleable, metaphoric nature of Arp's sculpted poems, which seem constantly to mutate right before your



Clockwise from above: 'Portrait of Jean (Hans) Arp' (c. 1926); Arp's 'Three Disagreeable Objects on a Face' (1930); Arp's 'Plant Hammer (Terrestrial Forms)' (1916); Arp's 'Torso With Buds' (1961)

eyes, encouraging your mind to free-associate; and which suggest strange, hybrid, living beings rather than traditional sculptures. When I first saw Arp's surreal "Homage," I thought that it looked like twisted roots, or a seashell, or a giant human ear, reminding me of the enlarged, exaggerated features in the figurative sculptures of Rodin and Michelangelo.

Nearby, stands Arp's bronze "Torso With Buds" (1961), a slim 74-inch-tall conflation of figure, animal, tree, buds, fruit and column. Playful, gracefully spiraling, it suggests nude, peacock, prancing bird and leaping cotton-tail, as well as a dangling snake digesting multiple prey, or perhaps a disembodied digestive tract. The first major modern sculp-

ture to enter Raymond and Patsy Nasher's collection, Arp's "Torso" greeted visitors in their foyer. As you look through the plate-glass windows, into the Nasher's sculpture gardens, Arp's creations feel related to the museum's mingling viewers as they are to the art and flora, seen outside.

Among the enormous pleasures of encountering Arp's abstract artworks in significant number is to see them interact as an extended family. This show, although it excludes his formative representational paintings, covers Arp's early Dadaist and Surrealist and later abstract periods and is fairly comprehensive.

Here are important early prints, torn-paper collages and abstract painted-wood relief sculptures, including two comical ones from 1916: "Plant Hammer (Terrestrial Forms)," a Frankensteinian fusion of nature and machine; and "Forest (Terrestrial Forms)," a portrait-cum-vivisection of forest and sky. Other inventive painted-wood reliefs merge leaves, sea life, kitchen utensils, human body parts and wooden pull toys; some, mounted just out of arm's reach, suggest clouds, birds, stars or ghosts; teardrops, breasts or bellybuttons—or some combination—drifting overhead.

Arp's most compelling artworks are the freestanding sculptures, whose poetic titles only begin to provide entry into their countless evocations: "Three Disagreeable Objects on a Face" (1930), "Two Thoughts on a Navel (Sculpture in Three Forms)" (1932), "Head and Shell" (c. 1933), "Crown of Buds I" (1936), "Amphora-Fruit" (c. 1946), "Human Lunar Spectral" (1950) and "Torso Fruit" (1960). The largest here is the gleaming Duralumin "Lunar Fruit" (1936), a sprawling biomorphic blob whose forms evoke giant gourds, eggs, phalluses and beached seals.

The show's greatest masterpiece, however, is the abstract white-marble "Growth" (1938), a roughly 3-foot-tall, slender, spiraling sculpture in which Arp distills and fuses a stunning range of forms: stones, fruit, horns, totem pole, tree, vase, classical nude and column.

"Growth," shimmying like a belly dancer, is sexy and dynamic; reminiscent of a broken leg, a Cycladic idol, a club and a Greco-Roman Venus—yet as intangible as a dream. As you circle "Growth," forms flit among hip, buttock, breast, phallus,

His first major survey in the U.S. in more than three decades is elegant, lively, often sublime

beak, elbow and antler; flora and fauna; infant and adult; and its bottom half seemingly births its upper half. Arp conveys not only the myriad forms of nature, but its myriad actions: gestation, symbiosis, evolution, metamorphosis.

"The Nature of Arp," his first major survey in the U.S. in more than three decades, is elegant, lively, often sublime. It's an informative and engaging presentation of the nature of Arp—one of the greatest modern sculptors—as well as of the nature of sculpture and of abstraction.

The Nature of Arp
Nasher Sculpture Center, through Jan. 6, 2019

Mr. Esplund writes about art for the Journal. His book "The Art of Looking: How to Read Modern and Contemporary Art" (Basic) will be published in November.



OPINION

How Greens Humiliate Themselves

BUSINESS WORLD
By Holman W. Jenkins, Jr.

Despite its general lack of merit, a lawsuit by the New York attorney general's office is an entertaining symbol of all that has gone wrong with the green movement in the era of climate-change politics.

Exxon is accused of failing to adopt sufficiently penitential accounting for its oil and gas projects in light of climate regulations that, ahem, don't exist. Indeed, politicians around the world have declined to enact the green wish list even when given the chance, notwithstanding their endless verbal opposition to climate change.

Presume for a moment the accusations against Exxon are accurate. Then greens should actually be glad because Exxon has spared them future embarrassment when the company is forced to increase the recorded value of its assets to account for the failure of green politics to deliver the expected carbon regulations.

Words are challenged to express how laughable this case is. Before getting lost in distinctions that Exxon internally draws (and the attorney general muddles) between project-specific costs and policies that would suppress demand for fossil fuels generally, let's remember a few things.

Like all businesses, Exxon seeks to take only those risks

that will pay off, and has every incentive to anticipate future regulatory costs correctly. The attorney general's office and its green backers have an entirely different purpose: They want Exxon to use its internal disciplines to prevent oil and gas development even if it would pay off.

The mood ring the greens are wearing is not a pretty color. They can't enact meaningful curbs through the political process. They failed to use the courts to hold Exxon and others liable for global warm-

Their latest lawsuit would have Exxon pretend that climate policy is succeeding.

ing, never mind that the damages they sought would have been paid by producing more oil and gas (and therefore more greenhouse gases).

They have not succeeded in slowing the increase in atmospheric carbon dioxide, but now are suing Exxon for not pretending otherwise in its accounting. It's almost as if extorting Exxon's participation in a fantasy of green success has become a substitute for actual green success.

The lawsuit is the last dribble of the grand inquisition launched by now-departed Attorney General Eric Schneiderman, subsidized (as we later learned) by outside climate lobbyists. Mr. Schneiderman

was forced to leave office in May due to his practice of hitting women he was dating. He set out originally to prove that Exxon had lied about climate science, which Mr. Schneiderman apparently believed is devoid of uncertainties. (Exxon had pointed to uncertainties.)

That fell through, perhaps when his staff opened any of the reports of the United Nations Intergovernmental Panel on Climate Change. These not only testify to the continuing uncertainties, but ironically have themselves become a five-volume testament to science's inability to reduce these uncertainties despite tens of billions invested in climate science.

Here's another embarrassment. Since climate change moved to center stage and became the holy cause of the green movement 20 years ago, greenhouse gases have grown faster than ever. The climate-change lobby has devolved into an angry cult. It does not seek to build bridges to others. It has run, by now, an exhaustive experiment showing conclusively that hysterical doom-mongering and vilifying skeptics as the equivalent of Holocaust deniers is a recipe for political failure.

Most of all, it has abdicated on the crucial grounds of cost and benefit, though it's entirely possible to envision climate-related policies that would meet a cost-benefit test. Investing in basic science and research is almost always high-return. All governments must

tax something; most governments tax hundreds of things. A carbon tax is one strategy that could command support across the political spectrum if sold with a touch of the conciliatory mind-set that is crucial to democracy.

The idea was not alien to the green movement, before it went insane. In the 1990s, environmentalists promoted a "double dividend" strategy—in which a carbon tax would be used to reduce taxes on socially useful activities like work and investment. As the Resources for the Future's Richard Morgenstern said in a 1996 paper: "Taxes on labor discourage work effort; those on savings reduce the pool of capital available for investment; and those on investment discourage risk-taking."

Today's greens and their Democratic allies would rather chant about the need for impossible, inherently corrupting, never-going-to-happen command-and-control actions to ban fossil fuels and subsidize alternative energy. And bonkers beyond words are the legionnaires of Naomi Klein, who insist that before we can address climate change, we must get rid of capitalism. Whatever is driving such people, it's not a desire for progress on climate policy.

No less observable is the bad faith of the New York attorney general's office. It debases itself and the law by trying to invent some kind of complaint against Exxon merely as payback for its green allies.

BOOKSHELF | By Daniel Akst

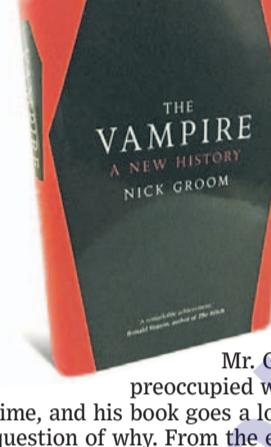
Creatures Made For Haunting

The Vampire: A New History

By Nick Groom
(Yale, 287 pages, \$25)

Things just get more and more complicated. Take vampires, for instance. As Margaret Atwood has observed: "You used to know where you stood with them—smelly, evil, undead—but now there are virtuous vampires and disreputable vampires, and sexy vampires and glittery vampires, and none of the old rules about them are true any more."

Striding boldly into this confusion comes "The Vampire: A New History," from the British scholar and critic Nick Groom. The timing is no accident. Leaving aside our current obsession with these restless figures of the shadows, the book's publication marks the imminent 200th anniversary of John William Polidori's landmark "The Vampyre: A Tale." This



was the 1819 novella, at first misattributed to Byron, that lifted the lid off the crypt and eventually allowed the emergence of Bram Stoker's "Dracula," the recent "Twilight" books and movies, and all the bloodsuckers that have come in between.

Why vampires? What is it about these hemophiles that draws us to them as powerfully as they are drawn to us? Isn't it possible that, if we just ignored them, they might go away?

Not bloody likely. In truth, Mr. Groom shows, the world has been preoccupied with vampires for quite some time, and his book goes a long way toward answering the question of why. From the early 18th century, he reports, "the figure of the vampire has stalked through the western intellectual and cultural tradition—not merely as a supernatural agent of Gothic fictions, but rather as a powerful tool for making sense of the human predicament."

As bloodsucking barometers of human anxieties, vampires inevitably came to embody concerns about sex, politics, religion and economics—and it is their role in such matters across three centuries that most concerns Mr. Groom, whose 200-page treatise is more cultural history than comprehensive chronicle.

Exploring the parallels between vampirism and religion, for example, Mr. Groom argues that vampires represent an inversion of the Eucharist: "The ingestion of blood was a calculated perversion of the communion sacrament—turning blood into wine, rather than wine into blood." Vampires could be seen as rehearsing the bloodletting quackery of 19th-century medicine (they were "often depicted as hanging over their victims like bedside physicians") or embodying the theory of microbial infection. Vampire metaphors were "key devices with which Marx could describe and diagnose capitalism."

Tales of blood-sucking demons date to biblical times at least, but the vampires we know and love arose from the mists of Eastern European folklore centuries ago, perhaps as a response to Hapsburg occupation, only to find themselves celebrities in the early 18th century.

Vampires have served as walking reproaches to colonialism, capitalism, sexism and anything else gnawing on the conscience of the zeitgeist.

There are domestic parallels. Governors face a steady stream of requests for parole. If a prisoner released on parole then commits a violent crime, the governor who approved the release can expect negative advertisements in the next election.

The only way to avoid this risk is to grant no paroles at all. But this cure is worse than the disease. So is slamming the door on 9,999 refugees to protect us against the 10,000th.

The core of the problem we face is fear itself: what Franklin D. Roosevelt called "unreasoning, unjustified terror."

The task of government, as Roosevelt saw, is to stand against this self-defeating irrationality, to chart soberly the true dimensions of the problem, and to present a balanced path forward.

Can anyone honestly say that this is what our government has been doing?

To be sure, the caravan trekking from Central America to the U.S. border includes many people who would not qualify for refugee status. Some may have criminal records. A few

may be members of the drug gangs from which so many families are fleeing. But the

insinuation—from the president and vice president of the United States, speaking in the Oval Office—that this caravan

includes terrorists from the Middle East is not grounded in any facts yet presented to the American people.

Sending troops to the border, implying that we face the equivalent of an armed invasion, is equally unwarranted.

The treatment of refugees is governed not only by domestic law but also by international agreements to which the U.S. is a party. Within this legal framework, individuals

who present themselves at our borders are entitled to apply for refugee status. They

are not, however, entitled to receive it. Nor may they cite reasons outside of the legal definition of refugee status as justification for entry.

Government officials are

equally bound by the rule of law.

The manipulation of fear to bypass the law violates the letter and spirit of our democracy.

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Mr. Groom also has a tendency to see vampires everywhere and so goes on about a variety of tenuously related creatures and episodes. An entire chapter on ghosts seems especially overreaching. And sometimes he lapses into academe: "Just as the vampire disturbs territorial borders, so it disrupts temporality." He also mentions that "bodies are governed by discourses" even beyond the grave and recklessly drops "liminality" into the text even though the term is well-known to induce allergic symptoms in sensitive readers.

Today's vampires, like today's people, will seem domesticated compared with their reeking forebears, yet the modern hemophiles Ms. Atwood complains of are still helping us understand ourselves. All parties owe Mr. Groom thanks for helping to explain the meaning of vampires—which is only fair, since vampires have worked so hard, for so long, to explain the meaning of us.

Mr. Akst is a visiting instructor at Bard College.

Jews Are Proud to Stand With Refugees

POLITICS & IDEAS
By William A. Galston

"We used to welcome refugees because they were Jewish," Mark Hetfield, president of HIAS, often says. "Today HIAS welcomes refugees because

we are Jewish."

Something in my heavy heart lifted as I read these words Sunday—a quiet expression of decency breaking through the miasma of sorrow and recrimination that now engulfs us.

The organization Mr. Hetfield heads is caught in the crosshairs of the most murderous slaughter of Jews—for no reason other than they were Jews—in our nation's history. As the world now knows, the perpetrator of this outrage posted a screed against HIAS just hours before he began pulling the trigger.

"HIAS likes to bring invaders in that kill our people," wrote Robert Bowers. "I can't sit by and watch my people get slaughtered. Screw your optics, I'm going in."

What has HIAS done to earn Mr. Bowers's death-dealing hatred? It was founded in 1881 as the Hebrew Immigrant Aid Society. Its original mission was to assist Jews fleeing to America from pogroms in Russia and Eastern Europe. As threats to Jewish communities evolved over the

following century, its mission broadened. HIAS aided Jews fleeing from the Soviet invasion of Hungary, from Egypt after the Suez crisis, from Castro's Cuba, from North Africa after the establishment of Israel and again after the Six Day War, from Czechoslovakia after the Prague Spring, from Ethiopia when the doors of emigration opened, from Iran after the 1979 revolution, and from the Soviet Union as the trickle of refuseniks turned into a flood.

In recent decades, HIAS expanded its mission further to include non-Jews fleeing persecution from civil conflicts and repressive governments around the world. On Oct. 20, it organized a "National Refugee Shabbat"—celebrated in more than 300 Jewish congregations in 33 states—to raise awareness of the 65 million people world-wide who have fled persecution and violence in their homelands. The program also criticized recent reductions in the number of these refugees the U.S. is willing to accept. It was this event, it appears, that pushed Mr. Bowers over the edge.

His words force us to face a fundamental question: Are today's refugees a threat to the U.S.? Based on the evidence, the answer is no—or more precisely, no more so than our own citizens. Few refugees have done as much damage as Robert Bowers.

To be sure, there are people around the world who wish Americans ill and would

harm us if they could. It is the necessary and legitimate task of our government to do their best to screen these people out.

But no vetting system is perfect. At some point, some fanatic poisoned by ideology will slip through. Fingers will be pointed, careers will be blighted, antirefugee politicians will bellow "I told you so." There is a natural temptation to play it safe and slam the door.

Resist the temptation to play it safe and slam the door on those seeking asylum.

There are domestic parallels. Governors face a steady stream of requests for parole. If a prisoner released on parole then commits a violent crime, the governor who approved the release can expect negative advertisements in the next election.

The only way to avoid this risk is to grant no paroles at all. But this cure is worse than the disease. So is slamming the door on 9,999 refugees to protect us against the 10,000th.

The core of the problem we face is fear itself: what Franklin D. Roosevelt called "unreasoning, unjustified terror."

The task of government, as Roosevelt saw, is to stand against this self-defeating irrationality, to chart soberly the true dimensions of the problem, and to present a balanced path forward.

Can anyone honestly say that this is what our government has been doing?

To be sure, the caravan trekking from Central America to the U.S. border includes many people who would not qualify for refugee status. Some may have criminal records. A few

may be members of the drug gangs from which so many families are fleeing. But the

insinuation—from the president and vice president of the United States, speaking in the Oval Office—that this caravan

includes terrorists from the Middle East is not grounded in any facts yet presented to the American people.

Sending troops to the border, implying that we face the equivalent of an armed invasion, is equally unwarranted.

The treatment of refugees is governed not only by domestic law but also by international agreements to which the U.S. is a party. Within this legal framework, individuals

who present themselves at our borders are entitled to apply for refugee status. They

are not, however, entitled to receive it. Nor may they cite reasons outside of the legal definition of refugee status as justification for entry.

Government officials are

equally bound by the rule of law.

The manipulation of fear to bypass the law violates the letter and spirit of our democracy.

The Enlightenment notwithstanding, for a while people actually believed that certain corpses arose from the dead and wandered among the living to suck their blood, often spreading the contagion of vampirism as they went. In the 1730s, vampires became something of a media sensation in Europe thanks to the investigations of scientists and physicians whose ambitions exceeded their skills and the rise of big-city newspapers that knew a good story when they saw one. Vampire imagery became commonplace. In 1733, a British political pamphleteer wrote an open letter to the prime minister portraying taxation revenue as a way to "indulge the Luxury, and gratify the Rapine of a fat-gutted Vampire." And in 1750 Henry Fielding turned the charge of parasitism against literary critics, condemning these poor innocents as "Vampyres, being dead and damn'd," who "with the Blood of living Bards are cramm'd."

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OPINION

REVIEW & OUTLOOK

Rewriting the Fourteenth Amendment

President Trump really, really wants to make the midterm election about immigration, and for a while it looked like he had an edge due to Democratic excess. But with this week's pre-election vow to end birth-right citizenship in America by executive order, Mr. Trump has driven into his own constitutional ditch.

Mr. Trump has the political high ground as long as he is trying to stop lawlessness or deter migrant caravans mobilized by left-wing groups in Central America. Even deploying soldiers to the border in nonmilitary roles can be justified to assist immigration agents overwhelmed by asylum seekers. The U.S. has to send a signal that no one can bum-rush the border—not least to deter migrants from making a trip that will end in disappointment, or worse.

By contrast, the birth citizenship gambit puts Mr. Trump on the wrong side of immigration law and politics. Did Michael Cohen give him this legal advice?

* * *

The right to citizenship for anyone born on U.S. soil is derived from the Fourteenth Amendment adopted in 1868: "All persons born or naturalized in the United States and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside." This is the common law doctrine of *jus soli*, or right of the soil.

Opponents of birth citizenship try to obscure this plain meaning by interpreting "subject to the jurisdiction" as applying only to those who owe allegiance to America. Because alien parents owe allegiance to a different sovereign, the argument goes, their children have no right to citizenship.

But "jurisdiction" is well understood as referring to the territory where the force of law applies, and that means it applies to nearly everyone on U.S. soil. The exceptions in 1868 were diplomats (who have sovereign immunity) and Native Americans on tribal lands. Congress later granted Native Americans birth citizenship while diminishing tribal sovereignty.

The jurisdiction of U.S. law surely applies to all immigrants, or they could not be prosecuted for breaking even immigration laws. As for owing allegiance, do we really want to set a precedent that has the government defining which American residents owe allegiance to the U.S. and which don't? What would that mean for American citizens who

are also citizens of another country?

The very purpose of the Fourteenth Amendment was to prevent politicians from denying citizenship to those they thought weren't American enough. This meant former slaves, but in the debate over the amendment the question of citizenship for immigrant children was raised directly.

As David Rivkin and John Yoo have recounted, Pennsylvania Sen. Edgar Cowan asked: "Is the child of the Chinese immigrant in California a citizen?" Sen. John Conness of California responded yes.

The Supreme Court reinforced that meaning in *U.S. v. Wong Kim Ark* (1898) by upholding the citizenship of a child born in San Francisco of Chinese parents barred from citizenship by the Chinese Exclusion Act. The Court wrote that "the 14th Amendment affirms the ancient and fundamental rule of citizenship by birth within the territory, in the allegiance and protection of the country, including all children here born of resident aliens."

Mr. Trump may imagine the current Supreme Court would rule differently. We doubt it. Justices who consider themselves loyal to the Constitution's plain text would have a hard time reading the word "allegiance," with all its ambiguity, into the Fourteenth Amendment. Meanwhile, lower courts are likely to rule against his executive order faster than they did Barack Obama's lawless orders granting work permits to millions of illegal aliens.

If Mr. Trump wants to end the practice sometimes called "birth tourism," he can always draft and campaign for a constitutional amendment. But Congress is unlikely to agree and pass a law, much less an amendment. So he is making this futile gesture of an executive order a week before Election Day.

Mr. Trump made a political mistake this year by not trading legal status to adult immigrants brought here illegally as children for more border security. Then Republicans could have run on an immigration accomplishment. Instead he wanted the political issue, and we'll soon see how well that worked.

The President still stands on firm legal and political ground when he fights sanctuary cities or the abolition of U.S. Immigration and Customs Enforcement. But he undermines his legal standing, and his political credibility, when he pulls a stunt like single-handedly trying to rewrite the Fourteenth Amendment.

Iran's European Hit Squads

One of President Trump's most controversial foreign-policy initiatives—withdrawing from President Obama's nuclear-arms deal with Iran—is heating up again.

On Tuesday Denmark announced it had interrupted an Iranian plot to carry out assassinations of Iranian dissidents on Danish soil. This comes as the Trump Administration is planning to announce wider sanctions against Iran next week.

Recall Europe's reaction after Mr. Trump withdrew the U.S. from the nuclear deal in May. The European Union not only denounced Mr. Trump's decision but has vowed since to restore its economic relationship with Iran. Europe's

Iran policy is looking other-worldly.

In July, Germany foiled another Iranian plot to bomb dissidents in Paris. Press reports said then that Western intelligence services were concerned about the possibility of Iran stepping up terrorist attacks in Europe and the U.S.

Denmark wants the EU to impose new sanctions on Iran. Federica Mogherini, the EU's pro-Iran foreign-policy chief, replied blandly that "we are following events."

Even as Iranian hit squads are setting up shop across the Continent, the European Union is displaying a fundamental lack of seriousness about a country uninterested in distinctions between bombs, missiles and assassinations.

Class-Action 'Charity' Racket

Is it fair for plaintiff attorneys and defendants in class actions to distribute settlement proceeds to nonprofits they support while members of the class get nothing? That's the question the Supreme Court considers on Wednesday in *Frank v. Gaos*.

The concept of *cy pres*—French for as "near as possible"—developed during the 1970s as a way to deal with unclaimed cash from class-action settlements. Donating the leftovers to charity seemed to be an equitable solution, but nowadays *cy pres* is often an exercise in self-dealing, as the *Gaos* case illustrates.

In October 2010, Paloma Gaos filed a class action against Google on behalf of its 129 million search users for fraud and invasion of privacy, among other allegations, for sharing her search terms with websites whose links she had clicked. Her complaint was meritless since Google explained in its "Frequently Asked Questions" how it shared search terms with websites, as others web browsers do. Users could also disable the function.

Google proposed to settle the case by paying \$5.3 million into a fund that would be distributed to third-parties that "promote public awareness and education" or "support research, development, and initiatives, related to protecting privacy on the Internet." While attorneys for the class stood to receive \$2.125 million, members wouldn't get a penny.

Enter the Competitive Enterprise Institute's Ted Frank and Melissa Holyoak, who objected to the settlement. They argued that the distribution of funds violates the federal rule for civil procedures that a class-action settlement be "fair, reasonable, and adequate." The class counsel must also "fairly and adequately represent the interests of the class."

Yet how is it fair or reasonable for plaintiff attorneys to make out with more money than

The Supreme Court takes on self-dealing lawsuit settlements.

all of the class members? The settlement is even more dubious since Google and the plaintiff attorneys ostensibly selected the charities for *cy pres* out of self-interest.

Lo, Google already contributed to several of the nonprofits including the Stanford Center for Internet and Society, which has produced research to support its preferred policies. Mr. Frank contends this creates "the illusion of relief when all that the settlement changes is the labelling of accounting entries." Three of the outfits were alma maters of the plaintiff attorneys.

The Ninth Circuit Court of Appeals nonetheless concluded that *cy pres* is justified "where each class member's individual recovery would have been 'de minimis'"—about four cents in this case. Yet the Fifth, Seventh and Eighth Circuits have held that *cy pres* cannot be used when it is feasible to compensate *at least some* class members.

This distinction is important since relatively few members file claims in large class actions, so those that do file stand to receive a larger share of the proceeds. For instance, Carrier IQ settled a privacy class action in 2016 with 30 million users by paying \$5.9 million into a fund. Since only 42,577 members made claims, each received a pro rata share of more than \$100.

Under the Ninth Circuit's rationale, nearly every consumer class action could be settled with *cy pres*. This would encourage more dubious class actions that enrich attorneys but produce no direct benefit to members. *Cy pres* may also violate the First Amendment rights of members if they are required in effect to subsidize speech by groups that they disapprove.

Left-leaning groups have been among the biggest beneficiaries of *cy pres*, but even the Court's liberals should be troubled when putative class-action victims are bilked by self-dealing corporations and plaintiff attorneys.

Trump's order on birthright citizenship violates the Constitution

OPINION

Backlash Builds Against Beijing

By Michael Auslin

After nearly three decades of unprecedented growth, Chinese leaders, borrowing Barack Obama's favorite cliché, would say they were on the right side of history. That was a few years ago. Then Donald Trump's election seemed to offer them another boost. The new president's withdrawal from the Trans-Pacific Partnership and his questioning of America's Asian alliances appeared to presage a broader U.S. retreat from the world. President Xi Jinping proclaimed before the Davos elite that China had become the de-

China wants to displace the U.S. as leader of the world, but it faces dissent at home and abroad.

fender of the postwar global trading system. Yet Beijing's overreach has resulted in global blowback, possibly signaling the end of China's recent dominance.

China will remain an integral part of the global economy. Its strengthening military will give it influence beyond Asia. And its political voice will be heard in international councils. Yet the world now understands the dark side of doing business with Beijing, while Chinese citizens chafe against Mr. Xi's increasing domestic repression. With the Chinese Communist Party unwilling to reform, Beijing faces major strains ahead.

The Chinese government has

linked economic aid to its strategic objectives. In particular, its Belt and Road initiative has promised \$1 trillion of infrastructure spending throughout Eurasia. But Chinese aid increasingly is seen as a "debt trap" ensnaring less-powerful nations. They often surrender key facilities or agree to a greater Chinese presence in their countries after they become unable to repay development loans.

Malaysia and longtime Chinese ally Pakistan have announced they will be cutting back on Sino-funded projects for fear of indebtedness to Beijing. A recent election in the Maldives oriented the small Indian Ocean nation away from China. Expect more skittishness on the part of potential Chinese partners in vital locations around the globe.

Beijing's heavy hand against foreign corporations—for example, demanding they list Taiwan as part of China or risk repercussions to their businesses—also is wearing Western patience thin. And the U.S. and Europe are angry over decades of rampant intellectual-property theft. Many companies are playing along for fear of losing China's market, but they will take the first opportunity to rebuff Beijing's demands.

Another blow has come courtesy of Mr. Trump. However much criticized at home, his tariff war is hitting China's economy hard. Its stock market is around a four-year low, while Beijing's bluster is offset by repeated overtures to resolve the confrontation. Thanks to China's \$350 billion trade surplus with the U.S., Washington can target a broad range of Chinese goods with tariffs. The damage to American firms from



GETTY IMAGES

President Xi Jinping in Beijing, Oct. 16

the current trade war may be significant, but China can't weather a prolonged battle nearly as well.

The trade war has highlighted other weaknesses in the Chinese economy. Doubts about the country's official 6.7% economic growth are widespread, while its massive debt burden, estimated at 300% of gross domestic product, raises alarms, especially within the private and state-owned-enterprise sector. Some Chinese businesses have gone on foreign spending sprees and now seek to unload their holdings. Insurance giant Anbang, for example, wants to sell its \$5.5 billion real estate portfolio, which includes the Waldorf Astoria Hotel. Beijing has clamped down on other big spenders, due to fears of corporate failures as well as an overheated property market. Rampant speculation has led to regional bans on corpo-

rate property purchases amid concerns of a real estate bubble.

All these problems come on the heels of increased repression in China. Mr. Xi, now president for life, has created a cult of personality unseen since the Mao era. He dominates his putative co-leaders, and his anticorruption campaign served to eliminate potential elite opposition figures. He has clamped down on civil society with impunity.

The country also is poised to become the world's first total surveillance state. It already has 200 million surveillance cameras and plans to operate more than 600 million, all using the most advanced facial recognition software. This even extends to special glasses worn by the police.

Despite Mr. Xi's repressive policies, the first signs of discontent have emerged. Mr. Xi's ambitious re-

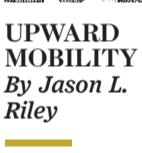
form program, first unveiled in 2013, has resulted in little change. A critique of the government from a professor at the prestigious Tsinghua University recently went viral, while Chinese officials have begun to walk back their boastfulness about the state of the economy. Mr. Xi has had to defend his propaganda blitz.

There are still hundreds, likely thousands, of protests every year against official corruption and the government's heavy hand. Then there is the severe yet largely hidden repression of Muslim Uighurs in Xinjiang, where as many as one million are reported to be held in modern concentration camps. Combined with its repressive policies in Tibet, the Chinese Communist Party has engendered a seething hatred from the country's minorities.

No one should expect a revolution soon in China. And as shown by El Salvador's recent switch of diplomatic recognition from Taipei to Beijing, its economic pull remains attractive to many poor nations. But China's road ahead is increasingly rocky. Far from adopting many of the norms of the postwar world, Beijing has attempted to rewrite them in its own favor. Now the question is how far will China's leaders go in curbing their assertive behavior and rapacious policies. Sticking to the current path will lead to greater tension between China and the world and risk more unrest at home.

Mr. Auslin, a fellow at Stanford University's Hoover Institution, is author of "The End of the Asian Century" (Yale, 2017).

Democrats Struggle to Confront Trump-Era Reality



Come Tuesday, we'll find out whether Democrats have learned anything from Hillary Clinton's shocking defeat two Novembers ago. No, Donald Trump isn't on the ballot this time, but that's a technicality. There's no doubt these midterm elections are about our current president.

Two years ago Mrs. Clinton focused to the max on her opponent's character flaws and then famously extended those criticisms to his supporters, the "deplorables." What the Clinton campaign missed is that voters in battleground states like Ohio, Pennsylvania and Wisconsin were well aware of Mr. Trump's shortcomings but had different priorities. While she was harping on his behavior, he was harping on the issues they cared about most. Mrs. Clinton lost because millions of people who had supported Barack Obama refused to back her and swung to Mr. Trump.

After a two-year investigation and nearly 100 interviews with detainees, Human Rights Watch released a report last week documenting the Palestinian leadership's gross violation of its people's human rights. Both Hamas, which rules Gaza, and the Palestinian Authority, which governs in the West Bank, are implicated. The two groups conduct arbitrary arrests for offenses as ludicrous as critical Facebook posts and regularly torture detainees.

Titled "Two Authorities, One Way, Zero Dissent," the report details cases of horrific violence and repression. Hamas kept Fouad Jarada, a journalist accused of "harming revolutionary unity," in a notorious room

liver control of the Senate to Republicans. But support for the law has risen steadily since Mr. Obama left office, and Democrats now see an opening. The upshot is that voters in some parts of the country are being treated to a substantive debate about the costs and merits of single-payer health care and how best to insure people with pre-existing conditions. This is progress.

Similarly, Democrats running for Senate seats in states Mr. Trump carried have used the final weeks of the campaign to focus on issues rather than the president's Twitter feed. In Arizona, Florida and Missouri Democratic candidates have been talking nonstop about health care, a top concern for voters in both parties. Four years ago, ObamaCare's unpopularity helped to defeat incumbent Democrats in red states like Arkansas and Louisiana and de-

feat the party that controls the Palestinian Authority, may be more "moderate" than Hamas in its approach to Israel, but it is brutal to Palestinians in the West Bank. The report explains that even when the authority releases detainees, it often refuses to drop charges, leaving behind a pretext for repeated punitive arrests to harass critics into silence. Vaguely worded laws also empower officials to detain Palestinians for calling for free expression on Facebook or reporting on unemployment. The offenders are then held in custody for weeks for provoking "sectarian strife" and insulting "higher authorities." Similarly in Gaza, the wrong post on social media can re-

call strategy of character assassination another go. These are the folks trying to link the president's rhetoric to the synagogue shooter in Pittsburgh and the mail bomber from Florida. They've speculated that the White House is involved in covering up the murder of Saudi journalist Jamal Khashoggi. For them, the Koch brothers' political activism can be denounced from the floor of the Senate, while criticism of George Soros is rooted in anti-Semitism.

It's possible that what didn't work for Democrats in 2016 could win the day next week, but thus far the strategy seems to be doing more harm than good. The enthusiasm edge Democrats enjoyed for most of the year has disappeared. Maybe upsetting Brett Kavanaugh's life based on unsubstantiated allegations about his behavior in high school more than 30 years ago wasn't such a good idea.

The Central American caravan stunt is unlikely to turn out any differently for Democrats, who are either misreading public sentiment on immigration or think voters are fools. The caravan didn't develop organi-

cally or spontaneously. To the contrary, liberal activists have rounded up thousands of people, coached them on what to say to journalists and immigration officials, and sent them on a dangerous journey north with the intent of causing a scene at the U.S. border. It's a bald flouting of America's asylum policies—an attempt to manufacture a crisis for political gain—and the president has a duty to intervene.

To some extent, the Democratic behavior on display of late is born of desperation. Policywise, the Trump presidency has been largely successful. The business tax cuts and deregulation are paying dividends. Economic growth has accelerated, unemployment is low, salaries are increasing, and consumer confidence is strong. The trade war is a mistake but one that most liberals support, alas. And to the extent that Democrats have offered policy prescriptions, they are of the Obama variety and were rejected when voters rejected Mrs. Clinton. Democrats want to put a Trump fight mask on their opponents. But after two years, who's afraid of Donald Trump?

The Palestinians' Worst Enemy Is Their Own Leaders

By Elliot Kaufman

There's a rule of thumb for journalists reporting on the Palestinians: If it can't be blamed on Israel, it isn't news. But some rules demand to be broken.

After a two-year investigation and nearly 100 interviews with detainees, Human Rights Watch released a report last week documenting the Palestinian leadership's gross violation of its people's human rights. Both Hamas, which rules Gaza, and the Palestinian Authority, which governs in the West Bank, are implicated. The two groups conduct arbitrary arrests for offenses as ludicrous as critical Facebook posts and regularly torture detainees.

called "the bus" for a month, forcing him to stand blindfolded on a small child's chair days at a time and whipping him with a cable. In the West Bank, detainees tell of being punched, kicked, beaten with batons, slammed against walls, and electrically shocked until they confess.

Both Palestinian organizations said they reject torture and consider the incidents Human Rights Watch compiled to be "isolated cases that are investigated when brought to the attention of authorities, who hold perpetrators to account." But Human Rights Watch couldn't find a single official in either jurisdiction convicted of mistreating detainees or making arbitrary arrests.

The habitual, deliberate, widely known use of torture, using similar tactics over years with no action taken by senior officials in either authority to stop these abuses, make these practices systematic," the report concludes. "They also

indicate that torture is governmental policy for both the PA and Hamas." Since this likely constitutes a crime against humanity, Human Rights Watch recommends the International Criminal Court open an investigation.

Fatah, the party that controls the Palestinian Authority, may be more "moderate" than Hamas in its approach to Israel, but it is brutal to Palestinians in the West Bank. The report explains that even when the authority releases detainees, it often refuses to drop charges, leaving behind a pretext for repeated punitive arrests to harass critics into silence. Vaguely worded laws also empower officials to detain Palestinians for calling for free expression on Facebook or reporting on unemployment. The offenders are then held in custody for weeks for provoking "sectarian strife" and insulting "higher authorities." Similarly in Gaza, the wrong post on social media can re-

sult in persecution for "misuse of technology."

In January the Trump administration suspended tens of millions of dollars in aid to the Palestinian Authority, but in March Congress exempted \$70 million in security assistance. The report calls on the U.S.

Human Rights Watch takes a break from Israel-bashing to examine abuses by Fatah and Hamas.

Europe and the United Nations to suspend all funding for the Palestinian Authority's Preventative Security Forces, General Intelligence Services, and Joint Security Committee until the agencies cease arresting critics and torturing detainees. It also asks Iran, Qatar and Turkey to stop fund-

ing Hamas. Good luck with that.

No one can accuse Human Rights Watch of anti-Palestinian or pro-Israel bias. For years the group has disproportionately focused its criticism on Israel, accusing it of war crimes and other violations of international law. The lead author of the Human Rights Watch report, Israel and Palestine Director Omar Shakir, has on several occasions accused Israel of practicing "apartheid." The group has even raised money off the opposition it attracts from pro-Israel groups.

Instead of further demonizing Israel, this report is pro-Palestinian in the best sense: It defends the Palestinian people from their predatory authoritarian leaders. Mahmoud Abbas, president of the Palestinian Authority, was democratically elected in 2005 for a four-year term. He never allowed his people to vote again, and still rules almost 14 years later.

Abuse and corruption aside, all the Palestinian leadership offers is angry rhetoric or violence against Israel. "Calls by Palestinian officials to safeguard Palestinian rights ring hollow as they crush dissent," said Human Rights Watch's deputy program director Tom Porteous. It has been 25 years since the Oslo Accords instituted some Palestinian self-rule in the West Bank and 13 years since Israel vacated the Gaza Strip. Where Palestinians have autonomy, Mr. Porteous says, "they have developed parallel police states." Naturally, Human Rights Watch and other critics castigate Israel for failing to give the Palestinians more autonomy.

Amid the pressure to create a Palestinian state, the easiest thing to do is ignore the warning signs that statehood today would result in even more tyranny and bloodshed.

Mr. Kaufman is the Journal's Joseph Rago Memorial Fellow.

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Edward Roussel, Chief Innovation Officer;

Anna Sedgley, Chief Operating Officer;

Christina Van Tassel, Chief Financial Officer

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Jason P. Conti, General Counsel;

Tracy Corrigan, Chief Strategy Officer;

Frank Filippo, Print Products & Services;

Steve Grycuk, Customer Service;

Kristin Heitman, Chief Commercial Officer;

Nancy McNeill, Corporate Sales;

Josh Stinchcomb, Advertising Sales;

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Jonathan Wright, International

DJ Media Group: Almar Latour, Publisher

Professional Information Business: Christopher

Lloyd, Head: Ingrid Verschuren, Deputy Head

DOW JONES

News Corp

Notable & Quotable: Voting

From "12 Young People on Why They Probably Won't Vote," NYMag.com, Oct. 30:

Aaron | Age 25 | Atlanta, Georgia | Last Voted: 2016

I volunteered for Bernie Sanders. I went to many rallies, I was at the first presidential debate in Las Vegas. But when he folded, then immediately went and defended Hillary, a person who he's been campaigning against for 18 months, that just really killed it for me. I just have no respect for that. It's the same thing on the other side. Look at Ted Cruz, who's spent his last two years being made fun of by Donald Trump, and then we see Trump saying Cruz is the right guy in Texas to go against Beto O'Rourke. It's just so much po-

itical theater, and it really just turned me off entirely.

I wasn't planning to vote in 2016. I was with my mom, we were at Albertsons grocery store around the corner from my house, and they were in there voting. My mom voted, and it took her literally ten seconds. She said, "You should do it," and I said, "I don't know, I don't really think I want to." And she was like, "Aaron, it just took a minute." So I said, "Okay, fine." I just voted for Hillary. I felt bad about it for two years. . . .

There are people that are exciting. Bernie was exciting, Cynthia [Nixon] was exciting, and Alexandria [Ocasio-Cortez] is exciting. So would I vote in the future? I don't know. If somebody came along that was exciting like that? Yeah. Probably.

Instead of further demonizing Israel, this report is pro-Palestinian in the best sense: It defends the Palestinian people from their predatory authoritarian leaders. Mahmoud Abbas,

The greatest escape



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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, October 31, 2018 | B1

S&P 2682.63 ▲ 1.57%**S&P FIN** ▲ 1.60%**S&P IT** ▲ 1.16%**DJ TRANS** ▲ 2.82%**WSJ \$IDX** ▲ 0.19%**LIBOR 3M** 2.541**NIKKEI (Midday)** 21790.00 ▲ 1.55%See more at WSJMarkets.com

Stocks Bounce Back From Monday Rout

Investors must decide if this month's selloff is a healthy correction or a bear warning up

BY JAMES MACKINTOSH

 When the stock selloff began in earnest at the start of this month, it looked like a simple loss of momentum for a bunch of high-growth disruptive stocks that had risen too fast. Now it is morphing into broader concerns about the economy, and **STREETWISE** investors are factoring in less chance of the Federal Reserve raising interest rates aggressively next year.

The question on which investors need to take a stand: Is this a healthy correction in a bull market with further to run, a reset lower in belated recognition of this year's geopolitical risks or the start of a new bear market ahead of recession as soon as next year?

A healthy correction is a

classic case of the stock market holding a sale. As market pessimism feeds on itself, take the advice of the father of value investing, Benjamin Graham, and buy from the pessimists. This is usually the right advice in a big market fall, although since the fall has left the market only about where it started the year, it isn't—yet—that big.

Market moves tell us what the market is anticipating. Since the stock decline began in earnest on Oct. 3, the message has changed to suggest growing concern about both geopolitics and the economy. Investors who accept the market narrative will worry about slower growth or higher risk of recession justifying lower prices.

Almost all major stock markets have fallen as much or more than the U.S., in dollar terms, as Italian politics roiled Europe, trade concerns hung over China, and indebted emerging markets continued to suffer from the strong dollar. This isn't merely a correction in high-flying U.S. technology stocks, as it seemed at first.

Please turn to page B13

Another volatile day; indexes still on course for their worst month in over three years

BY JESSICA MENTON AND CHRISTOPHER WHITTALL

U.S. stocks surged Tuesday to cap another wild session in what has been a bruising October on Wall Street.

Major indexes wobbled shortly after the opening bell before finding their footing and notching modest gains. In what has been a typical pattern this month, stocks gave up most of those gains shortly after midday but then charged steadily higher again in the final two hours of the session.

All 11 sectors in the S&P 500 climbed, led by gains in communications and energy shares. Those groups added 2.5% and 2.3%, respectively.

Stocks markets have whipsawed in recent weeks, with investors focusing on earnings and the health of the global economy. All three major indexes are on track for their worst month in more than three years.

The Dow Jones Industrial

On the Defense

Dividend-paying 'safety' stocks in the real-estate sector were among the big gainers in the S&P 500 on Tuesday.



Source: SIX

Average rose 431.72 points, or 1.8%, to 24874.64 on Tuesday.

The S&P 500 added 41.38 points, or 1.6%, to 2682.63. Both indexes teetered on the brink of correction territory a day earlier and have tumbled 7.3% and 8.5%, respectively, from their recent records.

The Nasdaq Composite climbed 111.36 points, or 1.6%, to 7161.65, but the technology-heavy index is still down 12% from its late August high.

Chris Bertelsen, chief executive and senior portfolio manager at Aviance Capital Management, said he likes the defensive and bondlike nature of real-estate stocks, which were among the big gainers in the S&P 500 on Tuesday. He said he recently bought shares of **American Tower**, which owns wireless, radio and other towers and has surged 11% this month.

But Mr. Bertelsen said he

doesn't think the recent turbulence in the tech sector is over just yet.

"If you live dangerously and buy stocks like technology that must have fantastic growth to meet these high estimates, at some point you'll skin your knees," he said. "We'll likely see more blood."

Technology stocks, the companies that led the market rally earlier in the year, have been at the forefront of the October selloff. **Amazon.com** fell into bear-market territory Monday—commonly defined as a 20% decline from a recent peak—erasing \$127 billion from its market value in the space of two sessions. That came after the e-commerce company reported record quarterly profit last week but revenue that fell short of analysts' expectations. Its shares slipped \$8.46, or 0.6%, to \$1,530.42 Tuesday.

Tech stocks "were priced beyond perfection," said Ollie Brennan, a senior macro strategist at T.S. Lombard. He said losses in the sector represent a healthy adjustment of expectations.

Stocks were higher in Asia early Wednesday, with Japan's Nikkei up 1.6% and Hong Kong's Hang Seng up 0.5%.

Apple Lifts Prices on MacBook Air, iPad Pro

BY TRIPP MICKLE

Apple Inc. on Tuesday unveiled two more-expensive versions of its Mac personal computers and a redesigned iPad, as it aims to reinvigorate lackluster PC and tablet sales with higher-price devices, as it did to strengthen its core iPhone business.

The new MacBook Air marks the first full design upgrade of Apple's most popular laptop model since 2010. It has a high-resolution Retina display, narrower screen borders and Touch ID, while measuring 10% thinner and a quarter-pound lighter than the current version.

The changes come at a cost: The new MacBook Air starts at \$1,199, compared with \$999 for the existing model.

The new laptop made its debut alongside an updated version of Apple's small Mac mini desktop computer, whose improved processors make it five times faster, Apple said. That starts at \$799, compared with \$499 for the current version.

And Apple showed off the new iPad Pro with narrower screen borders and facial-recognition technology, in two sizes priced starting at \$799 and \$999.

The announcements amplified Apple's recent strategy of boosting total revenue by jacking up prices. A year after lifting its flagship iPhone price to \$999, the company is raising prices for new versions of the

A year after boosting iPhone revenue with higher prices, Apple is raising the price of an update to its most popular laptop, the MacBook Air, as it looks to rejuvenate its Mac business.

iPhone and Mac segment revenue, change from previous year

Year	iPhone (%)	Mac (%)
FY2014	15	10
'15	50	10
'16	-20	-10
'17	10	10
'18	10	-10

*Fourth quarter 2018 data are projections Sources: the company; Thomson Reuters

MacBook Air starting price

Year	Starting Price (\$)
2008	1500
'10	1200
'15	1100
'18	999

iPhone average starting price

Year	Average Starting Price (\$)
2015	600
'16	650
'17	750
'18	800

MacBook Air by 20%, the Mac mini by 60% and the iPad Pro by about 25%.

Though some older models will linger, the new ones should raise average sale prices of Macs and iPads and lift revenue, the

way higher prices did for the iPhone over the past year.

Apple made the announcements Tuesday at the Brooklyn Academy of Music about seven weeks after it unveiled new versions of the iPhone and its

smartwatch. The event marks the fourth time in the past decade that Apple held a second event to announce new gadgets ahead of the holiday shopping season.

The new Macs arrive more

than a year after Chief Executive Tim Cook and others at Apple sought to reassure customers who were concerned by the lack of Mac updates that Apple remained committed to the per-

Please turn to page B2

INSIDE

Diet Soda Gives a Boost to Coca-Cola

BY JENNIFER MALONEY AND AISHA AL-MUSLIM

A rebound in demand for diet soda lifted **Coca-Cola** Co.'s core soda business in the latest quarter, as consumers turned back to the zero-calorie drinks they once spurned.

The company's global soda volume grew 2% from the same quarter a year ago, led by rising demand for Diet Coke and Coke Zero Sugar, a reformulation of Coke Zero that tastes and looks more like original Coke.

"Coke Zero Sugar is on a roll," with sales world-wide growing annually by a percentage in the high teens, Chief Executive James Quincey said in an interview Tuesday.

Diet Coke even eked out gains in the U.S., where its sales volume had been sliding for more than a decade as consumers turned to bottled water and flavored seltzer.

Low- and no-calorie Sprite and Fanta also helped boost sales, except in a couple of Central American countries

where the company changed the recipes too much and consumers were unhappy, Mr. Quincey said.

"We've course-corrected" in those markets, he said. "Where we've gone down in stages in the sugar reduction, we've seen good consumer acceptance."

Low-single-digit percentage price increases on Coke prod-

ucts in North America, implemented after the U.S. placed tariffs on Chinese imports, didn't seem to damp demand.

Organic revenue, which excludes currency swings, acquisitions and divestitures, increased 6% from a year ago. Sales volume grew 2% from a year earlier.

Coca-Cola replaced Coke

Zero with Coke Zero Sugar in the U.S. last year.

The company has been aiming to cut sugar from its products and diversify beyond soda as more countries implement taxes on high-calorie beverages and as consumers switch to healthier beverages.

Overall, net revenue for the beverage company dropped 9% to \$8.25 billion in the quarter as a result of the franchising of company-owned bottling operations. Analysts polled by Refinitiv had expected revenue of \$8.17 billion.

The Atlanta-based company posted a third-quarter profit of \$1.88 billion, or 44 cents a share, up from \$1.45 billion, or 33 cents a share, a year earlier.

On an adjusted basis, it earned 58 cents a share, beating the 55 cents a share analysts ex-

pected.

For 2018, the company maintained its guidance of at least 4% growth in organic revenue and growth in comparable adjusted earnings per share from continuing operations of 8% to 10%.

LIVE NATION COMES BACK A STAR

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SONY EXPECTS TO MAKE A BIG SCORE

VIDEOGAMES, B4

Diet Coke gained in the U.S., where it has slid for the past decade.

Zero with Coke Zero Sugar in the U.S. last year.

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Barnes & Noble Details CEO Firing

BY JEFFREY A. TRACHTENBERG

Barnes & Noble Inc. alleged in a court filing Tuesday that Demos Parneros, its former chief executive, was justifiably fired in early July because he sexually harassed a female employee, bullied other staffers and undermined the potential sale of the book retailer to an unidentified party earlier this year.

In August, Mr. Parneros, who didn't receive severance pay, filed a complaint stating that he had been fired "without warning or justification" and that his reputation was tarnished because the bookseller created the impression that he had "engaged in serious sexual misconduct." Mr. Parneros denied all allegations of wrongdoing.

In its response to Mr. Parneros's complaint, Barnes & Noble said that the former CEO twice "inappropriately touched a female subordinate and, during the second incident, he made an advance and used sexual language." The bookseller said that following Mr. Parneros's firing, it "has received additional complaints about Parneros's inappropriate behavior toward women at Barnes & Noble."

In a statement, Mr. Parneros denied that he had sexually harassed anyone and rejected the allegation that he had undermined the potential sale of the company. He also denied bullying anyone.

"These false allegations are nothing more than an effort to tarnish my reputation and punish me for seeking justice," he said.

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Mix of Players Vies for Channels

BY JOE FLINT, ANDREW BEATON AND MIRIAM GOTTFRIED

Big media companies, sports teams, private-equity firms and a rapper are among those kicking the tires of nearly two dozen regional sports channels that Walt Disney Co. is divesting as part of its \$71.3 billion purchase of 21st Century Fox assets.

The 22 channels include marquee properties in New York and Los Angeles. Guggenheim Securities valued the regional networks at \$25 billion, but some likely bidders and industry observers say they are more likely to fetch \$16 billion to \$20 billion, depending on how they are packaged and sold.

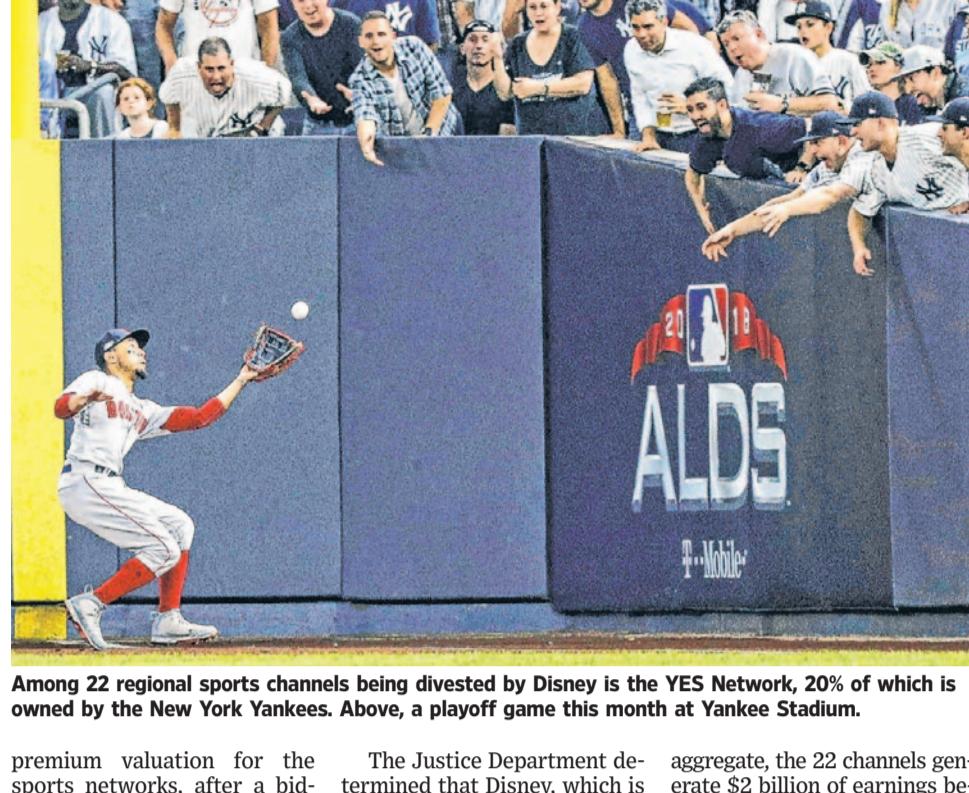
"There's never been an instance where a large group of these [regional sports networks] have been sold all at once," said sports-media consultant Lee Berke.

Initial bids on the channels are due Nov. 8. Potential suitors include private-equity firms Apollo Global Management LLC, Blackstone Group LP, KKR & Co. and Providence Equity Partners LLC, people close to the sale process said.

Private-equity firm Silver Lake is looking at the networks in partnership with its portfolio company, talent agency Endeavor LLC, one of the people said. The television station owner Sinclair Broadcast Group Inc. has said it is interested in the channels.

The "New Fox," the company that will comprise the assets Disney doesn't acquire from 21st Century Fox, including the Fox broadcast network and Fox News Channel, is also considered a contender for the sports channels, the people close to the process said.

Disney's deal for the 21st Century Fox assets implied a



Among 22 regional sports channels being divested by Disney is the YES Network, 20% of which is owned by the New York Yankees. Above, a playoff game this month at Yankee Stadium.

premium valuation for the sports networks, after a bidding war with Comcast Corp. drove up the deal's overall price. A stand-alone sale of the networks could now draw a lower price, some analysts and people close to the process said, raising the prospect that Fox could buy them back at a discount.

People close to Disney said it expects to get a premium.

Rapper and actor Ice Cube has emerged as the face of one bid, teaming up with investors from his "Big 3" basketball league and others in a minority-owned conglomerate, people familiar with the bid said.

A number of sports-team owners are considering submitting offers for channels in their specific markets, according to people familiar with their thinking. Tech companies are also in the mix.

The Justice Department determined that Disney, which is the majority owner of ESPN, would have too much market power in sports TV if it were allowed to acquire the Fox networks, so it ordered Disney to sell them off as a condition of

Disney's deal implied a premium valuation for the 21st Century Fox sports networks.

the 21st Century Fox deal.

Regional sports networks have suffered from cable-TV cord-cutting and audience erosion. Younger viewers often get their sports fix online, and ratings for most sports leagues have declined recently. Still, in

aggregate, the 22 channels generate \$2 billion of earnings before interest, taxes, depreciation and amortization, people familiar with the channels said.

One of the biggest questions regarding the sale is the YES Network, the outlet that carries New York Yankees games. It is considered the crown jewel of the bunch, accounting for about \$500 million of the sports network group's total Ebitda.

Disney is seeking a \$5 billion to \$6 billion valuation for YES, in which Fox holds an 80% stake, the people close to the process said. The Yankees own the remaining 20% of YES and have a right of first refusal on buying Fox's stake. The team, owned by the Steinbrenner family, is expected to join with a group of investors to vie for control of YES, the people said. A Yankees spokesman declined to comment.

Live Nation's Hollywood 'Star' Rises

BY ANNE STEELE

Fresh off its success in funding and marketing "A Star Is Born," Live Nation Entertainment Inc. has sent Hollywood a message: The world's largest concert promoter and ticketing company is also in the movie business.

Live Nation Productions, the company's film- and television-production division, which has released six music-oriented film projects in the past 2½ years—most of them documentaries—has quickly made a name for itself by drawing on Live Nation's relationships with artists.

"A Star Is Born" has made \$149 million at the domestic box office through last weekend, making it the biggest commercial success to date in which Live Nation Productions

has had a hand. The company contributed a quarter of the film's \$40 million budget, according to people familiar with the matter.

Live Nation says its media division is profitable and has made money on every film it has done, though the company declined to share specifics. Live Nation's chief executive, Michael Rapino, says the division returns higher margins than its core concert-promotion business, where it is notoriously difficult to turn a profit.

The company got into the business in 2015, when Live Nation put up the money and sold the documentary "Justin Timberlake + The Tennessee Kids" to Netflix Inc.

"That first foray showed that we could leverage our relationship with a tour and an artist," Mr. Rapino said. "We

looked at it as a great way to be in business with artists we're already in business with."

Heather Parry, who heads up Live Nation Productions, sits close to several managers in Live Nation's artist-management division. Lady Gaga's manager, Bobby Campbell, walked by one day and caught sight of footage from a documentary about Sean "Diddy" Combs's label, released on Apple Music. That chance encounter helped lead to the documentary "Gaga: Five Foot Two," also released on Netflix.

The relationship proved useful when filmmakers were looking for additional funding for Bradley Cooper's directorial debut, "A Star Is Born," starring Lady Gaga. Producer Billy Gerber was visiting Mr. Campbell in Live Nation's office and

ended up discussing the project with Ms. Parry.

Live Nation Productions put up money a few months after production on the film had wrapped, then pitched in marketing services. Live Nation also was able to use sales data held by its Ticketmaster unit to identify potential fans of the movie and then email them promotional material.

Live Nation Productions is now developing its first television series based on a book by rocker Dave Grohl's mother. The company has several other potential projects in the pipeline, including another feature film.

"We don't believe we're Spielberg overnight," Mr. Rapino said. "But we have credible relationships with artists and cheap capital available to finance smart bets with them."

rick Moorhead, technology analyst at Moor Insights & Strategy. While PCs and tablets have become smaller parts of Apple's business—combined they accounted for about a fifth of fiscal 2017 revenue of \$229.23 billion—but they are important for keeping people attached to the Apple ecosystem, analysts say. The likelihood of buying another iPhone rises 4% if a customer owns a second Apple device like an iPad, according to research by Kantar Worldpanel.

The PC market is showing signs of life after years of declining shipments. New devices that blend laptop and tablet features, such as HP Inc.'s Spectre devices and Microsoft Corp.'s Surface Pro 6, helped increase world-wide shipments 1.3% to 122.7 million units in the first half, according to International

Data Corp., a market-research firm.

Apple's share of PC shipments has hovered at about 10% the past three years, while Mac unit sales have fallen 6.5%. Apple has offset that with a 23% increase in average base prices, to keep Mac revenue roughly flat with fiscal 2015. Meanwhile, iPad revenue has declined 40% from a peak in fiscal 2013.

The redesigned iPad Pro is the first tablet to feature Apple's facial-recognition technology, introduced with last year's iPhone X. The iPads are 15% thinner than their predecessors, which made their debuts in 2015. On the Mac, Apple emphasized the device's speed and sustainable construction. Apple said a new metallurgy process allowed it to make every new MacBook Air from 100% recycled aluminum.

Continued from the prior page

personal-computer business.

Previously, Mr. Cook had touted the iPad as a replacement for the laptop, but on Tuesday he gushed over the company's PC product line. "Our customers love their Macs," Mr. Cook said, adding that the number of Macs in use worldwide has hit 100 million.

"Apple thought PCs were going to go by the wayside and iPads would rule the roost, but that hasn't happened," said Pat-

Barnes & Noble Notes Exit

Continued from the prior page of current executives now share CEO duties.

Mr. Parneros in his suit also said an unidentified book retailer this past spring made an accepted offer to buy Barnes & Noble, but that following a period of due diligence, the offer was withdrawn. In his suit, Mr. Parneros said there "was no suggestion that the failure of the deal" was his fault.

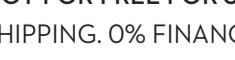
On the day Mr. Parneros filed his suit, Barnes & Noble responded that he had been discharged after an investigation revealed significant misconduct, and referred to the suit as an effort "to extort money from the company by a CEO who was terminated for sexual harassment, bullying behavior and other violations of company policies."

In early October, the bookeller said it had received expressions of interest in buying the company from parties including Executive Chairman Leonard Riggio and had formed an independent special committee to oversee its strategic options. It also instituted a so-called poison pill aimed at preventing an unwanted takeover after it saw "rapid material accumulations" of its shares by unidentified parties.



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Apple's event at the Brooklyn Academy of Music marked a second product unveiling before the holidays.

BUSINESS NEWS

Pfizer Faces Pricing Pressures

By KIMBERLY CHIN
AND JONATHAN D. ROCKOFF

Pfizer Inc. narrowed its full-year revenue and profit targets as the drugmaker works its way through the last legs of patent expiries for big-selling legacy products and copes with pricing challenges.

Pfizer CEO Ian Read criticized the Trump administration's plans to test out some efforts to reduce Medicare spending on biotech drugs administered by doctors and hospitals, especially a proposal to index how much the government health insurer pays to the prices paid by other countries. "It effectively imports price controls into the U.S., and I hope the administration will reconsider that," Mr. Read said Tuesday.

For the fiscal year 2018, Pfizer expects sales to be in the range of \$53 billion to \$53.7 billion, compared with \$53 billion to \$55 billion as previously guided. It now targets adjusted earnings of \$2.98 to \$3.02 a share, compared with its previous guidance of \$2.95 to \$3.05.

The company attributed the adjustments partly to lower-than-expected revenue from its "Essential Health" business selling products that have lost patent protection and sterile injectables, which are dealing with shortages. Pfizer also cited pricing pressures on the unit's drugs, along with recent unfavorable foreign-exchange rates due to the weakening of some emerging-market currencies and the euro.

Overall, third-quarter revenue increased 1% from a year ago to \$13.29 billion, below the \$13.53 billion analysts polled by Refinitiv had expected. Profit rose 45% to \$4.11 billion, or 69 cents a share, from a year ago. Analysts expected earnings of 58 cents a share.

BP More Than Doubles Its Profit

The oil giant says it will pay for its near \$11 billion acquisition of BHP assets in cash

By SARAH KENT

LONDON—BP PLC said profit more than doubled in the third quarter, as strong crude prices put Big Oil on track to deliver record levels of cash this year.

London-based BP said Tuesday that its replacement-cost profit—a number analogous to the net income that U.S. oil companies report—was \$3.1 billion in the quarter, compared with \$1.4 billion in the year-earlier period. Its under-

lying profits rose to \$3.8 billion, a five-year high and roughly a third higher than analysts expected.

BP shares were up about 2% in London.

Years of cost cutting caused by the slump in oil prices are beginning to pay dividends for the industry's giants as the market rebounds. But investors remain skeptical, making solid delivery on results crucial for companies like BP.

Last week, French oil giant Total SA and Norway's Equinor ASA—formerly known as Statoil—both announced a sharp increase in earnings for the third quarter, while continuing to emphasize their commitment to control spending and increase production.

BP echoed that sentiment. The company said it remains committed to capital discipline and growing distributions to shareholders. The British oil giant has already delivered on popular shareholder programs, increasing its dividend in July.

BP said it is generating so much cash at the moment that, provided oil prices remain around their current range, the company will pay for its near \$11 billion acquisition of BHP Billiton Ltd's onshore U.S. oil and gas assets entirely in cash.

When the deal was announced in July, BP had planned to fund 50% of the purchase through equity.

"We're very confident in

the outlook for the company," Chief Financial Officer Brian Gilvary said. "The oil price is currently north of \$75; we break even at \$50...we have more than sufficient surplus cash."

BP said it expects to complete the BHP transaction Wednesday. Linked to the deal, BP is planning \$5 billion to \$6 billion-worth of divestments, with the proceeds intended to pay down company debt.

It is also closing in on its ambition to return to production levels last seen before the company's fatal blowout in the Gulf of Mexico eight years ago. To pay for the disaster, which killed 11 people and caused the worst offshore oil spill in U.S. history, BP sold off billions of

dollars of assets, shrinking its production. In addition to its acquisition of BHP's assets, BP started production from two new major projects this month.

"The key focus is growing the company," Mr. Gilvary said. "We laid out a program for 2021 with growth targets. We're ahead of those targets."

BP said payments related to the 2010 disaster amounted to \$500 million in the third quarter, and are expected to total just over \$3 billion this year. BP's landmark \$20 billion settlement with the U.S. government in 2015 requires the company to make annual payments of around \$1 billion through the end of the next decade.

Under Armour Earnings Outlook Improves

By KHADEEJA SAFDAR

Under Armour Inc. posted higher revenue for the third quarter, driven by growth in its international business, and the sports-apparel company raised its profit outlook for the year.

Sales at the Baltimore company increased 2% to \$1.4 billion in the quarter, as higher demand overseas helped offset declines in North America.

Under Armour Chief Executive and Chairman Kevin Plank said the results are a sign that the company's restructuring efforts are working.

The past two years "have served as one of the most challenging yet productive and opportunistic times in our history," he said on a conference call Tuesday.

Class A shares of Under Armour rose 28% on Tuesday to \$23.23.

Under Armour has been restructuring after sales growth began to stall last year. The company has eliminated hundreds of jobs, reduced spending on endorsement deals and cut back its product offerings.



The sports-apparel retailer has been restructuring after sales growth began to stall last year.

The company expects to incur about \$200 million to \$220 million in pretax charges in connection with its restructuring plan.

Revenue in North America declined 2% to \$1.1 billion, while the international business increased 15% to \$351 million. Sales from the company's wholesale channels in-

creased 4% to \$914 million, while revenue from its own stores and website was flat at \$465 million.

Under Armour is "caught in a difficult position" as it faces more competition in the athleisure and sportswear market, said Neil Saunders, managing director of GlobalData Retail.

"It has neither the brand power or muscle to be a Nike, but nor is it nimble or niche enough to generate the strong appeal of a smaller label," he wrote in a note on Tuesday.

The company raised its full-year adjusted earnings-per-share guidance to between 19 cents and 22 cents from a prior guidance of 16 cents to

Dressing Up

Under Armour's shares soared on Tuesday after the company posted higher revenue for the third quarter.

\$24 a share



Source: SIX

THE WALL STREET JOURNAL.

19 cents. The company expects revenue to increase 3% to 4%. Apparel is expected to grow at a rate in the mid-single digits, footwear at low single digits and accessories revenue is now expected to decline in the mid-single digits.

◆ Heard on the Street: A winning combination..... B14

Chips, Displays Lift Samsung

By TIMOTHY W. MARTIN

net profit of 12.9 trillion won and revenue of 64.9 trillion won for the third quarter.

The company's prior record net profit was 12.26 trillion won during the final three months of 2017.

Samsung, which ships one of every five smartphones globally, said mobile-division revenue dropped 11% to 24.91 trillion won from 27.69 trillion won a year earlier. Its mobile-division profit nose-dived by a third.

In an earnings release, Samsung said smartphone shipments were flat and the profit drop was attributable to "increased promotional costs and a negative currency impact."

Consumers are balking at \$1,000 phones and holding on to their devices longer than ever. But the technology giant was surprised earlier this year by poor sales for its flagship

Galaxy S9 handsets, a device marketed around its animated human emojis. To rejuvenate sales, Samsung moved up the release of its large-size Galaxy Note 9 to Aug. 24, weeks earlier than the prior-year model.

The company also is pressing forward on new handset designs or advances, including foldable-screen phones targeted for release early next year, The Wall Street Journal reported in July. In its earnings release, Samsung said it would launch a foldable-screen device in 2019.

But as the mobile unit tries to recover, there are growing signs that the memory-chip boom, fueled by demand from data servers, gadgets and cryptocurrency miners, could be cooling off. Reflecting its challenges, Samsung Electronics shares have slid about 17% this year. The shares were up early Wednesday in Seoul.

BUSINESS WATCH

VALEANT PHARMACEUTICALS

Former Executive Sentenced to Prison

A former executive at Valeant Pharmaceuticals International Inc. was sentenced Tuesday to spend a year in prison for defrauding the pharmaceutical giant through a multimillion-dollar kickback scheme.

Gary Tanner, and his co-defendant, Andrew Davenport, the former chief executive of specialty mail-order pharmacy Philidor Rx Services, now closed, were both sentenced to one year and a day in prison.

A Manhattan federal jury in May convicted both men on all four counts they faced. The sentence from Senior U.S. District Judge Loretta Preska also called for two years of supervised release and for the men to forfeit about \$9.7 million each.

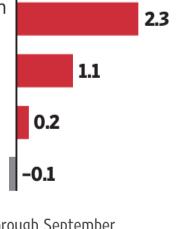
A lawyer for Mr. Davenport said she plans to appeal his conviction. A lawyer for Mr. Tanner couldn't immediately be reached for comment.

A representative from Bausch Health Cos., formerly Valeant, couldn't be reached for comment.

—Patrick Thomas

Brand Attraction

Volkswagen brands' pretax earnings



Note: Data through September

Source: the company

THE WALL STREET JOURNAL.

VOLKSWAGEN Earnings Jump Despite Obstacles

Volkswagen AG, Europe's largest auto maker by sales, on Tuesday reported sharply higher earnings in the three-month period that ended Sept. 30, beating analysts' estimates in the face of a slowdown in China and tougher emissions rules in Europe.

The German car maker said net profit rose to €2.67 billion (\$3.04 billion) from €990 million

in the same period a year ago, when profit was hit by costs related to its emissions scandal. Revenue rose to €55.20 billion, up from €55 billion.

—William Boston

Grain Trader Near Pacts With Activists

Bunge Ltd. is finalizing settlement agreements with two activist investors that will add four directors to the grain trader's board and set up a strategic-review committee that could open the door to a sale of the company, according to people familiar with the matter.

Bunge is expected to announce a pair of settlements as soon as Wednesday with hedge fund D.E. Shaw & Co. and agricultural-investment firm Continental Grain Co.

Bunge, with a market value of more than \$9 billion, is also expected to form a board committee dedicated to a strategic review that could open the door to a sale of the company. The agreements are being finalized and could always fall through.

—Cara Lombardo and Jacob Bunge

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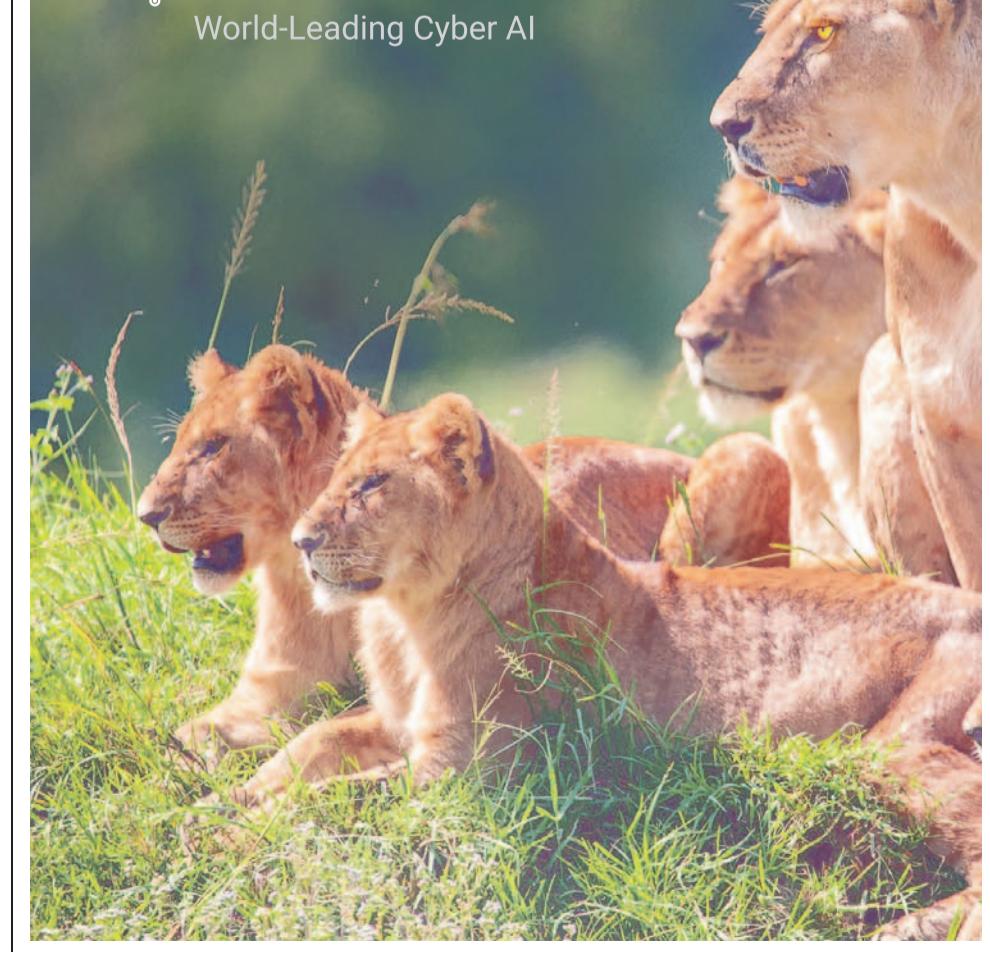
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TECHNOLOGY

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U.S. Blunts China's Semiconductor Push

Beijing-backed chip maker faces threat to its business because of supply ban

BY CHUIN-WEI YAP
AND YOKO KUBOTA

A U.S. ban on American companies doing business with a Chinese chip maker accused of stealing technology secrets threatens to upend a state-backed company that is key to China's ambitions to build a world-class semiconductor industry.

Fujian Jinhua Integrated

Circuit Co., founded in 2016, was blessed with \$5.7 billion in state funding in the latest phase of a three-decade program to reduce the country's reliance on foreign semiconductors.

Jinhua, which employs more than 1,000 people, built a factory with the aim of beginning mass production of memory chips used in smartphones and USB drives by the end of the year, working toward the government's goal of halving chip imports by 2020.

Those plans will likely stall because Jinhua is dependent on a clutch of American suppliers that provide design and

engineering for the components, analysts say.

The U.S. Commerce Department on Monday barred the export and transfer without official permission of U.S.-origin technology to Jinhua, which is accused by Idaho-based **Micron Technology Inc.** of stealing design secrets. U.S. actions against China's technological advance are part of a broader trade fight between the world's two biggest economies that has largely centered on tariffs.

"The U.S. government's ruling is a sign that the U.S. is willing to play the trade-war card," said Wang Yanhui, sec-

retary-general of the Mobile China Alliance, a telecommunication industry consortium.

Earlier this year, the U.S. imposed a similar prohibition—later reversed after intervention from President Trump—on Chinese telecom giant ZTE Corp. for violating terms of a deal over sanctions-busting sales to Iran and North Korea.

The restrictions on Jinhua follow tighter U.S. curbs on Chinese investment in American technology companies. In response, China has held up deal approvals, which led in July to Qualcomm Inc. scrapping its \$44 billion purchase

of Dutch chip maker NXP Semiconductors NV.

Micron, which makes memory chips, sued Jinhua in December in California, as well as the Chinese company's Taiwanese partner, United Microelectronics Corp., alleging they stole Micron's talent and trade secrets. Jinhua contests the claim, and the case is continuing.

China's Foreign Ministry said Tuesday that Chinese companies should abide by laws, but "we also require foreign governments to provide fair and sound treatment for our enterprises." Jinhua, whose shareholders include a

handful of companies ultimately owned or controlled by the Fujian provincial government, didn't answer calls seeking comment. Micron declined to comment.

Jinhua is one of three state-backed semiconductor companies—the other two being Tsinghua Unigroup Ltd. and Innovera Memory Co.—that Beijing is girding to ramp up production for the memory market. China is investing an estimated \$150 billion over the decade from 2017 to support its chip industry and develop more-sophisticated know-how that will move it up the value chain.

Musk Buys \$10 Million Of Tesla, Eyes More

By MICAH MAIDENBERG

Elon Musk bought \$10 million of shares in **Tesla Inc.** on Monday and plans to spend an additional \$20 million on stock in the company, according to the company.

The cofounder and chief executive of the electric-vehicle company bought close to 30,000 Tesla shares in three separate transactions, Tesla said in a filing posted on its website Tuesday. Using a trust, Mr. Musk paid between an average of \$334.24 a share and \$335.93 a share in the transactions.

Mr. Musk "has also committed" to buying additional shares worth about \$20 million, the filing notes.

Shares in Tesla fell 1.5% to \$329.90 Tuesday.

The company has been engulfed in controversy this year, facing scrutiny from securities regulators and the Federal Bureau of Investigation. The Wall Street Journal reported last week.

Last month, Mr. Musk and Tesla settled allegations by the Securities and Exchange Commission that the CEO mis-

led investors with tweets on Aug. 7 that suggested he lined up funding to take the company private.

As part of the deal, Mr. Musk and Tesla each agreed to pay \$20 million in penalties. Separately, Tesla said when the settlement was announced that Mr. Musk intended to buy

The Tesla founder settled allegations by the SEC that he misled investors.

\$20 million in additional stock once the window to buy shares was open. Tuesday's filing suggests he later decided to buy more than previously expected.

Before the recent purchases, Mr. Musk held a stake of more than 19% in Tesla, according to FactSet.

Mr. Musk's net worth is around \$22 billion, according to Forbes.

—Tim Higgins contributed to this article.



Scenes from the 'Marvel's Spider-Man' videogame during a Sony PlayStation party in Los Angeles in June. It was released in September.

Videogames Extend Sony Comeback

BY TAKASHI MOCHIZUKI

Sony Corp. said its videogame business would power another profit record in the current business year, extending the sharp turnaround by the Japanese electronics and entertainment company.

Sony said it expected operating profit to rise 18% to ¥870 billion (\$7.7 billion) in the year ending March 2019, exceeding analysts' forecasts and the company's own earlier expectations.

Of that profit figure, more than a third is likely to come from Sony's PlayStation videogame unit, highlighting the company's ability to keep the business humming even though the unit's flagship hardware device, the PlayStation 4, was introduced nearly five years ago.

"Marvel's Spider-Man," which Sony released in September, has become one of the company's most successful game titles. Research firm NPD Group said last week the game was September's most popular title in the U.S. and had the seventh-highest sales for the first month among games released for PlayStation.

Sony also cashed in on the popularity of Epic Games Inc.'s "Fortnite." Although the game is available on other gaming platforms including Nintendo Co.'s Switch and Microsoft Corp.'s Xbox One, Sony is among the biggest beneficiaries because it has a large base of PlayStation owners who are downloading the game. The PlayStation 4 had sold 86 mil-

lion units as of September.

"Fortnite" is free to play, but many gamers pay for virtual items to dress up their avatars. Platform owners such as Sony pocket a portion of that revenue. Microsoft said last week that about half of the 36% jump in Xbox software and services revenue it reported was from the Epic game.

Epic was valued at almost \$15 billion in a new investment round disclosed last week, according to people familiar with the matter.

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Children play a game on Nintendo's Switch console in Japan earlier this year.

Nintendo CEO Optimistic Switch Consoles Will Hit Goal

BY TAKASHI MOCHIZUKI

OSAKA, Japan—**Nintendo** Co.'s chief executive said the company was on track to sell 20 million Switch consoles for the current fiscal year as planned, despite falling expectations from analysts, who cited a dearth of new hit games.

Kyoto-based Nintendo sold just over five million units of the console in the six-month period ended Sept. 30. The fiscal year ends in March.

"The Switch's momentum has been in line with our expectations," Chief Executive Shuntaro Furukawa said at a news conference. "While the 20 million goal is not an easy target to achieve, the year-end holiday season is when we get the largest revenue."

Analysts generally believe

Sugiyama has forecast Nintendo will sell 16.47 million units in the fiscal year, saying software planned for this year is attractive to core Nintendo fans but won't expand the base.

The biggest Nintendo titles released this year include "Mario Tennis Aces," which was introduced in June and sold 780,000 copies in the July-September quarter, and "Donkey Kong Country: Tropical Freeze," which was released in May and sold 270,000 copies in the same period.

Analysts have also cited a disappointing start for Nintendo Labo kits, which contain cardboard sheets that can be crafted into toys such as a fishing rod, dollhouse or mini piano and combined with the Switch.

Nintendo said it would nurture Labo for long-run success.

Last week, the company said it would bring the kit to selected elementary-school classrooms in the U.S.

Nintendo plans to release Pokémon games next month and "Super Smash Bros. Ultimate" in December. Both are big franchises that may raise hardware sales, too.

On smartphone games, Nintendo teamed up with Japanese game app developer Cygames Inc. to release a role-playing game called "Dragalia Lost" at the end of September, a new franchise for Nintendo.

Mr. Furukawa said the game was off to a good start.

While Nintendo missed analysts' earnings forecasts for the July-September quarter, its operating profit for the period was up 30% from a year earlier to ¥30.9 billion (\$273.1 million).

Revenue for the period was flat at ¥220.7 billion.

TECHNOLOGY

IBM Deal Adds Exclamation Point To Linux's Ascent

By ROBERT McMILLAN

International Business Machine Corp.'s \$33 billion bet on the world's biggest Linux company shows how the once-maverick operating-system software has cemented its place at the heart of modern business computing.

Born 27 years ago out of an experiment by Finnish software developer Linus Torvalds, Linux is, technically speaking, the core operating-system component that makes a computer work. Companies such as **Red Hat** Inc., which IBM is buying in its biggest acquisition ever, bundle this software with other free programs for clients to install on their servers and personal computers.

Linux today runs on hundreds of thousands of servers that power major technology companies such as Facebook Inc., Amazon.com Inc., and Alphabet Inc.'s Google. Because it

The open-source software has thrived in the era of cloud computing.

is the core of the widely used Android mobile operating system, it also runs on more than 40% of the world's PCs and smartphones, estimates Statcounter, an analytics website that tracks internet usage.

Even **Microsoft** Corp., whose Windows operating system competes with Linux and whose former chief executive once called Linux a cancer, has embraced the open-source software in recent years. Linux now runs on Microsoft's cloud-computing platform, for example, and in 2014 the company's current chief executive, Satya Nadella, told a crowd in San Francisco that "Microsoft loves Linux."

IBM has its own Linux rival, an operating system called AIX, though it also has worked with Linux for nearly two decades, making it a relatively early adopter. Its deal to pay a 63% premium to purchase Red Hat will link the tech stalwart's fortunes even more closely to the operating system.

Before Linux, technology companies closely guarded the source code of their software and typically sought to maximize licensing revenues. Linux turned all of that on its head. It is free, and the source code is available for anyone to tweak. Linux has thrived in the cloud era, where companies have shifted away from installing their own computers in data centers. Instead they rent computing power from servers running in someone else's facility.

"Linux represents how effective open source is at delivering software better, faster, and cheaper," said Jim Zemlin, executive director of the Linux Foundation, the nonprofit organization that supports Linux and other software projects.

Mr. Torvalds launched Linux in 1991 when he wanted a free clone of the Unix operating system—then popular for high-power workstations and servers—that he could run on his low-cost PC powered by Intel Corp. chips.

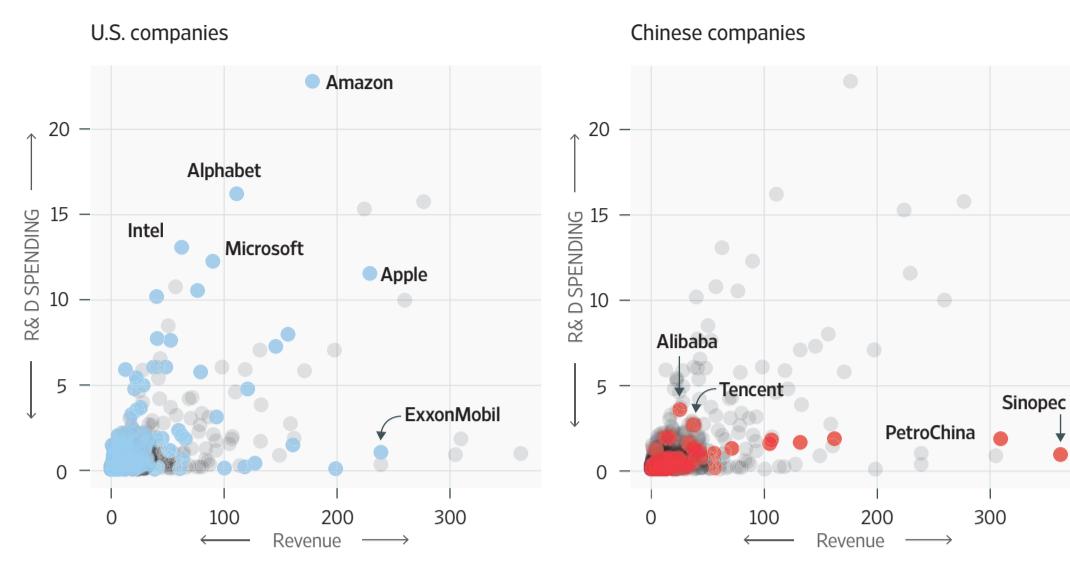
Mr. Torvalds developed the Linux kernel just as major changes in the way software was written were taking place. Developers wanted a range of rapidly evolving free tools—eventually called open-source software—that would help them build products and services for the internet age that could be fixed by their users. Within two years, companies such as Red Hat popped up to serve them.

The Red Hat deal was "obviously unthinkable back when I started," Mr. Torvalds said in an email Monday. But, he added, it is "not like IBM is some newcomer to this."

Deeper Pockets

American tech companies outspend their Chinese counterparts on R&D, due in part to greater revenue.

R&D spending versus revenue in billions of dollars, 2018



Source: PwC's Global Innovation 1000 study

THE WALL STREET JOURNAL.

U.S. Tech Firms Keep R&D Edge

By TIMOTHY W. MARTIN

SEOUL—As the U.S. and China tussle over trade and technology, American companies maintain a major advantage over their Chinese rivals in a critical area: spending on research and development.

U.S. firms, led by **Amazon.com** Inc. and Google parent **Alphabet** Inc., invested more than \$5 in R&D for every \$1 spent by Chinese companies, according to a new report from **PricewaterhouseCoopers** LLP, which logged the top 1,000 spenders among publicly traded companies for the year ended June 30.

Chinese tech giants **Baidu** Inc., **Tencent Holdings** Ltd. and **Alibaba Group Holding** Ltd. each spent less than at least 44 other companies, including **Panasonic** Corp., the Japanese industrial and consumer-electronics conglomerate.

The disparity reflects an approach to innovation by Chinese firms over the past decade in which they excel at "applications of existing technology, rather than original research," said Edward Tse, chief executive of Gao Feng Advisory Co., which advises Chinese and foreign firms. He cited mobile payments and messaging apps as examples.

Chinese Companies Often Spend Less, But for Good Reason

Some large Chinese tech firms, in comparison with U.S. rivals, have sought to innovate more through acquisition than with in-house research, said Sabrina Howell, an assistant finance professor at New York University's Stern School of Business who researches American and Chinese innovation. "Some of what you see in R&D is the outsourcing of in-

novation in China," she said.

Another factor is the difference in purchasing power for R&D dollars, especially when it comes to hiring talent. China produced 4.7 million graduates in science, technology, engineering and mathematics in 2016—more than eight times the 568,000 in the U.S., according to the World Economic Forum. "When you spend a million dollars, how many scientists do you get?" said Barry Jaruzelski of PricewaterhouseCoopers LLP. "You'd get more Ph.D.s in China than you would in the U.S."

from 14 a decade ago.

The uptick in spending reflects efforts by Chinese firms to generate homegrown innovations, particularly in artificial intelligence, 5G and self-driving vehicles, Mr. Tse said.

"The gap between the U.S. and China is closing and continues to close," said Barry Jaruzelski, who leads PwC's U.S. industrial product practice and who was lead author of the report. "It wouldn't be a shock if the lines cross in the next 10 years."

Among China's biggest R&D spenders, Alibaba spent \$3.6 billion and internet giant Tencent invested \$2.7 billion. By

comparison, Amazon, which spent the most of any publicly traded company, invested \$22.6 billion in R&D, up 40% from a year earlier. Google parent Alphabet spent \$16.2 billion.

The Silicon Valley giants have higher revenue than their Chinese counterparts, so the R&D spending gap is narrower when such investments are measured as a percentage of sales.

Amazon's vast array of businesses requires hefty R&D investments, including for robots working in warehouses and delivery drones. Alphabet, meantime, has been spending to build up its engineering talent, particularly in AI. Finance chief Ruth Porat said on an earnings call last week that R&D was the company's largest driver of an increase in operating expenses.

Amazon and Alphabet declined to comment, as did Baidu and Alibaba. Tencent said it couldn't comment before its earnings report on Nov. 14.

PwC researchers say they haven't found a correlation between investment and innovation. The findings show that the tech industry is a central driver of R&D spending, accounting for nearly \$2 of every \$5 spent worldwide.

—Laura Stevens, Douglas MacMillan and Shan Li contributed to this article.



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How Japan Affects U.S. REITs

BY PETER GRANT AND KOSAKU NARIOKA

Japanese investors, who helped fuel strong performance by U.S. real-estate investment trusts during the early years of the economic recovery, are now compounding the sector's recent problems by dumping these shares.

Japan-based REIT funds had amassed \$68 billion of assets under management two years ago and controlled a 7% share of the entire U.S. REIT market, according to Green Street Advisors.

But since 2016, the Japanese funds have sold off more than half of their holdings as their yields fell sharply, investors cashed out and fundraising became tougher. These investors had \$31 billion of assets under management in September, down to 4% of the U.S. market, Green Street said.

Japanese investors began pouring into U.S. REIT funds in the beginning of this decade in pursuit of high yields in a world of low interest rates.

Global REIT funds were able to pay enormous yields—as high as 26% in 2016, according to Green Street—partly because of strong REIT performance and the rising value of the dollar versus the yen. But they also paid out double-digit returns because Japan allows fund managers to include both REIT dividends and REIT share appreciation in yields, regardless of whether or not the shares had been sold.

Enthusiasm for the funds began to flag as REITs underperformed both the broader stock market and the private real-estate market.

Japan's Financial Services Agency also put a damper on fundraising by criticizing financial services products that focus more on month-to-month yields instead of growing wealth.

Bleeker Street in New York City has seen retail vacancies after rents jumped. Some smaller retailers, many of which got their start online, are opening pop-up stores.

Brookfield wants to fill West Village area with entrepreneurs on short-term deals

BY KEIKO MORRIS

A global real-estate firm thinks it may have found a way to slow the rise of vacant storefronts that have marred New York City neighborhoods and other metro areas.

Brookfield Properties this spring acquired seven empty retail spaces on Bleeker Street. The downtown block, which cuts through Manhattan's West Village neighborhood, has become infamous for its proliferation of retail

vacancies after rents shot way up. The closed doors have depressed local residents and alienated shoppers.

Brookfield's plan, launched this month, is a sort of extended pop-up store strategy: fill the vacant spaces with new entrepreneurs on short-term deals, then create events and encourage retailers to hold their own programs. The Toronto-based firm has been attracting smaller retailers, many of which got their start online, with slightly below market-rate rents and help in marketing.

Local residents, city landlords and shoppers will be watching to see if Brookfield's plan succeeds. Rates for vacant or soon-to-be vacant re-

tail space are at historically high levels across Manhattan. They are rising not just on Bleeker Street but on Madison Avenue, where the rate edged up 5.5 percentage points to 28.4% in the third quarter, as well as other uptown corridors, according to real-estate services firm Cushman & Wakefield.

More than just an eyesore, long-shuttered storefronts hurt nearby open businesses, can undermine property values and turn lively streets into dead zones, making them feel less safe.

Brookfield said it is using Bleeker Street as a testing ground for what can be applied to other neighborhoods in New York City and beyond,

as well as identifying promising brands that it could add to other properties.

"For us it's a great learning experience and hopefully something we'll take globally," said Michael Goldban, head of retail leasing for Brookfield Properties, the operating arm of Brookfield Property Partners. "Part of the problem in the retail world is that things got very commoditized."

The new Bleeker tenants have often collaborated with artists to gain exposure. Fleurotica, a floral design shop hosted a reception for photographer Robert Hickerson. Slightly Alabama, a leather accessory brand with a dive bar and leather-making workshop in the back of the store, has

joined with Rolling Stone magazine for musician interviews and other events.

Lingua Franca, a brand of cashmere sweaters with phrases like "believe survivors," slated to open next month, looks to keep customers in the shop by having the women who embroider the garments working in the middle of the store.

Bonberi, a recently opened health shop, holds Q&A sessions with health and wellness teachers and makers of some of the products it sells.

"It's not just a retail store in my mind," said co-founder Nicole Berrie. "It's a throwback to old school salons discussing interesting topics, a place people can linger."

As Supply of Senior Housing Soars Baby Boomers Stay Put

BY ESTHER FUNG

It seemed one of the surest bets in real estate: build senior-housing facilities that cater to aging baby boomers who will require more care.

The problem is, boomers haven't much cooperated.

The supply of senior housing has soared in recent years after many investors struck on the same idea. The market has added 84,727 units since the end of 2012, up from 59,136 units during the six years before, according to the nonprofit National Investment Center for Seniors Housing & Care.

But much of that senior housing hasn't been needed.

Many in the generation born between 1946 to 1964 have remained fitter, more independent or stayed closer to their families than many developers anticipated. And since recent demographic data suggests people tend to move into senior-living facilities after they reach 82 years old—the oldest boomer won't turn 80 until 2026—many of these facilities have arrived ahead of their time.

"What's happened to the industry is that everyone sees the demand, and they can't quite figure out exactly when to time it," said Lucinda M. Baier, chief executive officer at Brookdale Senior Living Inc., the largest operator of senior housing in the U.S.

Occupancy rates for senior housing stood at 87.9% in both the second and third quarter—the lowest rate since 2011 when it reached 87.5%, according to NIC, which tracks market-rate properties.

Occupancy levels for assisted-living facilities, a category of senior housing, are also at their lowest levels since reporting on this data began in 2006, NIC said.

"There's been a severe supply problem," said Jeffrey Yurk, assistant portfolio manager who specializes in the healthcare sector at Heitman's North American Public Real Estate Securities Group. He has reduced investments in REITs with big

Outstripping Demand

Senior housing inventory levels and number of occupied units



Occupancy rates for senior housing in the U.S.



Source: National Investment Center for Seniors Housing & Care

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ger exposure to senior housing.

In recent years, shares of Brookdale, a Brentwood, Tenn.-based company, have tumbled following concerns of oversupply.

Senior housing includes independent living and assisted-living facilities for residents who don't require round-the-clock care. Those with more complex health conditions reside in nursing homes.

The glut also reflects some developers overestimating the number of seniors who can afford these residences, which cost around \$3,000 to \$8,000 a month.

Seniors older than 80 are part of the so-called Silent Generation, which suffered through the Great Depression and World War II, and many remain frugal and independent, analysts say.

"We have enjoyed having our own house and not have regimented meals," said 96-year-old Ed Chambers, who lives with his 99-year-old wife in a three-bedroom house in Wyckoff, N.J. Mr. Chambers, who uses a walker, said there is a volunteer board in his commu-

nity so someone takes care of the snow-shoveling and lawn-mowing duties.

The supply growth hasn't frightened off everyone. Mr. Yurk, Ms. Baier and many others believe senior-housing demand is coming. Related Cos., one of the largest real-estate developers in the U.S., said this month it is joining with senior-housing manager Atria Senior Living to build more than \$3 billion of luxury urban residences catering to seniors over the next five years.

Related said it sees demand from its customers looking for homes for themselves or their family members. The current oversupply situation won't last, said Bryan Cho, executive vice president at Related.

Developers including Welltower Inc., Ventas Inc., Hines and Harrison Street Real Estate Capital have also invested in senior housing in recent years. Some favor it because senior housing is less tied to the ups and downs of the economic cycle than hotels, retail and most other types of commercial properties.

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BUSINESS NEWS

New Industry Is Born Using Travel App

Grabr enables delivery of goods to shoppers abroad, but some people don't pay duties

BY ANDREA FULLER

Online companies that hook up travelers willing to deliver items to shoppers abroad are building a new industry, but their users often participate in an age-old tradition: customs evasion.

The companies aim to make it easier for people overseas to buy and receive U.S. goods like electronics by connecting them with visitors to their countries willing to haul the items in their bags.

San Francisco-based Grabr, which says it has more than 500,000 world-wide registered users, offers a web platform allowing shoppers to request international deliveries. The company, backed by big-name investors including Peter Thiel's Founders Fund, is popular in markets such as Brazil and Argentina, where foreign goods purchased locally are expensive. Many goods are a vastly better deal for Grabr shoppers if their traveling partners don't incur any duties on arrival.

The Wall Street Journal interviewed more than a dozen Grabr travelers, almost all of whom said they tried to bring expensive items through customs without paying duties.

"I would take the items out of the boxes to make them look used," said former deliverer Evelyn Slater-Shew, 27 years old, of Long Beach, Calif., on how she would avoid customs when transporting goods.

Ms. Slater-Shew said she delivered items selected by Grabr staffers who appeared to know "what we were doing" and advised her to "make everything look used or old."

"This is something that we don't endorse as a company,"

said Daria Rebenok, Grabr's chief executive. Ms. Rebenok and Artem Fedyaev, Grabr's co-founders, said they were concerned by the examples provided by the Journal of travelers who dodged duties.

Grabr's co-founders say the company's terms of service require users to comply with customs.

Several attorneys said customs evasion, while common, can be a crime. Companies that knowingly facilitate such behavior could be committing organized customs fraud, said Matt Gold, a former deputy assistant U.S. trade representative.

Grabr's co-founders say they started the company to help people get items unavailable locally and to promote cross-cultural exchanges.

Grabr works like this: A shopper posts on Grabr's platform that they would like to buy an item, such as a new smartphone. A traveler who plans on visiting the shopper's country then agrees to transport the phone for a delivery fee negotiated with the shopper. The traveler then buys the phone, packs it and gives it to the shopper, who pays them back via Grabr's system. The company earns a commission on each transaction.

Often, travelers are responsible for paying for their own trips, and hauling the goods helps offset the cost. In other cases, Grabr contracts with travelers, giving them free plane tickets in lieu of per-item rewards. Those travelers, such as Ms. Slater-Shew, transport suitcases full of goods assembled by Grabr staff.

Grabr says that travelers bringing in items, not the shoppers, are responsible for paying customs. Grabr recommends travelers set their delivery fees high enough to cover expected duties.

An analysis by the Journal of more than 95,000 transactions on Grabr's site suggests



Grabr co-founders Artem Fedyaev and Daria Rebenok said they don't endorse customs evasion.

the site were made by other staff using her account. She said she always pays duties and doesn't aim to profit from transactions, which she was doing for research and development testing purposes.

Kevin Hartz, a former Founders Fund partner, said people may have a "knee-jerk reaction" that a new market like peer-to-peer delivery "would be a type of smuggling." An early Airbnb investor, Mr. Hartz compared those concerns to ones voiced by early skeptics on the legality of home sharing.

"This is just a matter of sentiment change," said Mr. Hartz, who directed his former firm's \$250,000 investment in Grabr. Grabr says it has received about \$14 million from investors.

When provided by the Journal with examples of Grabr travelers evading customs officials, Mr. Hartz said he doesn't endorse customs evasion and Grabr should encourage compliance. A representative at the Founders Fund had no comment.

Grabr's co-founders said that the experiences of travelers making bulk deliveries in exchange for flights aren't reflective of Grabr's future business model, because that team is being phased out. Grabr is improving traveler education about customs, they said.

One man in Brazil asked on Grabr's Facebook page if a traveler could bring an item without a box "to skip the country's fees." Ms. Rebenok replied that the shopper "can ask to bring in a box—but delivery fee might be higher for that. If without the box—it will definitely be cheaper, so yes you can ask for that," adding a smiley-face emoji.

Ms. Rebenok said she made that suggestion because people may want "to save space in their suitcases." The comment was deleted after the Journal asked about it.

Startup Deliv Raises \$40 Million

Deliv Inc., a startup that provides same-day deliveries for Walmart Inc. and other retailers, has raised \$40 million in funding that values the company at less than \$500 million, according to a person familiar with the matter.

As shopper demand for speedy delivery of everything from food to designer shoes

grows, a range of investors, including retailers, tech firms and car manufacturers are rushing to spend in the space. Rival Instacart Inc. raised \$600 million earlier this month.

New investors in the latest Deliv funding include Alphabet Inc.'s Google and rental-car firm **Enterprise Holdings**, Deliv said.

Previously, Deliv raised over \$40 million from investors including mall owner GGP Inc. and **United Parcel Service** Inc. at a \$71.6 million valuation, according to PitchBook Data Inc.

Deliv, based in Menlo Park, Calif., has carved out a niche in the competitive landscape by not emphasizing its brand with shoppers, instead working behind the scenes to provide logistics software along with a crowdsourced fleet of drivers to make deliveries.

"We simply plug into them and power delivery for them," allowing the retailer to keep a direct connection to shoppers, said Deliv founder and CEO Daphne Carmeli.

—Sarah Nassauer

many travelers don't heed that advice.

The Journal identified about 1,400 times shoppers in Argentina and Brazil ordered a single item costing at least double the duty-free limits of \$300 and \$500, respectively. (Argentina recently changed its rules, exempting one phone and laptop per traveler.) In about 97% of the transactions, their travel partners' delivery fee—as reflected on the Grabr website—wouldn't have been high enough to cover duties. Travelers to those countries should

owe customs 50% of the portion of the value of items over the duty-free limit.

Grabr's co-founders said the amounts shown on its site may not always reflect the final delivery fee travelers receive; they didn't provide an example.

Shoppers might compensate travelers for customs charges in cash, Mr. Fedyaev said, and added that Grabr is improving its system to track those payments.

Ms. Rebenok said that most items requested via Grabr are below the duty-free limit. It

couldn't be determined how often travelers top the limits by combining multiple cheaper items, another way to draw a duty.

Last year, Ms. Rebenok agreed to bring Apple laptops to seven shoppers in Argentina, Grabr's website shows.

The site says that her highest delivery fee on any of the computers was \$285, though duties should have cost hundreds of dollars more for each computer.

Ms. Rebenok said some deliveries attributed to her on

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
 i-New 52-week high.
 ii-New 52-week low.
 iii-Losses in the most recent four quarters.
 FD-FIRST day of trading.
 h-Does not meet continued listing standards.
 If-Late filing.
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 w-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, October 30, 2018

Net Stock Sym Close Chg

Stock Sym Close Chg

Net Stock Sym Close Chg

A B C

ABB ABB 19.81 -0.52

ADT ADT 7.30 -0.01

AES AES 14.02 +0.30

Aflac AFL 43.14 -0.86

AGNC Inv AGNC 17.84 -0.04

AGNCi Homesvc AGNC 16.16 -0.53

Ansys ANSS 146.20 -2.39

ASML ASML 168.74 -5.37

AT&T T 30.47 -0.83

AbbottLabs ABT 68.06 -0.91

AbbVie ABV 81.59 -0.23

Abiomed AMBD 33.21 11.99

Accel ACN 154.62 1.88

ActvntionBlz ATVI 67.48 -2.86

Adobe ADBE 238.41 -1.34

AdvanceAuto AAP 164.97 0.10

AdmicoDevices ADM 17.20 0.35

Aegon AEG 6.04 0.09

AerCap AER 50.30 0.73

Aetna AET 197.65 0.38

AffiliatedMtrs AMG 115.17 3.75

AgilentTechs A 63.64 1.56

AgnicoEagle AGN 35.61 0.13

Alprod APD 153.78 2.26

AkamaiTechs ATM 72.55 10.50

AlaskaAir ALK 63.24 -2.24

Albermarle ABL 97.12 1.96

Alcoa AA 34.01 -0.38

AlexandriaRst ALX 14.35 -0.76

AlexionPharm ALXN 11.41 -1.97

Allstate ALL 13.43 -0.55

AlignTech ALIGN 22.01 5.07

Allkenes ALCN 48.00 -0.20

Allegany Y 59.72 2.41

Alliegion ALLE 84.64 -2.93

Allergan AGN 16047.81 -13.13

AllianceData ADS 201.58 0.38

AlliantEnergy LNT 45.51 0.21

AllisonTransc ASN 44.21 0.28

Allstate ALL 95.49 -1.95

AllyFi Financial ALC 25.06 -0.78

AlmyPharm ALM 78.01 4.11

Alphabt C GOOG 103.62 16.13

Alphabt A GOOG 104.91 14.78

Altavala AABA 57.92 1.09

AlticeUSA ATU 15.37 0.76

Altira MO 65.87 2.26

AlumofChina ACH 8.90 0.11

Amazon AMRN 20.76 -0.42

Amcampus ACC 40.30 -0.22

Amdev AEP 74.29 0.25

AmerExpress AXP 102.09 0.89

AmericanFin AFG 102.59 2.41

AmericaHomes AMH 21.20 0.15

AMG 40.96 1.05

Bankny Mellon BAC 46.92 1.15

Barkayl BBLV 28.56 0.52

Bartoli BCS 29.02 0.15

BatcoOff COG 24.27 1.31

BayerBldg BBT 15.52 0.51

BayerTech BBT 48.28 -0.51

BBDT BDU 18.30 0.21

BCE BCE 39.28 -0.21

BCHill BDU 18.30 0.21

BCHill BDU 18.30 0

NEW HIGHS AND LOWS

| WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG—Daily percentage change from the previous trading session.

Tuesday, October 30, 2018				52-Wk % Hi/Lo Chg				Stock Sym Hi/Lo Chg				52-Wk % Hi/Lo Chg				Stock Sym Hi/Lo Chg				52-Wk % Hi/Lo Chg				Stock Sym Hi/Lo Chg			
Highs				AltaBiotics AABA 55.76 1.9				CloudPeakEnergy CLD 1.65 -5.7				Griffon GFF 12.14 -3.2				NavistarIntl NAVI 260.65 0.8				ScienceAppl SAIC 66.24 0.5				SpartanMotors SPAR 10.87 1.8			
ATM Intl ATTN 87.63 5.8				AmeriHoldings AMRH 0.24 -3.1				Cognex CGNX 36.16 6.0				Gyrodyne GRDN 8.07 1.8				NaviosMartitime NIMO 1.43 -2.6				SpencoTherapy NTGM 5.62 0.5				TechInnovComm TCO 3.58 -5.2			
AgreeRealty ADC 59.36 1.7				AIG WS 6.70 4.9				AltranMotion AIMC 30.82 0.2				BabsonIndustries BBLI 25.25 -0.4				BaborIndustries NIMO 4.49 -2.7				BainbridgeCorp BIF 9.11 1.4				VestasWind VEST 18.01 4.9			
AllergoMerger ALGR 9.63 0.2				AmericanWoodmark AWMD 55.03 5.3				CommScore SCOR 14.66 4.6				GreenSky GSKY 11.83 4.0				GreentechHospital GHG 2.50 -2.0				HabibBank PBD 25.36 1.1				VestasWind VEST 18.01 4.9			
AmerTowerREIT ATRE 187.71 0.1				AmericanWaterways APRU 10.93 1.3				BainbridgeCorp BIF 9.11 1.4																			
Aon AON 159.13 1.3				Ampco-Pitt AP 3.55 0.8				ApparelCorp APPH 0.25 -9.8				Ardeley ARDX 2.81 1.1				AvantNav ANPL 20.37 -0.1				AvantNav ANPL 20.37 -0.1				AvantNav ANPL 20.37 -0.1			
BioDeliverySci BDSI 3.06 -3.4				BionanoGenomics BNGN 1.00 1.0																							
BurlingtonCoatCar CCR 177.17 1.9				BuckleyBiosci BCB 1.45 -0.4				BuckleyBiosci BCB 1.45 -0.4				CanaCo CAR 44.38 2.0															
CambiumLearning CBL 14.45 -0.4				CapitaCorp CAPA 1.24 0.1																							
EngCr-Cmc CIGC 3.21 2.4				Environics Corp ENVI 39.90 1.9				Environics Corp ENVI 39.90 1.9				Equinix EQIX 28.73 9.1															
Core-Mark COR 39.90 1.9				AppliedDNASci PDPW 10.11 1.5				AppliedDNASci PDPW 10.11 1.5				Aerojet Rocketdyne AJRD 19.07 -1.4				Aerojet Rocketdyne AJRD 19.07 -1.4				Aerojet Rocketdyne AJRD 19.07 -1.4				Aerojet Rocketdyne AJRD 19.07 -1.4			
DeckersOutdoor DECK 129.62 5.9				AppliedOptoelectro AAOI 19.07 -1.4				AppliedOptoelectro AAOI 19.07 -1.4				Ardagrin ARDX 2.81 1.1															
ElectroSci ESO 28.73 9.1				AvantNav ANPL 1.24 0.1																							
ErieInnLeisure AERIE 131.44 1.6				Aeroflex AERL 1.24 0.1																							
GamidaCorp GAMC 10.10 10.5				Aeroflex AERL 1.24 0.1																							
GlobalWaterSysts GWRS 11.14 5.5				Aeroflex AERL 1.24 0.1																							
HCP 27.78 1.																											

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24874.64 ▲ 431.72, or 1.77%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open
July Aug. Sept. Oct. 23500

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2682.63 ▲ 41.38, or 1.57%
High, low, open and close for each trading day of the past three months.



July Aug. Sept. Oct. 24500

Nasdaq Composite Index

7161.65 ▲ 111.36, or 1.58%
High, low, open and close for each trading day of the past three months.



July Aug. Sept. Oct. 6850

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	24906.68	24415.69	24874.64	431.72	1.77	26828.39	23271.28	6.4	0.6	12.1
Transportation Avg	10189.86	9897.38	10175.57	279.46	2.82	11570.84	9440.87	4.3	-4.1	7.8
Utility Average	747.00	734.26	742.58	2.34	0.32	774.47	647.90	-1.4	2.7	8.6
Total Stock Market	27653.42	27129.12	27627.97	438.83	1.61	30390.61	26521.20	3.5	-0.2	8.7
Barron's 400	679.08	661.10	678.65	15.75	2.38	786.73	661.92	-1.8	-4.5	8.2

Nasdaq Stock Market

Nasdaq Composite	7166.84	7001.48	7161.65	111.36	1.58	8109.69	6706.21	6.5	3.7	12.3
Nasdaq 100	6816.27	6652.53	6810.12	96.22	1.43	7660.18	6236.39	9.0	6.5	13.6

S&P

500 Index	2685.43	2635.34	2682.63	41.38	1.57	2930.75	2564.62	4.2	0.3	8.9
MidCap 400	1820.60	1784.65	1819.53	30.94	1.73	2050.23	1788.59	-0.8	-4.3	8.0
SmallCap 600	951.54	927.49	950.90	20.81	2.24	1098.36	889.94	4.3	1.6	11.3

Other Indexes

Russell 2000	1507.16	1474.80	1506.64	29.33	1.99	1740.75	1463.79	0.3	-1.9	9.0
NYSE Composite	12139.20	11952.71	12129.94	187.43	1.57	13637.02	11942.51	-1.7	-5.3	5.1
Value Line	526.56	515.44	526.39	10.74	2.08	593.57	515.65	-2.9	-6.4	4.1
NYSE Arca Biotech	4527.69	4432.20	4505.87	49.95	1.12	5400.34	4045.25	9.8	6.7	8.6
NYSE Arca Pharma	572.69	564.89	572.25	4.33	0.76	598.21	516.32	7.2	5.0	1.7
KBW Bank	97.56	95.58	97.43	1.32	1.38	116.52	93.87	-4.0	-8.7	10.3
PHLX® Gold/Silver	65.83	64.32	65.44	0.74	1.14	92.08	61.92	-19.4	-23.3	8.3
PHLX® Oil Service	119.48	114.87	119.34	1.83	1.56	170.18	117.51	-9.9	-20.2	-12.4
PHLX® Semiconductor	1188.74	1140.36	1187.57	47.41	4.16	1449.90	1140.15	-6.9	-5.2	21.5
Cboe Volatility	25.55	23.11	23.35	-1.35	-5.47	37.32	9.14	129.4	111.5	15.7

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours High	Low
SPDR S&P 500	SPY	13,854.4	268.17	0.40	0.15	268.60	263.69
Facebook Cl A	FB	12,813.9	151.75	5.53	3.78	154.45	136.40
Praxair	PX	9,769.7	165.00	0.50	0.30	165.90	164.07
Invesco QQQ Trust I	QQQ	4,863.5	166.52	0.60	0.36	167.00	163.40
Lennar Cl A	LEN	4,105.5	42.49	-0.55	-1.28	43.05	40.86
Extraction Oil Gas	XOG	3,737.2	7.66	...	unch.	7.66	7.49
General Electric	GE	3,644.9	10.16	-0.02	-0.20	10.41	10.08
First Data Cl A	FDC	3,167.9	17.95	0.11	0.62	17.95	17.81

Percentage gainers...

KemPharm	KMPH	80.6	2.49	0.31	14.22	3.10	2.16
Arconic	ARNC	812.5	21.00	1.30	6.60	22.50	19.68
FireEye	FEYE	372.6	17.89	1.04	6.17	18.00	15.99
Yum China Holdings	YUMC	714.8	33.39	1.70	5.36	34.00	31.58
VEON ADR	VEON	87.3	2.99	0.14	4.91	2.99	2.82

...And losers

Clovis Oncology	CLVS	446.7	13.14	-3.47	-20.89	17.99	12.63
3D Systems	DDD	295.2	13.70	-3.26	-19.22	16.96	13.57
McDermott International	MDR	88.0	10.50	-2.37	-18.41	12.87	10.05
IQIYI ADR	IQ	9					

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hi	lo	Low	Settle	Chg	Open
		Open	High	hi	lo	Low	Settle	Chg	interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,6630	2,6630	2,6630	-0.0765	2,990				
Nov 2,7115	2,7245	2,6635	2,6630	-0.0765	2,990				
Dec 2,7085	2,7330	2,6615	2,6640	-0.0765	117,739				
Gold (CMX) -100 troy oz.; \$ per troy oz.	1227.70	1227.70	1219.80	-2.10	98				
Nov 1227.70	1227.70	1222.60	1222.60	-2.10	98				
Dec 1231.90	1232.50	1221.40	1225.30	-2.30	366,720				
Feb'19 1238.10	1238.50	1231.30	1231.30	-2.40	66,943				
June 1250.50	1250.50	1241.20	1243.50	-2.30	15,891				
Aug 1245.40	1252.00	1245.40	1249.30	-2.20	2,838				
Dec 1263.70	1263.70	1257.40	1261.50	-2.20	5,982				
Palladium (NYM) -50 troy oz.; \$ per troy oz.	1055.00	1055.00	1054.50	-24.30	23,465				
Dec 1075.80	1084.40	1054.50	1055.00	-24.30	23,465				
March'19 1068.70	1076.10	1048.70	1048.70	-23.80	4,504				
Platinum (NYM) -50 troy oz.; \$ per troy oz.	831.70	831.70	831.70	834.60	2.50	45			
Nov 831.70	831.70	831.70	834.60	2.50	45				
Jan'19 836.40	843.40	834.60	839.00	2.10	68,202				
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	14,446.00	14,446.00	14,340	14,403	0.017	1,260			
Dec 14,470	14,530	14,375	14,446.00	0.020	161,973				
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	104.40	104.40	104.40	104.40	0.00	1,000			
Dec 66.66	67.26	65.33	66.18	-0.86	454,348				
Jan'19 66.87	67.41	65.51	66.31	-0.90	217,021				
Feb 66.99	67.52	65.65	66.42	-0.92	116,881				
March 67.05	67.66	65.81	66.55	-0.93	151,894				
June 67.51	67.87	66.13	66.79	-0.95	174,811				
Dec 66.72	67.12	65.55	66.04	-1.01	215,402				
NY Harbor ULSD (NYM) -42,000 gallon; \$ per gal.	2,2598	2,2598	2,2348	-0.245	15,116				
Dec 2,2762	2,2866	2,2348	2,2598	-0.245	15,116				
Dec 2,2747	2,2869	2,2340	2,2594	-0.247	142,665				
Gasoline-NY RBOB (NYM) -42,000 gallon; \$ per gal.	1,8063	1,8253	1,7873	1,8023	-0.0186	134,819			
Jan'19 1,8097	1,8254	1,7896	1,8024	-0.0198	82,813				
Natural Gas (NYM) -10,000 MMBtu's; \$ per MMBtu.	4,8900	4,8900	4,8900	4,8900	0.0000	1,000			
Dec 3,178	3,281	3,166	3,187	-0.11	247,598				
Jan'19 3,240	3,337	3,224	3,244	-0.17	244,436				
Feb 3,162	3,245	3,146	3,163	-0.18	108,389				
March 2,928	2,991	2,918	2,934	-0.010	230,060				
April 2,660	2,699	2,657	2,661	-0.015	155,428				
Oct 2,707	2,737	2,702	2,707	-0.011	106,846				

	Contract	Open	High	hi	lo	Low	Settle	Chg	Open
		Open	High	hi	lo	Low	Settle	Chg	interest
Corn (CBT) -5,000 bu.; cents per bu.	366.75	368.00	364.25	364.75	-2.00	743,666			
Dec 379.00	380.25	376.75	377.25	-2.00	414,393				
Oats (CBT) -5,000 bu.; cents per bu.	286.50	288.00	278.00	279.75	-6.75	5,103			
March'19 281.00	281.25	273.50	276.25	-4.50	1,952				
Soybeans (CBT) -5,000 bu.; cents per bu.	839.00	842.00	832.25	833.50	-5.50	41,905			
Jan'19 852.25	855.00	845.75	847.00	-5.25	306,855				
Soybean Meal (CBT) -100 tons; \$ per ton.	308.80	311.00	305.00	305.10	-3.10	160,913			
Jan'19 310.50	312.50	307.00	307.10	-2.90	112,718				
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	27.89	28.04	27.75	28.00	.11	187,960			
Jan'19 28.10	28.26	27.97	28.22	.11	116,832				
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	1044.00	1044.00	1024.00	1044.00	-3.50	438			
Jan'19 1060.50	1063.00	1039.00	1044.00	-19.00	7,140				
Wheat (CBT) -5,000 bu.; cents per bu.	505.50	507.50	497.00	499.75	-7.50	248,650			
March'19 524.50	525.75	514.25	517.50	-8.50	135,296				
Wheat (KC) -5,000 bu.; cents per bu.	498.50	501.25	491.50	494.75	-6.75	155,976			
March'19 526.00	527.00	517.25	520.50	-7.25	92,305				
Wheat (MPLS) -5,000 bu.; cents per bu.	577.50	578.25	571.00	571.50	-6.00	36,013			
March'19 586.25	586.50	581.25	581.75	-4.25	23,163				
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.	154.00	154.025	152.050	152.175	-1.725	7,706			
Jan'19 150.75	150.75	147.75	148.100	-1.725	26,947				
Cattle-Live (CME) -40,000 lbs.; cents per lb.	114.50	114.500	113.500	113.900	-400	757			
Oct 117.65	117.725	116.525	116.800	-400	122,000				
Hogs-Lean (CME) -40,000 lbs.; cents per lb.	59.525	59.875	58.700	59.000	.150	95,632			
Feb'19 67.100	67.375	66.525	66.950	.050	45,271				
Lumber (CME) -110,000 bd-ft.; \$ per 1,000 bd-ft.	1,269.80	1,269.80	1,269.80	1,269.80	0.00	1,000			
Oct 1,269.80	1,269.80	1,269.80	1,269.80	0.00	1,000				
Milk (CME) -200,000 lbs.; cents per lb.	48.07	48.07	47.95	48.07	0.00	100			

Agriculture Futures

	Contract	Open	High	hi	lo	Low	Settle	Chg	Open
		Open	High	hi	lo	Low	Settle	Chg	interest
Corn (CBT) -5,000 bu.; cents per bu.	366.75	368.00	364.25	364.75	-2.00	743,666			
Dec 379.00	380.25	376.75	377.25	-2.00	414,393				
O									

BANKING & FINANCE



The amount outstanding on the bond, which is partly backed by Citgo Holding shares, falls to \$1.7 billion. A refinery in Venezuela.

Venezuela Pays Citgo Bond

Government makes payment to preserve a revenue-producing asset amid crises

By JULIE WERNAU

Venezuela's state oil company made a nearly \$1 billion payment Monday on the only bond it has continued to service while in default on other debts, according to people familiar with the matter.

The payment on the **Petróleos de Venezuela** SA bond due 2020 underscores the South American government's determination to retain control of its remaining dollar revenues amid a widespread economic and humanitarian crisis. The bond is backed in part by shares of **Citgo Holding** Inc. that have been pledged as collateral to bondholders.

Venezuela has been eager to retain control of the oil refiner, believed to be Venezuela's largest U.S.-based asset and one of its last remaining cash-paying customers for oil as its crude production has dwindled.

Oil exports make up 95% of Venezuela's dollar earnings, and production has been falling

off in large part due to a lack of access to capital.

"The reason they've paid is that they want to keep their hands on the one performing asset they have outside of the country," said Graham Stock, emerging-markets sovereign strategist at RBC Global Asset Management's BlueBay Asset Management, which holds the bond.

The Venezuelan government deposited funds for the bond payment late last week, according to people familiar with the matter, directing \$842 million for principal repayment and \$107 million for interest.

Officials at PdVSA and Venezuela's Information Ministry didn't respond to requests for comment.

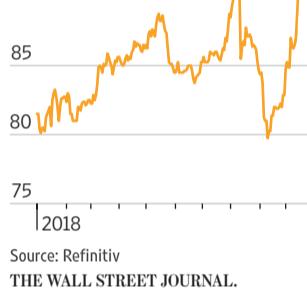
With this week's payment, the amount outstanding on the bond, which had an original principal of \$3.4 billion, drops to \$1.7 billion. This gives investors confidence that the Citgo collateral is enough to cover the remaining balance, analysts said. Analysts place Citgo's value between \$3 billion and \$5 billion, but determining its actual value is difficult due to a paucity of recent publicly available data.

So far, holders of the 2020

Still Getting Paid

Price for Petróleos de Venezuela bond due 2020

95 cents on the dollar



Source: Refinitiv

THE WALL STREET JOURNAL.

bond are among the only Venezuela creditors who have continued to receive payments. That is part of a strategy designed to protect Citgo, say analysts and attorneys.

"It's a lot of money for them. Their oil production is collapsing," said Hongtao Jiang, head of emerging-markets sovereign-credit strategy at Deutsche Bank.

Since Venezuela's first defaulted bond payment late last year, Fitch Ratings estimates the sovereign has missed \$3.8 billion in interest and principal

payments on its commercial bonds. PdVSA has missed another \$1.7 billion in payments.

Venezuela is deep in the throes of crisis. The country stopped publishing official information about its finances years ago, including national accounts, public finances, balance of payments and inflation.

That has left thousands of lenders to Venezuela—from Venezuelan retirees in Miami to public pension funds and hedge funds—searching for signs about when and if the crisis will turn. Prices for Venezuela's defaulted debt are hovering around 20 cents on the dollar. Some market participants are betting an eventual regime change that reopens Venezuela to direct foreign investment will cure its collapsing oil sector and lead the country to economic recovery.

PdVSA's bond due 2020 traded at 91.625 cents Tuesday, up slightly from 90.5 cents the last business day before the \$950 million in principal and interest came due. Top holders include institutional investors such as **T. Rowe Price, Ashmore Group PLC** and **BlackRock Inc.**

—Ginette Gonzalez contributed to this article.

Credit Union Staff Faults Safeguards Against Laundering

By RYAN TRACY

Employees at one of the largest and fastest-growing credit unions in the U.S. told executives and regulators that it had a flawed program to prevent money laundering, according to people familiar with the matter and internal credit-union documents.

The concerns raised about **Pentagon Federal Credit Union** in 2016 and 2017 included understaffing, gaps in reporting of potentially suspicious transactions to the government, insufficient monitoring of wire transfers, a lack of anti-money-laundering training for senior leaders and inadequate scrutiny of potentially high-risk customers, according to internal PenFed emails and reports.

The documents, which haven't previously been reported, don't contain evidence of alleged money laundering by PenFed customers. They include emails and reports created by PenFed staffers who analyzed the adequacy of its anti-money-laundering operation and were arguing for a higher budget, given the credit union's rapid growth.

In response to questions from The Wall Street Journal about the employees' concerns, PenFed's chief audit executive, Russell Rau, said in a statement: "These false allegations against PenFed were properly reviewed by the appropriate third-party authorities that have unfettered access to ALL relevant information, and were determined to be unfounded."

The National Credit Union Administration, PenFed's regulator, and the Treasury Department's Financial Crimes Enforcement Network, known as FinCEN, which enforces anti-money-laundering rules, declined to comment.

PenFed General Counsel Scott Lind said that the credit union's anti-money-laundering program "fully complies with all government regulations."

In the time since its employees raised concerns, PenFed has made changes to the program, according to Mr. Lind and other documents reviewed by the Journal. These changes include reorganizing management, hiring more

staff, adopting new policies and investing in suspicious-activity detection technology.

Ross Delston, a lawyer and anti-money-laundering consultant, said such employee allegations, if they had been found to be true, would likely have represented the types of compliance gaps that have led bank regulators to bring fines or other serious actions. He didn't comment on PenFed.

The PenFed employees' concerns were reported in 2017 to the NCUA, people familiar with the matter said. PenFed and its regulator later agreed to a "document of resolution" in which PenFed privately agreed to bolster its anti-money-laundering program, one person said.

Mr. Lind said that improvements were made as "our

PenFed's chief audit executive says the employee allegations were unfounded.

membership has grown and because laws and regulations have expanded certain requirements" and not because of any deficiency.

Mr. Lind also provided to the Journal a copy of a May 2017 letter from FinCEN congratulating PenFed for reporting information that "made a significant contribution" on one significant criminal case, involving "transnational organized crime."

The credit union's internal documents offer a rare look inside a large financial institution's procedures to detect money laundering. Under U.S. law, financial institutions must monitor customers and report suspicious transactions.

With more than 1.6 million members and about \$24 billion in assets, PenFed is the third-largest U.S. credit union. It was formed in 1935 and has expanded beyond its original membership of military officers.

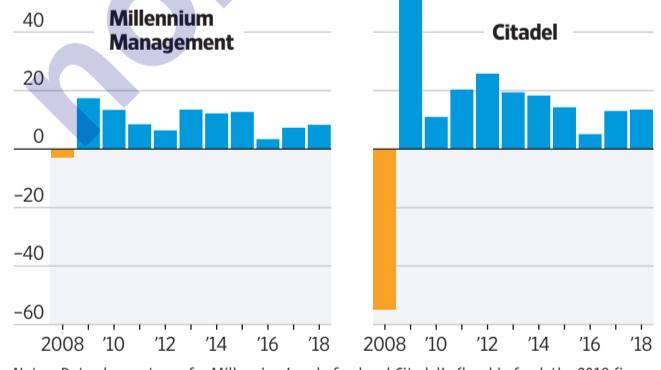
In 2015, NCUA gave PenFed the highest possible rating, according to a confidential examination report reviewed by the Journal.

Stalwart Hedge Funds Test Clout With Clients

By JULIET CHUNG

Steady Streak

Millennium and Citadel are the rare hedge funds that have posted consistent, strong returns since the financial crisis.



Notes: Data show returns for Millennium's sole fund and Citadel's flagship fund; the 2018 figures are through September.

Sources: people familiar with the firms' returns; HFR (industry average)

York firm that invests \$235 million of client money in and alongside hedge funds. "There just is not enough capacity for the amount of money that wants to go into those firms."

The moves by Citadel and Millennium, which both have waiting lists of investors, stand in contrast to the industry at large, where poor returns have forced many managers to close their shops or lower their fees. Investors pulled \$12.1 billion out of the industry in the past two quarters, according to HFR.

Citadel and Millennium are two of the largest hedge-fund firms in the industry. Each employs teams of traders and pursues, in whole or in part, "market-neutral" strategies that aim to provide returns not correlated to those of equity or broader markets.

Hedge funds that perform well over long periods can be particularly enticing during broader market declines like the ones this month.

"It's very hard to find someone who can consistently do well," said Kieran Cavanaugh of Old Farm Partners, a New

York firm that invests \$235 million of client money in and alongside hedge funds. "There just is not enough capacity for the amount of money that wants to go into those firms."

The moves by Citadel and Millennium, which both have waiting lists of investors, stand in contrast to the industry at large, where poor returns have forced many managers to close their shops or lower their fees. Investors pulled \$12.1 billion out of the industry in the past two quarters, according to HFR.

The average annual return for Citadel's flagship fund was 8.9% for the decade ended Dec. 31, 2017, while Millennium's fund returned 10% during the same period, said people familiar with the firms.

Insurer Voya Halts Individual Life Sales

By LESLIE SCISM

Voya Financial Inc. is the latest U.S. life insurer to exit from a business that was once a core part: life insurance sold to individuals.

The company, spun out of Dutch giant **ING Groep** in 2013, on Tuesday said it would cease new individual life-insurance sales at year-end. It will keep its existing block of life-insurance policies and pay out claims as they come due.

The move follows the withdrawal by **MetLife** Inc. from sales of new life policies to individuals last year. Then the largest U.S. life insurer by assets, MetLife hived off much of its U.S. retail life-insurance operations into a new company named **BrightHouse Financial** Inc. BrightHouse became a publicly traded company in August of 2017.

Voya and MetLife continue to sell life insurance to employers through group-benefit arrangements. But those and many other insurers face a sluggish environment for selling these policies directly to American families, many of whom are more concerned about outliving their savings than dying prematurely. Vaya has a large business selling 401(k) and other tax-advantaged retirement-savings programs.

Industrywide, sales of policies to individuals began declining in the 1980s, as many Americans began investing in then-proliferating mutual funds.

FINANCE WATCH

the court docket.

Prosecutors said Mr. Whittle was among a group of KPMG partners and other employees who illegally obtained advance notice of secret lists of KPMG clients whose audits the Public Company Accounting Oversight Board planned to scrutinize during its annual inspections of the firm.

—Michael Rapoport

MASTERCARD

Profit Rises 33% as Transactions Grow

Mastercard Inc. said profit and

revenue rose in the latest quarter as the company benefited from growth in card transactions.

Mastercard reported a profit of \$1.9 billion, up 33% from a year earlier. Earnings per share were \$1.82, up from \$1.34.

Revenue rose 15% to \$3.9 billion. Analysts polled by FactSet were expecting \$3.86 billion. The value of card transactions, or gross dollar volume, increased 8.9% to \$1.468 trillion. Card companies, including Mastercard, in September settled an antitrust lawsuit for a combined \$6.2 billion with merchants.

—Allison Prang



The value of card transactions increased 8.9% to \$1.468 trillion.

MARKETS

Yuan Hits Lowest Level in 10 Years

By SAUMYA VAISHAMPAYAN AND MIKE BIRD

China guided the yuan to its weakest official level in a decade on Tuesday—a move that could fuel expectations of a further self-reinforcing slide.

The yuan's depreciation puts pressure on Chinese policy makers, who want to give investors a bigger say in determining the currency's value but appear uncomfortable with letting the yuan fall beyond a symbolic seven to the dollar.

The recent slide has reignited speculation about whether further weakness could spark capital flight, which would in turn exacerbate the currency's swoon.

On Tuesday, the central bank set the dollar's reference rate at 6.9574 yuan, putting the Chinese currency at its weakest since May 2008. The yuan slid to a decade low once mainland trading started 15 minutes later, with one dollar buying as many as 6.9724 yuan, according to Wind.

The yuan has been hit this year by an economic slowdown, which could be worsened by U.S. tariffs on hundreds of billions of dollars of Chinese goods, as well as the diverging outlook for monetary policy in the two economies.

The People's Bank of China sets a daily reference rate for the dollar against the yuan in the domestic market and allows it to trade in a range around that level.

The rate partly depends on where the currency pair closed the day before and overnight market moves. But the central bank also has some discretion, allowing it to play down sharp swings.

As the yuan gets close to breaking the seven-per-dollar level, currency traders at China's big four banks as well as some government advisers say the PBOC is unlikely to let that happen without putting up a fight.

Pan Gongsheng, a vice governor at the central bank, on Friday effectively warned investors to stop betting against the currency. His comments led to a short-lived bounce in the yuan.

China's central bank has in the past targeted bearish investors by making offshore borrowing costs for the yuan prohibitively expensive. It also has resorted to outright intervention, dipping into its hoard of foreign-exchange reserves to defend the yuan in 2016.

—Lingling Wei contributed to this article.

Skeptics Ignore Buy-the-Dip Cry

By MIKE BIRD

"Buy the dip" has been an investor refrain for years. But such immediate bargain hunting has been absent during the recent slump in global stocks, suggesting a potential shift in market psychology.

That rallying cry, often shortened to BTD, rested on a couple of other bullish ideas that merit their own shorthand: ZIRP and TINA. Those proclaim that the zero-interest-rate policy from central banks means "there is no alternative" to buying stocks. Investors are starting to question those mantras as safer alternatives emerge, some analysts say.

"We've seen a shift from buying on dips to selling into strength," said Witold Bahrke, chief strategist at Nordea Asset Management. "We're increasingly moving from glass half-full to glass half-empty; that's the narrative here."

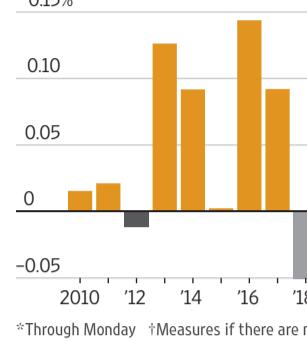
To be sure, many investors are standing by the technology companies that have fueled the U.S. equity rally. And the S&P 500 is less than 10% from a record closing high hit in late September, making it premature to pronounce BTD dead.

Still, in the past two months, in which U.S. equities have hit record highs and seen one of their worst days in recent years, the S&P 500 has closed below its opening level 26 times, or 65% of the time.

Double Dip

Buying stocks the day after U.S. equities decline has tended to provide a positive return in recent years, but hasn't this year.

Average change in the S&P 500 on days after the index fell



*Through Monday †Measures if there are more earnings upgrades or downgrades, expressed as percentages

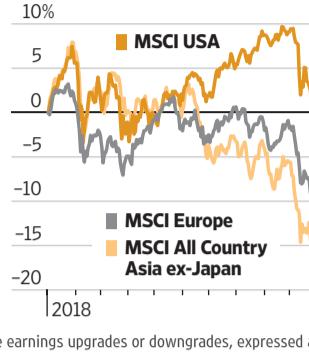
Sources: FactSet; staff reports (average change in S&P 500, performance); Citi Research (index)

The index hasn't done that since at least 2009, when the recent bull market began. So dips are no longer routinely erased during a day's trading.

Nor are bulls reliably bidding stocks back up the next day. On days after the S&P 500 has dropped in 2018, the index has fallen an additional 0.05% on average. That strategy would have provided positive returns for the previous five years, before trading costs.

For some investors, the failure of U.S. equities to climb back fully in the days after sharp falls is worrying. "The balance of risks has shifted to the negative side," said Guillermo Felices, a fund manager at BNP Paribas Asset

Performance, year to date



*Through Monday †Measures if there are more earnings upgrades or downgrades, expressed as percentages

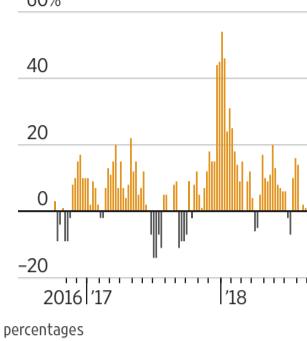
Sources: FactSet; staff reports (average change in S&P 500, performance); Citi Research (index)

Management, pointing to the fragile investor sentiment implied by a series of sell-offs and brief rallies. "We're making new lows quite quickly."

"Buy the dip" was once a slogan of investors—retail and institutional alike. StockTwits, a popular financial forum, noted the first use of the more profane "BTFD" on its site in 2011. Its use became popular, particularly during brief equity-market sell-offs. The website sells BTFD hats, phone cases and posters.

Dip buyers have been rewarded during brief downturns in U.S. equities during recent years. But that was thanks partly to the supportive role played by central bankers.

Citi Global Earnings Revisions Index[†]



*Through Monday †Measures if there are more earnings upgrades or downgrades, expressed as percentages

Sources: FactSet; staff reports (average change in S&P 500, performance); Citi Research (index)

"The difference between now and this time last year is the central banks," said Tai Hui, chief Asia market strategist at J.P. Morgan Asset Management.

Interest-rate increases have driven the yield on three-month U.S. Treasury bills to 2.3%, meaning investors who hold such ultra-safe debt are no longer losing money after accounting for inflation. That has provided an alternative for investors who are fretful about the equity market that was previously not an option, according to Mr. Hui.

The Federal Reserve is shrinking its balance sheet, and policy makers have said repeatedly that the path for U.S.

interest rates is still higher, while the European Central Bank is tiptoeing toward an exit from its bond-purchase program.

The shift in interest rates and market sentiment also changes which sectors are leading the market: Stocks with reliable cash flows such as utilities are outperforming the S&P 500 this year, while the technology stocks that boomed in 2017 are underperforming.

Another enduring support for global stocks has been solid growth in corporate earnings—and the widespread belief it will continue or even improve. But that may be under threat, according to analysts at Citi. The bank's earnings-revision index, which measures whether more analysts are upgrading or downgrading profit forecasts, turned negative in September and is at its most negative in over two years.

Long-term growth forecasts for the S&P 500 are also retreating. Earlier this year, analysts expected earnings to grow 14% annually over the next three to five years, according to FactSet, the highest since 2001. That rate has since dropped to around 12.9%, though it remains well above its 15-year average of 11.4%.

"We've passed peak earnings enthusiasm; at the same time, you have key monetary factors which become too much of a headwind," said Mr. Bahrke at Nordea.

McLendon-Founded Chesapeake Energy Returns to Deal Making in Oil Patch



After years of selling assets to pay down debt, **Chesapeake Energy** Corp. is growing again.

The Oklahoma-based driller said Tuesday it would buy **WildHorse Resource Development** Corp. in a deal valued at nearly \$4 billion, including debt.

Chesapeake would add about 420,000 acres in the Eagle Ford and Austin Chalk formations, nearly tripling the company's Texas holdings and boosting its oil production. (A WildHorse sand mine, right)

The deal is the latest move

toward consolidation in the shale patch as investors push companies to rein in spending. Diamondback Energy Inc. announced a deal in August to acquire Energen Corp. for more than \$9 billion, including debt. Concho Resources Inc. agreed in March to

buy RSP Permian Inc. for about \$9.5 billion.

Chesapeake, a company co-founded by the late shale pioneer Aubrey McClendon, was once the country's second-largest natural-gas producer.

But it has struggled with debt

and has sold billions in oil and gas holdings since Doug Lawler took over as chief executive in 2013, including a \$2 billion deal announced in July to shed its last remaining acreage in Ohio's Utica Shale.

—Rebecca Elliott

Deciding Meaning Of a Rout

Continued from page B1

The sectors most exposed to economic growth have been hit hardest, while defensive sectors have withstood the sell-off. S&P 500 energy, materials, industrials, technology and consumer-discretionary sectors all lost more than 10% from Oct. 3 to Tuesday's close, and financials and communications services were close behind. By contrast, the defensive utilities, consumer staples and real estate were slightly up. Investors have switched from betting on growth to buying safety—reflected also in rising Treasury prices (so lower yields), as the stock sell-off continued.

Meanwhile, growth-sensitive commodities have tumbled, with U.S. oil prices down 12% and industrial metals off 5%. Weaker U.S. and global growth would mean less demand for such basics, and markets are pricing that in.

Additionally, junk bonds have joined the sell-off. The extra yield above Treasuries demanded by investors to cover the risk of U.S. junk

bonds has risen more than half a percentage point since hitting a 10-year low of 3.16 points on Oct. 3, according to ICE's benchmark index. The scale of the rise is similar to that amid February's volatility but takes the actual yield to the highest since shortly after President Trump's election, demonstrating concern beyond just a rotation out of growth stocks.

And there is always the risk that the sell-off becomes self-fulfilling. Falling shares make people feel poorer, and they tend to spend less as a result. Similarly, companies whose shares are tumbling are less likely to invest in new projects. Goldman Sachs

quantifies this by including stocks in its financial-conditions index designed to provide a broader measure than interest rates of the effect of tight money on economic growth.

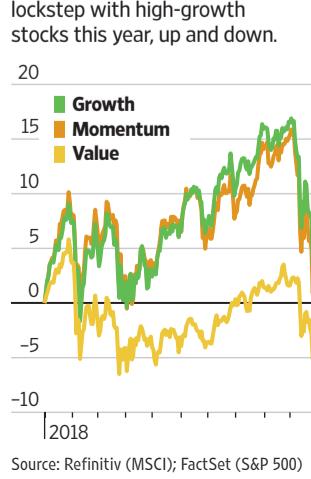
The index has tightened the most this month since the China panic in early 2016, thanks mainly to the stock sell-off, implying a weaker economic outlook.

"What we've seen since the start of October would shave about half a percentage point off [GDP] growth," says Sven Jari Stehn, senior global economist at Goldman, assuming it lasts. I'm inclined toward the view that this is a healthy

Volatile Sectors

MSCI USA measures of stocks with momentum moved in lockstep with high-growth stocks this year, up and down.

S&P 500 sectors least exposed to economic growth avoided the sell-off this month.



Source: Refinitiv (MSCI); FactSet (S&P 500)

Bonds Fall as Investors Turn to Riskier Assets

By AKANE OTANI

U.S. government bonds weakened Tuesday as a rebound in risky assets helped investors look past disappointing housing data.

The yield on the benchmark 10-year U.S. Treasury settled at 3.11%, according to Tradeweb, compared with 3.083% Monday.

Bond yields, which rise as prices fall, fell to session lows after S&P Dow Jones Indices data showed average home prices in major metropolitan areas around the U.S. rose 5.8% in the year through August, marking the first reading below 6% in a year.

The report was the latest to suggest that the housing market is starting to slow down, hurt by rising mortgage rates that have crimped affordability for many buyers.

Some uneven data, plus heightened volatility across financial markets, have recently diminished traders' confidence in the Federal Reserve being able to raise rates multiple times over the next year.

Federal-funds futures, used to place bets on interest rates, late Tuesday showed a 28.7% chance of the Fed pushing

through three interest-rate increases by June 2019—down from 34% one week ago, according to CME Group.

Bond yields later pared some of their declines as stocks opened higher on the day, reversing a sharp slide from Monday that had taken the S&P 500 to the verge of correction territory—a 10% decline from a recent high.

Much of the recent action in the bond market has followed fluctuations in stocks, said Ian Lyngen, head of U.S. government debt strategy at BMO Capital Markets.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing rate. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$128,451,246,700
Accepted bids	\$45,000,196,700
"noncompetitively"	\$110,274,500
"foreign noncompetitively"	\$31,000,161
Auction price (rate)	99.83161
(2.16%)	2.19%

Coupon equivalent	2.19%
Bids at clearing yield accepted	52.90%
Cusip number	912796Q16
The bills, dated Nov. 1, 2018, mature on Nov. 29, 2018.	

EIGHT-WEEK BILLS

Applications	\$77,108,887,300

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MARKETS

Hedge Funds Turn Cautious on Oil Market

By AMRITH RAMKUMAR

Hedge funds have scaled back their bets on rising oil prices to the lowest level in a year, the latest case of investors growing wary of a once-hot market.

Bullish bets on U.S. crude outnumbered bearish ones by 4-to-1, Commodity Futures Trading Commission data as of Oct. 23 show. The ratio is the lowest since October 2017 and compares with a 26-to-1 ratio from early July.

Speculative investors have grown cautious this month, as crude prices have slid 13% from an almost four-year high. West Texas Intermediate, the U.S. oil benchmark, is at its lowest level since mid-August and on track for its largest one-month drop in more than two years.

Prices fell 1.3% to \$66.18 a barrel on Tuesday, with analysts looking ahead to the next day's data on U.S. inventories.

Oil has also become more correlated with stocks and other commodities, as fears over slowing global growth spur investors to sell both asset groups. In the latest stock-market rout, technology shares have been particularly hard hit after driving markets higher earlier this year.

Some analysts say the reversal by oil speculators has exacerbated crude's losses in October.

For much of 2018, robust demand worldwide and shrinking exports from Iran and Venezuela helped propel prices higher. Now, some investors and traders anticipate that higher output from Saudi Arabia and weaker global consumption will lead to supply surpluses, weighing on the market. Barclays projects that global supply will exceed demand in every quarter next year, after several consecutive quarters of deficits.

The International Energy Agency this month lowered its forecasts for oil-demand growth in 2018 and 2019. It cited lingering trade concerns and wor-

ries that higher oil prices will dent consumer appetite.

Broad anxiety about a weaker global economy has battered stocks and other commodities this month, putting major U.S. stock indexes on track for their worst month in years and pushing investors toward the safety of the dollar. That has also hurt oil because a stronger U.S. currency makes

commodities denominated in dollars more expensive for overseas buyers.

The WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, has risen to its highest level since April 2017.

Speculators were cautious about crude even before this most recent selloff, according to some market observers, a

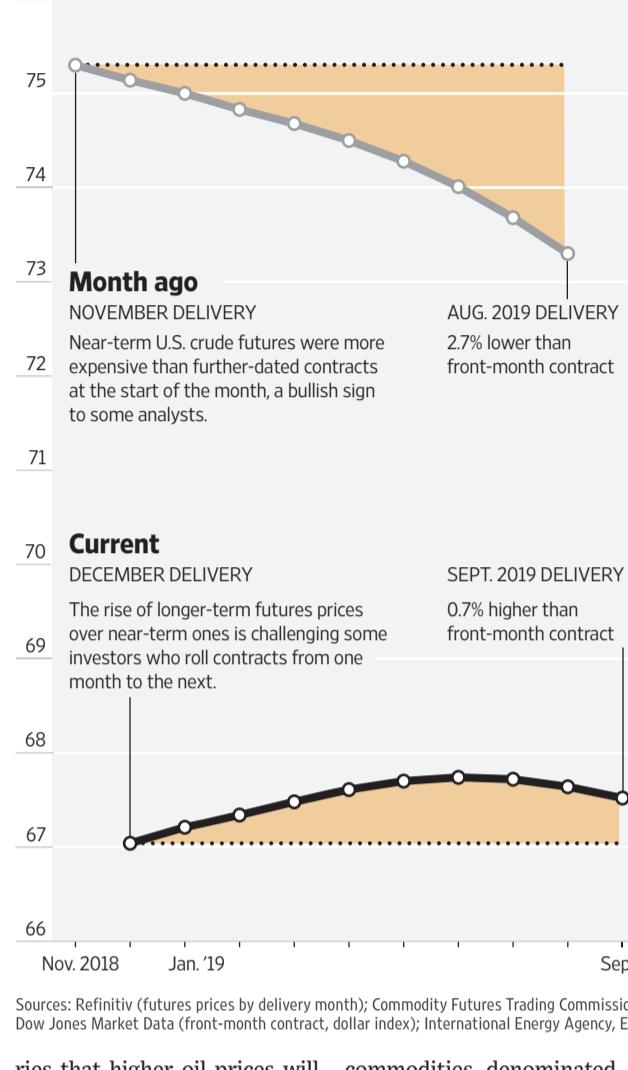
signal that risk aversion had been building even before the recent volatility in markets.

The skepticism from hedge funds has been reinforced by another bearish signal in the oil market, analysts say. The price of oil to be delivered in the future is now higher than the spot price, a condition known as contango. When the market is in con-

tango, investors have to roll over their oil futures and buy the next month's more expensive contracts, incurring a "roll cost" that crimps their profits. Under the opposite scenario, called backwardation, the difference is positive, boosting returns for investors. Analysts say the market flipping from backwardation to contango two weeks ago accelerated selling.

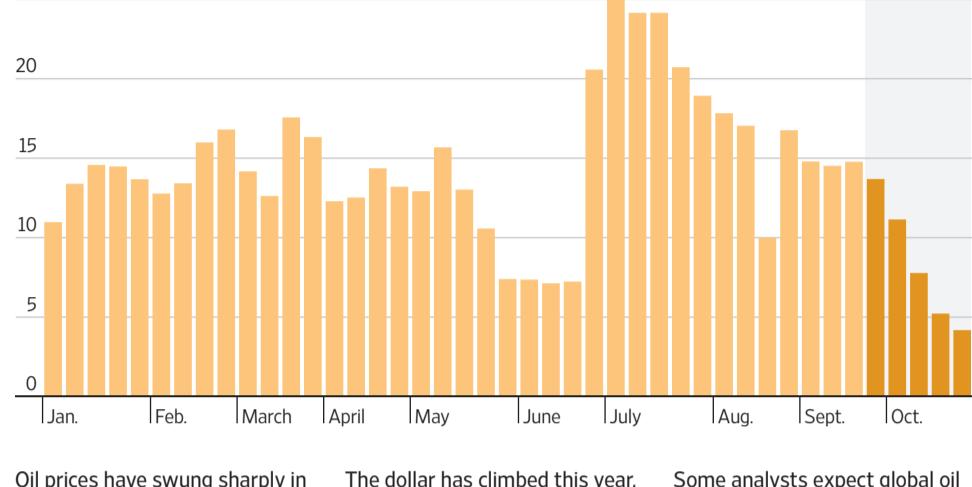
Despite this month's volatility, oil prices are still up 9.5% for the year. Some investors say the selling this month was driven more by momentum than supply-demand fundamentals, so crude prices could quickly jump higher if U.S. sanctions against Iran—set to take effect next week—and other disruptions lead to a supply shortfall.

U.S. crude-oil futures curve, by delivery month

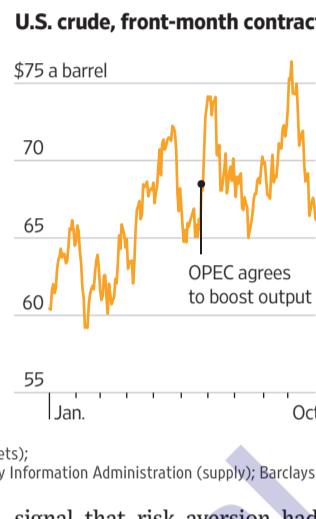


Sources: Refinitiv (futures prices by delivery month); Commodity Futures Trading Commission (bets); Dow Jones Market Data (front-month contract, dollar index); International Energy Agency, Energy Information Administration (supply); Barclays (supply projections)

Weekly ratio of bullish bets to bearish bets (Through Oct. 23)



U.S. crude, front-month contract



Oil prices have swung sharply in recent months on supply signals and volatility in other markets.

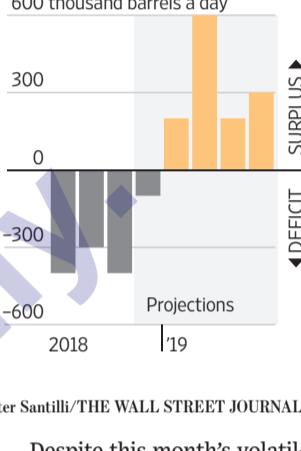
WSJ Dollar Index



The dollar has climbed this year, making commodities more expensive for overseas buyers.

Some analysts expect global oil supply to start exceeding demand next year.

Supply minus demand



Peter Santilli/THE WALL STREET JOURNAL.

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Troubled GE Has Few Levers Left to Pull

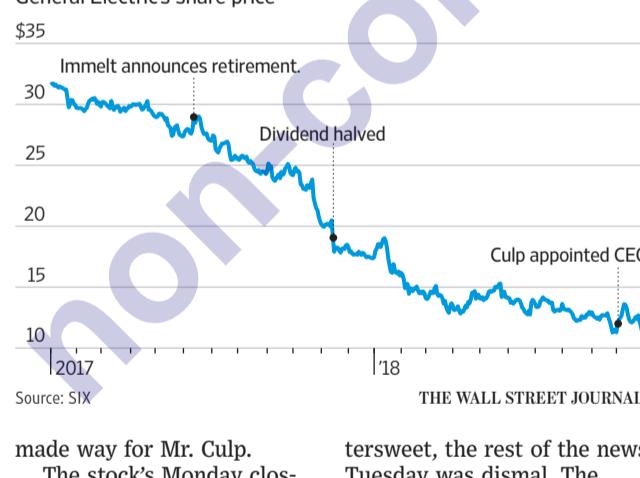
General Electric's options are dwindling.

While slashing its dividend to a token 1 cent is rife with symbolism for new Chief Executive Larry Culp, the \$3.9 billion of cash it will conserve annually is meaningful. Unfortunately, there is only a penny left to cut.

Investors who cheered Mr. Culp's appointment at the beginning of this month learned on Tuesday morning just how few rabbits the storied manager has to pull out of his hat and how utterly awful GE's near-term prospects have become.

It was less than a year ago that then-new CEO John Flannery shocked investors by cutting GE's payout in half and throwing out earnings targets for 2017. He promised that 2018 would be a "reset year" and embarked on a series of disposals. The only quantifiable goal was for generating \$6 billion of industrial free cash flow—one that was abandoned when he

Turn Out the Lights



possibility that the company's books were manipulated.

The power business is effectively collapsing with revenue declining by one-third from a year earlier while orders were 18% lower. For an industry with such long sales processes and construction times, the rapid decline calls into question the fundamentals of GE's power business. The company says the division's challenges will last longer than expected—a turnaround had been expected by 2020.

GE's third-quarter loss came to \$22.8 billion and executives cautioned the company would fall far short of its previous targets. Not discussed, but lingering in the background, are concerns that the company's long-term-care insurance portfolio could take another hit beyond a \$6.2 billion charge taken earlier this year.

A plan to split the ailing power division may indeed make it more agile, and a

manager of Mr. Culp's pedigree deserves the benefit of the doubt. Investors hoping for a strategy to further bolster GE's cash pile beyond the dividend cut were disappointed, though. Mr. Culp said in a statement that the strategy announced by his predecessor in June, which involves the eventual sale of the company's stake in Baker Hughes, a GE Company and the spinoff of its health-care unit is "the right plan going forward."

GE, America's most valuable company in 2001, the year that Jeffrey Immelt took the helm, now has a market value below \$100 billion, ranking 52nd as of Monday. GE's shares rose 20% in the six sessions following Mr. Culp's ascension, but that honeymoon was short-lived. His focus now has to be on staving off the legal and financial threats to the company long enough to be able to fix it.

—Spencer Jakab

OVERHEARD

This month, British chain of Mexican restaurants **Chilango** launched a new "burrito bond." It already has collected £1.7 million (\$2.18 million) out of the target £2 million.

Chilango's burritos aren't junk, but its bonds are: Their effective yield is 8%, compared with a 6.3% average in the sterling junk-bond market. The company has never made a profit and its debt ratios are skyrocketing. Still, retail investors only need to go to Chilango's website and pay £500 to buy a bond and receive two burritos. Weekly free burritos start at £10,000.

The company already did this successfully in 2014. This time, Chilango says the money could also be used "to refinance existing debt."

Since the writings of American economist Hyman Minsky in the 1970s, investors have sought bellwethers of overconfidence in debt markets. Burritos just may be it.

Facebook Still Has More Work to Do

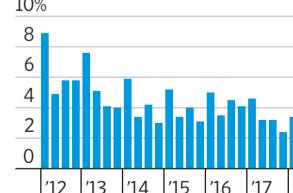
Facebook's third-quarter results Wednesday showed two things: The social network's business is resilient and it has a lot more work ahead.

On the former, the company's advertising revenue rose 33% year over year to \$13.5 billion, while operating income climbed 13% to \$5.8 billion. Per-share earnings came in at \$1.76—easily beating Wall Street's target of \$1.46. Facebook added about 24 million daily active users during the quarter, notable given what seems a never-ending string of controversies involving privacy, fake news, shady political campaigns and even a large-scale hack.

But that growth in daily users—up 1.6% from the pre-

Friend Zone

Facebook's daily active users, change from previous quarter



Source: WSJ calculations from company data

vious quarter—is still among Facebook's slowest on record. And daily users in the U.S. and Canada—the company's most important ad market—are flat over the past three quarters. Even Chief Executive Mark Zuckerberg noted on the company's earnings call that the

core Facebook News Feed service may be near a point of saturation in developed markets.

Facebook's bottom line also has yet to fully reflect the company's cost of cleaning up its service. Operating margins came in at 42% for the quarter, which is still high relative to peers and well above the long-term targeted range of mid-30% that the company gave on its last call—which later sent the stock price careening by more than one-third. Now Facebook is valued at 20 times forward earnings, which might seem like a bargain. But investors should remember that the company remains very much a work in progress.

—Dan Gallagher

Under Armour has become a shareholder darling again, but investors may be getting too enthusiastic.

The sportswear company was one of the market's greatest performers until 2015 when growth slowed and inventory surged, leading to churn in its executive offices. The turnaround began this year and took off with third-quarter earnings on Tuesday. Under Armour shares soared 28%, putting them up more than 60% this year.

To be sure, Under Armour beat analysts' estimates. The company reported adjusted earnings per share of 25 cents, more than double the 12 cents expected by analysts, and revenue of \$1.44 billion. That is a 2% revenue increase

from the year-earlier period.

The company's core domestic business isn't growing, however. North American revenue fell 2%. Footwear sales were flat. That was offset by a 15% surge in international sales. Overseas markets now represent 24% of the company's total sales, with particular strength in Latin America.

The rapid international growth is exciting and it suggests the company is doing something right as it competes with **Nike**, **Adidas** and **Lululemon** in overseas markets. Yet that growth has slowed significantly from 27% and 28% in the first and second quarters, respectively.

The good news in the U.S. was higher margins as lower costs, including cutting about

400 jobs, boosted the bottom line.

"What people are really cheering today isn't the sales results; it's the margins," said Simeon Siegel, retail analyst at Nomura Securities. Domestic sales still look troubled.

The company expects revenue to increase just 3% to 4% by the end of the year, an acknowledgment of decline in its North American sales. Yet it also expects to be more profitable, raising full-year guidance from a range of 16 cents to 19 cents a share to 19 cents to 22 cents a share.

A healthier business is certainly worth cheering, but investors might want to wait for signs of U.S. growth before they get too giddy.

—Elizabeth Winkler

Under Armour's Winning Combination

from the year-earlier period.

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