

# THE WALL STREET JOURNAL.

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★★★★ \$4.00

DJIA 26430.57 ▼ 56.21 0.2% NASDAQ 7738.02 ▲ 0.03% STOXX 600 372.93 ▲ 0.2% 10-YR. TREAS. ▲ 5/32, yield 3.208% OIL \$74.96 ▲ \$0.67 GOLD \$1,187.20 ▲ \$2.80 EURO \$1.1493 YEN 112.95

## What's News

### Business & Finance

**Sears Holdings** has hired advisory firm M-III Partners to prepare a chapter 11 filing that could come as soon as this week. **A1**

◆ **SoftBank** is in talks to take a majority stake in WeWork, an investment that could total between \$15 billion and \$20 billion. **A1**

◆ **Ackman** said his activist hedge fund Pershing Square has built a roughly 1.1% stake in Starbucks. **B1**

◆ **Trian disclosed** a stake in PPG and is said to own about 2.9% of the company. **B2**

◆ **Lennar** is in talks with Stone Point Capital to sell the home builder's Rialto real-estate lending unit. **B1**

◆ **Google appealed** the EU's \$4.97 billion antitrust fine for allegedly abusing the dominance of its Android system for mobile phones. **B1**

◆ **The company launched** new mobile and home gadgets leveraging its voice-controlled Google Assistant. **B4**

◆ **The S&P 500 fell** 0.1% amid a broad selloff among materials firms. The Dow slipped 0.2% to 26430.57. **B13**

◆ **Sales at Volkswagen's namesake brand** fell more than 18% last month. **B2**

◆ **HSBC will pay** \$765 million to settle claims it covered up risks tied to residential-mortgage products. **B12**

◆ **Exxon will put** money toward promoting a national carbon tax as a way to address global warming. **B4**

◆ **McDonald's franchisees** are considering a push to urge the firm to help improve profit at their restaurants. **B3**

### World-Wide

◆ **Nikki Haley**, a one-time Trump critic who became an advocate for his foreign-policy views on the world stage, said she is resigning as U.S. ambassador to the U.N. at the end of the year. **A1**

◆ **China's effort** to support its slowing economy is heaping pressure on the nation's currency, signaling challenges for Beijing. **B1**

◆ **Negotiators have** moved within sight of a deal on the terms of Britain's exit from the EU, diplomats from the two sides say. **A7**

◆ **Italy's fiscal watchdog** criticized the economic forecasts of the new government, a blow to the credibility of Rome's budget policies. **A7**

◆ **Trump repeated** his displeasure with higher rates set by the Fed, but said he hadn't spoken with Powell about his frustration. **A2**

◆ **Hurricane Michael** strengthened to a Category 3 storm while bearing down on the Florida Panhandle. **A3**

◆ **The Pakistani rupee** dropped steeply after Islamabad said it was seeking a bailout from the IMF. **A8**

◆ **Turkish police** are investigating whether a van was used to abduct a Saudi journalist who went missing in Istanbul last week. **A9**

◆ **A journalism group** said one of the men accused of poisoning an ex-Russian spy is a doctor and a veteran of Russian military intelligence. **A8**

◆ **Kim invited** Pope Francis to Pyongyang, South Korea's presidential office said. **A18**

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Nikki Haley, U.S. ambassador to the United Nations, met with President Trump in the Oval Office on Tuesday to announce that she will step down at the end of the year. Mr. Trump said he would name her successor in the next two to three weeks.

## Haley to Resign as Envoy to U.N.

U.S. Ambassador to the United Nations Nikki Haley, a one-time critic of President Trump who became an advocate of his foreign-policy views on the world stage, said she is resigning her post at the end of the year.

In an Oval Office appearance with Ms. Haley, Mr. Trump said she told him six months ago that she planned to leave the administration at the end of the year. "We will miss you," Mr. Trump told her.

Ms. Haley, a former Republican governor of South Carolina who was selected for the U.N.

By Rebecca Ballhaus,  
Farnaz Fassihi  
and Michael C. Bender

role in November 2016, didn't specify her reasons for leaving. Considered a rising GOP star, she said she has no plans to run for office in 2020, when the next U.S. presidential election will be held. She would be 52 years old as a prospective candidate in 2024.

The advance notice that Ms. Haley provided to Mr. Trump about her resignation coincided with his decision earlier this

year to name Mike Pompeo as secretary of state, a post for which Ms. Haley had been considered a candidate. Asked her reason for leaving Tuesday, she said that it was time for her to move on.

"I think that it's just very important for government officials to understand when it's time to step aside," she said.

Some people close to Ms. Haley suggested she would join a think tank or other private company after leaving the administration. Her 2018 disclosure report listed debts including at least \$1.5 million in

mortgage or lines of credit.

Ms. Haley will leave an administration that has been marked by unusually high turnover in the nearly two years since Mr. Trump took office. In his first year, Mr. Trump saw a turnover rate of 34%, the highest in 40 years, according to a Brookings Institution analysis of White House turnover rates.

Since the beginning of this year, Mr. Trump has seen the departure of a secretary of state, national security adviser, communications director and deputy chief of staff, among

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## Sears Prepares To File Chapter 11

Storied retailer hires M-III Partners to help on bankruptcy action; a debt deadline looms

Sears Holdings Corp. has hired M-III Partners LLC to prepare a bankruptcy filing that could come as soon as this week, according to people familiar with the situation, as the cash-strapped company that once dominated American retailing faces a debt-payment deadline.

By Suzanne Kapner,  
Lillian Rizzo  
and Soma Biswas

Employees at M-III Partners, a boutique advisory firm, have spent the past few weeks working on the potential chapter 11 filing, the people said. In recent days, M-III staff have been at the retailer's headquarters in Hoffman Estates, Ill., one person said. Sears continues to discuss other options and could still avert an in-court restructuring, the people added.

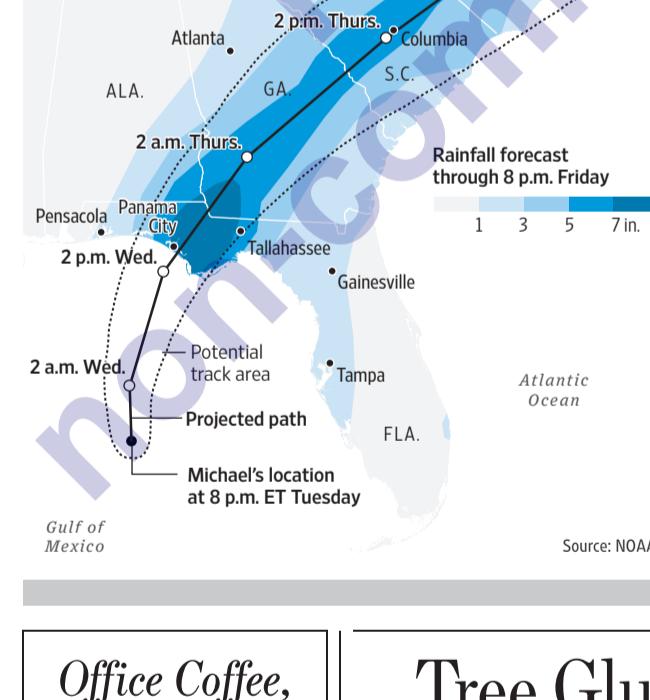
Sears, which has been losing money for years, has \$134 million in debt due on Monday. Edward Lampert, the hedge-fund manager who is Sears's chairman, chief executive, largest shareholder and biggest creditor, could rescue the company, as he has done in the past by making the payment.

But Mr. Lampert is pushing for a broader restructuring that would include shaving

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## Hurricane Surges Toward Coast

Hurricane Michael strengthened on Tuesday to a Category 3 storm over the Gulf of Mexico and was projected to make landfall on the Florida Panhandle on Wednesday. **A3**



## SoftBank Explores Acquiring Majority Stake in WeWork

SoftBank Group Corp. is in talks to take a majority stake in WeWork Cos., in what would be a giant bet on the eight-year-old provider of shared office space, according to people familiar with the discussions.

The investment could total between \$15 billion and \$20

By Eliot Brown,  
Dana Mattioli  
and Maureen Farrell

billion and would likely come from SoftBank's Vision Fund, some of the people said. The \$92 billion Vision Fund, which is backed largely by Saudi Arabia and Abu Dhabi wealth funds as well as by SoftBank, already owns nearly 20% of WeWork after last year committing \$4.4 billion in equity funding at a \$20 billion valuation.

Talks are fluid and there is no guarantee there will be a

deal, some of the people said.

SoftBank and WeWork were discussing this summer a smaller investment that would value WeWork at up to \$40 billion, The Wall Street Journal reported in June.

If a deal is completed, it would be one of the largest and most momentous deals of the past decade's startup boom. SoftBank completed in January the biggest investment in a venture-backed startup, paying \$7.7 billion for a 15% stake in Uber Technologies Inc. More than 160 private companies backed by venture capital have valuations of more than \$1 billion, up from just a handful in 2010.

In eight years, New York-based WeWork has grown from a single office in lower Manhattan to a workspace giant that rents more than 265,000 desks in 287 build-

ings, as of midyear. WeWork now occupies more Manhattan office space than any other company, renting 5.3 million feet there, according to real estate services firm Cushman & Wakefield.

That growth has been enabled by more than \$6 billion in investment. Aside from SoftBank, investors include venture-capital firm Benchmark, China-based Hony Capital and JPMorgan Chase & Co.'s asset-management arm.

WeWork's core business is office leasing: It takes on long-term leases for raw office space and builds out the interior with flexible spaces and modern design that it then subleases for terms as short as a month.

Despite the real estate focus, it has always marketed itself more like a tech company,

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### Office Coffee, Once a Perk, Now a Grind

\* \* \* \* \*

Employees bicker over strength, refills, Folgers

By JULIE JARGON

When HubSpot Inc. brought high-end coffee to its Cambridge, Mass., campus, it expected employees to be thrilled. Facilities head Ken Papa created a "coffee garden" with an array of self-service brewers, grinders and two cold-brew taps—all free of charge to employees. The software company already had a gym, mobile bike repair shop and visiting yoga and barre instructors.

But the cold brew taps proved so popular that workers griped they often ran dry. An unknown employee created [does2canhavecoldbrew.com](http://does2canhavecoldbrew.com), a

## Tree Glut Uproots Southern Investors

Low prices for loblolly pine, planted decades ago, upset plans for college, retirement

BY RYAN DEZEMBER

to make a living doing something else," he said.

Three decades later the trees are ready to cut, and Mr. George is learning how many other Southerners had the same idea.

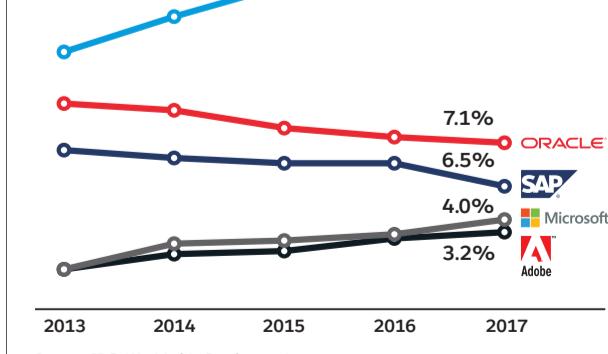
A glut of timber has piled up in the Southeast. There are far more ready-to-cut trees than the region's mills can saw or pulp. The surplus has crushed timber prices in Mississippi, Alabama and several other states.

It has been a big loser for some financial investors, among them the country's largest pension fund. The California Public Employees' Retirement System spent more than \$2 billion on Southern timberland, and

Please turn to page A10

## Salesforce. #1 CRM.

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



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

salesforce

[salesforce.com/number1CRM](http://salesforce.com/number1CRM)

CRM Applications market includes the following IDC-defined functional markets: Sales, Customer Service, Contact Center, and Marketing Applications. © 2018 salesforce.com, Inc. All rights reserved. salesforce.com is a registered trademark of salesforce.com, Inc., as are other names and marks.

# U.S. NEWS

## Kaplan Backs Three Rate Rises

By MICHAEL S. DERBY

Dallas Fed President Robert Kaplan said he still favors the central bank raising short-term interest rates three more times before deciding whether more increases will be necessary to keep the economy on an even keel.

This suggests the Federal Reserve should lift rates at its December, March and June policy meetings "unless something changes," Mr. Kaplan said Tuesday in a Wall Street Journal interview.

Moving along such a path would lift the Fed's benchmark federal-funds rate to a range between 2.75% and 3% and

would give him nine months to ponder whether he believes the central bank will have to lift it higher.

Mr. Kaplan said it is hard to know precisely where monetary policy shifts from being supportive of growth to a stance that restrains the economy. He said productivity growth, which has been modest, will figure prominently in his thinking on the matter.

He and other Fed policy makers are lifting rates to ensure that the rapidly growing economy doesn't fuel excessive inflation or dangerous financial asset bubbles. But they are unsure how far to go.

They raised the fed-funds

rate last month to a range between 2% and 2.25% and penciled in one more quarter-percentage-point increase this year and three such moves next year.

Fed Chairman Jerome Powell said then that rates remain low enough to continue stimulating growth. But officials have expressed a range of views, and some uncertainty, about how high rates would have to go to reach a so-called neutral level that neither spurs nor slows growth.

The policy makers' latest economic forecasts showed a median estimate of 3% for this neutral point over the long term. But some estimate the

neutral level could be higher in the short run.

Officials projected they would lift the fed-funds rate to 3.4% by the end of 2020.

Mr. Kaplan, in response to a question, said he hoped the Fed could raise rates without causing short-term Treasury yields to exceed those on longer-term securities, a development that has preceded recessions in the past.

Normally, the yield curve shows yields rising as maturities grow longer. When short-term yields rise above longer-term yields, it causes a so-called inversion of the yield curve. For much of this year, the gap between two-year and

10-year yields has narrowed, raising concerns that an inversion might lie ahead.

This narrowing largely reflected Fed rate increases, which pushed up short-term Treasury yields rates at a time when many factors are holding down longer-term yields. But the gap has widened recently as bond investors have come to believe the Fed plans to keep raising rates, and as the economy shows signs of strong momentum.

Mr. Kaplan said he isn't ready to say the threat of a yield-curve inversion has been averted. He also cautioned against brushing off the yield curve as a key indicator.

## Trump Says Fed Is Moving Too Fast

By NICK TIMIRAO

President Trump repeated his displeasure with higher short-term interest rates set by the Federal Reserve, but said he hadn't spoken with Fed Chairman Jerome Powell about his frustration because he didn't want to meddle with monetary policy.

Speaking to reporters outside the White House on Tuesday, Mr. Trump said he believed the Fed was increasing its benchmark rate too fast given the apparent lack of inflationary pressures in the economy.

"The Fed is doing what they think is necessary but I don't like what they are doing because we have inflation really in check," Mr. Trump said. The president said he was concerned higher rates would slow down economic growth.

"You don't see that inflation coming back," Mr. Trump said. "Now, at some point it will.... I just don't think it's necessary to go as fast" on rates.

The Fed has raised its benchmark rate three times this year, most recently last month to a range between 2% and 2.25%. Officials penciled in another quarter-percentage-point rate rise this year, with the increase likely to occur in December.

Higher rates are meant to prevent the economy from overheating, including by keeping inflation from rising unsustainably. Inflation has been running near the Fed's 2% target this year for the first time in several years. Most Fed officials project price pressures will run slightly higher in the coming years because unemployment is below their estimates of a jobless rate consistent with stable prices.

Mr. Trump hadn't spoken with Mr. Powell about his concerns because, he said, "I like to stay uninvolved with that."

A Fed spokeswoman declined to comment Tuesday.

Yields on the benchmark 10-year Treasury climbed last week to their highest level since May 2011 as investors took more seriously the prospect of future rate increases amid stronger economic growth.

Yields edged lower Tuesday, closing at 3.208%, compared with 3.227% on Friday.

◆ James Mackintosh: Bond woe may spark healthy change... B1

### Sea Creature Stretches Its Tentacles



**ART FROM THE DEEP:** An inflatable sculpture by two U.K. artists titled 'Sea Monsters HERE' is taking over a rusting warehouse at Philadelphia's Navy Yard until Nov. 16

### U.S. WATCH

#### NORTH DAKOTA

#### Supreme Court Allows Use of Voter ID Law

The U.S. Supreme Court on Tuesday allowed North Dakota to implement a voter ID law for the November midterm election, turning down a petition arguing that the measure would harm Native Americans who are less likely to live at standardized addresses or possess the identification cards required by the statute.

Native Americans are a reliably Democratic constituency,

making Tuesday's order a setback for Sen. Heidi Heitkamp, a Democrat trying to hold off a challenge from Republican Rep. Kevin Cramer in the deep red state.

In so sparsely populated a state, "it could be that a couple of hundred votes matter," said Robert Wood, a political-science professor at the University of North Dakota.

North Dakota's June primary was conducted under an April federal district court order requiring state officials to accept ballots even if voters' ID included only a mailing address, such as a

post-office box, rather than solely a residential street address.

—Jess Bravin

#### CALIFORNIA

#### Power Lines Blamed For Deadly Wildfire

Two sagging Pacific Gas & Electric power lines made contact, sparked and ignited a Northern California wildfire last year that killed four people and injured a firefighter, officials said.

The finding adds to the growing financial liability of PG&E over wildfires in the state. Its

equipment has been blamed for starting 13 wildfires last year and the utility has told shareholders it expects to pay more than \$2.5 billion in damages.

The California Department of Forestry and Fire Protection said Tuesday that strong winds in Yuba County, near Sacramento, caused the lines to touch, creating an electrical arc that sent molten material onto dry vegetation in October 2017.

PG&E said it is working on improving fire prevention with steps that include strengthening poles and lines.

—Associated Press

#### TRADE

#### Hassett Is Optimistic On Settling Dispute

Kevin Hassett, the White House's top economist, said he is optimistic trade disputes with China can be resolved without damaging economic output for either nation.

"Everybody hopes for an end-game where we work everything out," Mr. Hassett said Tuesday during a moderated discussion in New York sponsored by the Council on Foreign Relations.

—Nick Timiraos



Sears, which has been losing money for years, has \$134 million in debt due on Monday.

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more than \$1 billion from Sears's \$5.5 billion debt load, selling an additional \$1.5 billion of real estate and divesting itself of \$1.75 billion of assets, including the Kenmore appliance brand, which he has offered \$400 million to buy himself.

The company's poor financial performance has made it difficult to get support from lenders for the plan, one of the people said. Mr. Lampert hopes to shrink Sears back to profitability, this person said. The company has already closed hundreds of stores in recent years.

Sears has more than \$1 billion in cumulative losses since

2011, and its annual sales have dropped nearly 60% in that period to \$16.7 billion. Analysts say it needs to raise more than \$1 billion a year to stay afloat.

Mr. Lampert has also sought advice from consulting

firm AlixPartners; lawyers at Weil, Gotshal & Manges LLP; and investment bank Lazard Ltd., as he tried to keep the company afloat and restructure out of bankruptcy court, the people said.

On Tuesday, Sears added restructuring expert Alan Carr as a director, expanding the six-person board to seven. Mr. Carr runs a restructuring advisory firm and previously worked as a restructuring law-

yer at Skadden, Arps, Slate, Meagher & Flom LLP. He has also served on the board of companies—including wireless-networking business LightSquared Inc. and guitar maker Gibson Brands Inc.—that have recently navigated the bankruptcy process.

Once hailed as a genius investor for smart bets he made on AutoZone and AutoNation, Mr. Lampert met his match in Sears, Roebuck & Co. The retailer was struggling before he combined it with Kmart, which he rescued from bankruptcy, to create Sears Holdings Corp. in 2005.

He moved quickly to cut expenses and close unprofitable stores. But the business worsened coming out of the recession, as more purchases were made online and rivals such as Walmart Inc. and Amazon.com Inc. grew stronger. The company wasn't helped by Mr. Lampert's unconventional approach to retailing. He resisted investing in store upgrades and, after becoming CEO in 2013, managed

the company from Florida, according to people familiar with the situation.

Mr. Lampert wants to restructure Sears's debt without filing for bankruptcy protection, because he views bankruptcy as risky for retailers, according to a person familiar with his thinking. Retailers often enter bankruptcy with the hope of restructuring but wind up liquidating instead, as was the case this year with Toys "R" Us Inc., this person said.

Mr. Lampert, whose hedge fund ESL Investments Inc. owns a majority of Sears shares, also believes the company can get more value for its assets by selling them while it is a going concern, this person added.

Critics have accused Mr. Lampert of stripping assets from the beleaguered company. The person familiar with Mr. Lampert's thinking said he has been selling assets to give Sears the cash it needs to stay in business.

While M-III Partners itself is relatively new to the restructuring industry, its founder, Mohsin Meghji, is considered a turnaround expert. The former Arthur Andersen consultant and co-founder of another boutique advisory firm has been working on restructurings for nearly 30 years.

Sears, which still has nearly 900 stores, would be M-III's biggest assignment.

Shares of Sears, which traded as high as \$144 over a decade ago, closed Tuesday at 59 cents, a sign investors are bracing for a potential bankruptcy filing or restructuring.

### CORRECTIONS & AMPLIFICATIONS

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gesting that data was misused.

The name of **Discover Financial Services** was incorrectly given as **Discovery Financial Services** in a chart with a Heard on the Street column Tuesday about credit-card issuers.

The first name of

ETF.com's Lara Crigger was misspelled as Laura in an Investing in Funds report article Monday about exchange-traded fund terminology.

**Dodge & Cox Balanced Fund** has an expense ratio of 0.53%. An Investing in Funds report article Monday about balanced funds incorrectly said 0.22%.

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



## U.S. NEWS

# Parties Refocus Messages for Midterms

BY BRIAN MCGILL  
AND JULIE BYKOWICZ

Eight years ago, the newly passed Affordable Care Act was so widely criticized that it contributed to Democrats losing control of the House. But in this midterm election, health care is the party's most-mentioned topic in advertising.

However Republicans—who have made repealing the Affordable Care Act one of their top advertising messages since the 2010 election—are barely mentioning it this year, after the GOP-led Congress tried unsuccessfully to overturn the law last year. The party has instead turned its attention to touting the tax legislation President Trump signed into law late last year.

In 2010, about 29% of Republican political ads targeted the ACA while fewer than 6% of the Democrats' ads did so—and even the Democratic messaging was split between positive and negative messages, according to data on campaign advertising from Kantar Media/CMAG.

In 2018, nearly 50% of Democratic ads mentioned

## Hot Buttons

Health care dominated the airwaves for Democratic candidates this year, while Republicans have steered their ads toward the GOP tax cuts and aligning with President Trump.

Issue	Ad mentions by Democrats	By Republicans	Total*
Health care	325,434	108,239	435,101
Taxes	83,087	156,056	239,143
Jobs/Unemployment	88,829	85,757	175,603
Budget/Gov't Spending	72,977	90,565	163,542
Immigration	31,561	119,747	151,308
Social Issues	71,220	75,135	146,355
Pro-Trump <sup>†</sup>	14,342	127,653	141,995
Corruption	73,875	62,331	137,366
Health care: Medicare	80,274	30,205	111,639
Energy/Environment	62,209	30,934	93,143

\*Totals include ad mentions for other parties such as the Green Party, Libertarian Party, etc.

Source: Kantar Media/CMAG

†Includes ads pledging to work with Trump. Note: Data through Sept. 30.

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## Ad mentions about the ACA or Obamacare

2018

Dem. 43,968

GOP 21,703

2014

Dem. 21,940

GOP 177,776

2010

Dem. 18,975

GOP 109,180

Pro-ACA ads

Anti-ACA ads

message about taxes, well above the GOP's 30% average.

The parties are highlighting different aspects of the bill. Democrats are talking about the tax cuts granted to corporations and wealthy individuals, while Republicans are emphasizing tax cuts for the middle class.

David Shapiro, a Democrat seeking a Florida House seat, joined with the Democratic Congressional Campaign Committee to buy an ad highlighting Republican Rep. Vern Buchanan's role in the tax legislation.

Rep. David Young, an Iowa Republican seeking to fend off a Democratic challenger in what has become a tossup race, is emphasizing the tax law's benefits to families and small businesses.

Meanwhile, despite a roaring economy, neither party is investing much ad time trying to persuade voters that that is a good reason to vote for or against anybody.

Just 17% of Republican ads mentioned the economy and jobs, while 15% of Democrats touch on those issues. The upshot: nearly 84% of campaign ads don't mention them.

## CAMPAIGN WIRE

### Watchdog Faults IRS On Policing Nonprofits

The IRS is still struggling with its role policing nonprofit groups' political activities, the tax agency's inspector general said in a new report.

The report included no allegations of political bias inside the Internal Revenue Service, but the inspector general found IRS officials aren't sending enough allegations of impermissible political activity—such as involvement in a partisan campaign—to the Political Activities Referral Committee of managers responsible for deciding whether to pursue enforcement.

Based on the inspector general's sample, more than 1,000 cases in 2015 and 2016 could have gone to the three-person committee, the report said. The committee reviewed 19 high-profile cases.

"There should be limits on the use of discretion in this area given the potential that bias could enter into decisions of whether or not to refer these types of cases for examination," said the report, released Tuesday.

In response, the IRS said the inspector general's estimates are incorrect extrapolations. The IRS said it reviewed all of the cases the inspector general said should have gone to the committee and determined that the allegations were "incom-

plete or inapplicable" and that the decisions on those cases were correct.

Charities aren't allowed to engage in any political activity and other nonprofit groups have limits on their activities. Those definitions and limits are subjective and frequently disputed, and the IRS's attempts to enforce them have proven controversial and challenging for the tax agency.

—Richard Rubin

### Trump Looms Large In Indiana Debate

In a race both sides view as tight, Democratic Sen. Joe Donnelly of Indiana and his GOP challenger, businessman Mike Braun, sparred in a debate Monday night in part over who would be the better ally to President Trump in Washington. Mr. Trump won the state by 19 points in 2016, so Mr. Donnelly knows he will need some crossover support from the president's base to win re-election.

Despite voting against now-Justice Brett Kavanaugh to the Supreme Court, Mr. Donnelly noted several times that he voted to confirm Justice Neil Gorsuch.

Mr. Braun said the senator's vote against Justice Kavanaugh was "a clear separator" between himself and Mr. Donnelly. Mr. Braun said he would have voted to confirm Justice Kavanaugh.

—Joshua Jamerson



U.S. Ambassador to the U.N. Nikki Haley strongly backed President Trump on recognizing Jerusalem as Israel's capital.

### Haley Will Exit From U.N. Post

Continued from Page One  
other officials.

The announcement surprised many of Mr. Trump's top aides, while others first learned of the planned departure on Tuesday morning, according to people familiar with the matter. Mr. Trump said he would consult about a successor with Ms. Haley, Mr. Pompeo and John Bolton, the White House national security adviser who served as U.N. ambassador under President George W. Bush.

Mr. Trump also said he would likely announce a successor in the next two to three weeks. He said "many people" were interested in the post.

Among those who previously have expressed interest in the post are Richard Grenell, U.S. ambassador to Germany, and Dina Powell, a former deputy national security adviser for Mr. Trump and currently a member of Goldman Sachs Group Inc.'s management committee. Neither returned calls seeking comment.

Mr. Trump said later Tuesday that he was considering five candidates for the job, including Ms. Powell, but that he wanted Mr. Grenell to remain in his current post. He also said he thought his elder daughter, Ivanka Trump, would be "dynamite" in the role, though he said he didn't want to face accusations of nepotism. Ms. Trump tweeted shortly afterward that she wouldn't be the next U.N. ambassador.

While no shifts in foreign policy are expected as a result of Ms. Haley's departure, Mr. Trump could opt to choose a successor who publicly hews more closely to his views, as he did in choosing Messrs. Bolton and Pompeo.

Ms. Haley leaves the White House on good terms. Mr. Trump, who has dismissed several senior administration offi-

were stunned to discover in a Pennsylvania special election that the issue didn't strongly motivate voters. In the last weeks before the March vote, Republicans dropped a discussion of taxes from their ad campaign.

While taxes are the top issue for GOP advertising in the midterms now, it isn't a dominant one. About 30% of Republican ads mentioned taxes, compared with about 13% of

Democratic ads. But Republicans seem reluctant to talk explicitly about the tax legislation; just under 12% of all Republicans' television ads mention it.

One Republican who isn't shying away from the legislation is Rep. Erik Paulsen of Minnesota, the most endangered Republican member of the tax-writing Ways and Means Committee. About 37%

of pro-Paulsen ads feature a

### Dina Powell Being Considered for Job

Nikki Haley's resignation as U.S. ambassador to the United Nations took top Trump aides and advisers by surprise Tuesday, and left the White House without a clear successor, White House officials said.

Ms. Haley plans to serve until the end of year, giving President Trump time to consider new candidates. He said Tuesday while en route to Iowa that he is considering five candidates.

Two people close to Mr. Trump who have previously expressed interest in the job include Richard Grenell, the U.S. ambassador to Germany, and Dina Powell, who left her job as deputy national security adviser earlier this year.

Mr. Grenell and Ms. Powell didn't return calls seeking comment.

En route to Iowa, Mr. Trump wouldn't reveal the names of all five candidates, but confirmed Ms. Powell is under consideration for the post. "Dina would love it," he said.

Ms. Powell, currently a member of Goldman Sachs Group Inc.'s management committee, was boating with Ms. Haley this past weekend in South Carolina. Ms. Haley posted a picture on social media on Saturday of them together.

Ms. Powell remains close to the Trump family, including daughter Ivanka Trump



Richard Grenell



Dina Powell

and son-in-law Jared Kushner, according to people familiar with the matter. But she was viewed more skeptically by John Kelly, the White House chief of staff.

Mr. Trump said that his daughter would be "dynamite" in the position, and that he wasn't sure "there is anybody more competent in the world." But he added: "That doesn't mean I'd pick her...I would then be accused of nepotism."

In a tweet, Ms. Trump said it was an "honor" to serve in the White House but that she wouldn't be the successor to Ms. Haley.

It is possible that Mr. Trump could find a successor from more unlikely places. During the transition, he expressed interest in considering at least one Democrat, Rep. Tulsi Gabbard of Hawaii, according to former transition team officials.

—Michael C. Bender

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ials via his Twitter account, spent 30 minutes praising her with reporters present.

She was one of the few administration officials able to offer subtle criticism of Mr. Trump or get out ahead of him on issues—her comments on Russia were consistently much tougher than Mr. Trump's—without drawing his ire.

"I don't know how she did it, but he never seemed to get really mad at her," one former White House official said.

*Despite occasional differences, Ms. Haley is aligned with Mr. Trump in many areas.*

The one thing that did rile Mr. Trump, as he described it to aides, was Ms. Haley's ambition, said a person familiar with the matter. Mr. Trump referred earlier this year to her privately as a "showboat," the person said.

Some officials also said they were frustrated about the decision to announce Ms. Haley's

departure before the midterm elections, rather than waiting another month. The White House is nervous about the prospect that Democrats could retake a majority in the House this fall, and is wary of the perception that any officials are fleeing ahead of the election.

Some U.N. watchers and diplomats believed that Ms. Haley may have decided to leave on a high note, before the midterms.

"Haley has hugely exceeded expectations at the U.N. It's better to get ahead of the criticism and leave now with a pretty good track record," said Richard Gowan, a U.N. expert and senior fellow at the U.N. University.

Ms. Haley was a frequent critic of Mr. Trump during the 2016 campaign and had endorsed two of his primary opponents, Sens. Marco Rubio of Florida and Ted Cruz of Texas.

She clashed with the White House last spring after saying the administration would imminently impose new sanctions against Russia tied to its support for the regime of President Bashar al-Assad in Syria. When White House officials later said she spoke prematurely, she issued a retort:

"With all due respect, I don't get confused," she said.

Despite occasional differences, Ms. Haley is aligned with Mr. Trump in many areas and has often come to the administration's defense. Last month, she wrote an op-ed criticizing an anonymous column written by an administration official who was critical of Mr. Trump.

"I don't agree with the president on everything," she wrote. "When there is disagreement, there is a right way and a wrong way to address it. I pick up the phone and call him or meet with him in person."

She has backed Mr. Trump's views on recognizing Jerusalem as Israel's capital, as well as his opposition to the 2015 Iran nuclear accord and his skepticism toward many U.N. agencies.

At the U.N., Ms. Haley was seen as a fierce advocate for Mr. Trump's views. Diplomats and U.N. officials said they hadn't expected her resignation.

"We are certainly very surprised," said one Security Council diplomat who said Ms. Haley had given no indication that she would resign.

—Michael R. Gordon contributed to this article.

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## U.S. NEWS

# Down-Ballot Democrats Could Prop Up Menendez

By NATALIE ANDREWS  
AND JULIE BYKOWICZ

BRIDGEWATER, N.J.—Democratic House candidate Tom Malinowski stood atop a coffee table in a bar here last month fielding questions from voters when the first one knocked him off message.

What is the party doing to help the re-election of Democratic Senator Bob Menendez, a two-term incumbent weakened by a corruption investigation, asked Betty Hutchison, 71 years old, a longtime activist.

"The Senate race is important, but the big question on the ballot is the House of Representatives," said Mr. Malinowski, who is challenging Rep. Leonard

Lance in a race that may be a bellwether for Democrats' efforts to win the majority.

New Jersey is home to four GOP-held House races that are rated as competitive by the nonpartisan Cook Political Report. "There are competitive House races that encourage Democrats to come out."

He is being challenged by former pharmaceutical executive Republican Bob Hugin, who has spent millions of his own dollars attacking Mr. Menendez, calling him "a disgrace," a reference to the senator's indictment on federal corruption charges in 2015 that led to a mistrial last year and admonishment from senators.

Democratic Rep. Bonnie Watson Coleman, who represents the Princeton area, encouraged voters here at a Planned Parenthood event to

nendez's saving graces," said Jennifer Duffy, who analyzes Senate races for Cook Political Report. "There are competitive House races that encourage Democrats to come out."

Senate Democrats—and Mr. Menendez—are also banking on a rare case of reverse coattails, in which the energy around the House candidates will help them hold the Senate seat. To gain control of the Senate, Democrats must hold all of their current seats up for re-election in November and flip two Republican-held seats.

"I think that that is one of Me-

*'There are competitive House races that encourage Democrats to come out.'*

support Mr. Menendez, no matter what they think of him.

"Don't get caught up in what happened, your impression of what didn't happen, look at his record," she said at a campaign office that opened in her district that encourages volunteers to make calls for other Democrats trying to win in GOP-held districts.

Prosecutors had alleged

that Mr. Menendez helped secure visas for the foreign mistresses of his friend and supporter Salomon Melgen, and interceded with Medicare officials investigating his practice. The doctor, in turn, lavished the senator with vacations and hundreds of thousands of dollars in campaign donations. Dr. Melgen is currently in jail.

After a jury deadlocked in the Menendez case, prosecutors in January dismissed all charges against him. In April, the Senate Ethics Committee "severely admonished" Mr. Menendez over improperly accepting gifts from Dr. Melgen.

Mr. Hugin's campaign ads focus on the corruption angle, with numerous versions that

replay news clips from Mr. Menendez's trial. "Bob Menendez disgraced New Jersey. Time for a change," one recent ad concludes.

He has significantly outspent Mr. Menendez, Federal Election Commission reports show. As of the end of June, the most recent reports available, Mr. Hugin's campaign had poured \$8.6 million into the race, more than double Mr. Menendez's expenditures. Mr. Hugin also had millions of more dollars in available cash, the reports show.

Mr. Menendez is redoubling his last-minute fundraising efforts, including holding an event Oct. 15 with former presidential candidate Hillary Clinton.

## Office Coffee Now A Grind

*Continued from Page One*

website to monitor the situation. Fans of high-end tea complained coffee drinkers were getting preferential treatment; the tea offering consisted only of tea bags and hot water.

Lots of offices have fancy coffee these days. That just means lots of office workers are grumbling about it. What some managers thought would help keep workers at their desks instead of going out for coffee, has actually led to employees wasting time bickering or waging campaigns for their preferred brews.

At HubSpot, the facilities team got better at predicting cold-brew demand. To pacify tea-drinkers, HubSpot bought teaBOTs, machines with touch-screen pads that allow people to customize their own blend of loose-leaf tea, and installed ice-tea taps. "Everyone is included in the coffee garden, not just coffee drinkers," said Rachel Yen,

HubSpot's customer events and experience coordinator. She favors iced skim milk lattes.

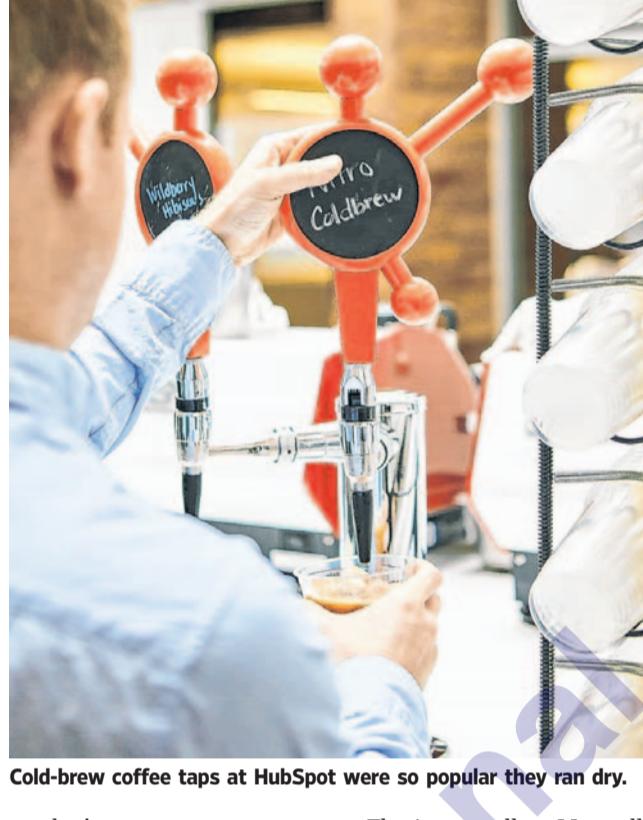
Victor Olausson, an IT consultant in Gothenburg, Sweden, said coffee arguments break out daily in his office. In one recent skirmish two colleagues faced off over whether to use 11 or 12 scoops of coffee in the office machine.

"They argued for 20 minutes about this," Mr. Olausson recalls. Victory went to the employee holding the scoop. He poured out 12 heaping scoops of grounds. "The other guy complained all day that his coffee was too bitter," Mr. Olausson said.

Three months ago a broader war broke out at his office over whether employees on the third or fourth floor had the better coffee machine. One morning the third-floor staff arrived to find their machine was missing. A group reassigned to the fourth floor had taken it with them.

Last month the company moved to a new building with single-serve machines that allow workers to select the strength of their own brews. "The arguments have decreased dramatically," Mr. Olausson said.

Offices occupied by workers with less sophisticated choices



Cold-brew coffee taps at HubSpot were so popular they ran dry.

can be just as tense.

"Our office manager has a lockdown on the coffee situation," said Zach Bleiler of his employer, a technology consulting company in Camp Hill, Pa. "What he orders is what we get."

That's usually Maxwell House. The office manager, who didn't respond to calls seeking comment, arrives early and makes the coffee very strong. Mr. Bleiler said the office manager has a stock response for employees who

protest: "Put creamer in it."

Still, Mr. Bleiler prefers the arrangement to the 65 cents per cup that he was charged by his previous employer. "Having free coffee—whether it's good or bad—is important," he said.

Ryan Rouse, a vice president at Tyson Foods Inc., used to toggle between begrudgingly drinking the office Folgers and making trips to outside cafes. Now he buys up to eight cups of a local gourmet roast from the full-time barista posted in the lobby of Tyson's recently renovated offices in Chicago.

Still, he said his colleagues grouse when the barista rotates the local beans or seasonal kombucha away from their favorite.

At the Halifax, Nova Scotia, headquarters of software firm Proposify, employees monitor a Slack channel dubbed "the lounge" to see whether their high-end, single-serve machine is broken or running low. "The coffee maker was a little wonky. Only half full latte and mocha!" read one recent post, which ended with a sad face emoji.

Twenty-four minutes later, the same employee wrote, "Update...The coffee guy is here!!!"

Proposify, which makes

software for salespeople, is steeped in coffee culture. Its logo is a coffee cup, and its slogan is "coffee is for closers," the line from "Glengarry Glen Ross."

"I think there would be a revolt if our coffee maker went down too much," said Lindsey Ward, Proposify's community manager.

The Berlin office of venture-capital firm HV Holtzbrinck Ventures has a large chrome Italian espresso maker that takes at least five minutes to pull a shot.

"One of my colleagues has gotten to the point of discussing how humidity affects the coarseness of grinding the beans," said Jan Miczaika, a partner at the firm. "I, on the other hand, have places to go and things to do."

Mr. Miczaika has hidden a small, single-serve espresso maker behind the chrome machine and plunks in a Nespresso pod whenever he wants coffee. Colleagues have caught on and shamed him for it.

There's an upside to being looked down upon, he said. His colleagues at the fancy machine get asked to make espresso for their peers, which takes up time. "When I ask if I can get someone a coffee," he said, "no one answers."

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## WORLD NEWS

# Britain and EU Close In on Brexit Deal

The two sides appear to bridge divides over Irish border and how pact will be enforced

By LAURENCE NORMAN

**BRUSSELS**—Negotiators have moved within sight of a deal on terms of Britain's divorce from the European Union, diplomats from the two sides say, narrowing differences over a key sticking point: How to avoid a physical border between Ireland and Northern Ireland.

While issues remain and a final agreement could still prove elusive, EU and British diplomats close to the talks said London and Brussels appeared close to a deal ahead of a critical summit of EU leaders next week.

If a Brexit pact is reached—after 16 months of talks—the two sides would still need to agree on a blueprint for future trade and security ties. Then U.K. and European parliaments would need to ratify a deal before the scheduled split on March 29.

New optimism has surrounded the talks since British Prime Minister Theresa May last week weathered criticism from harder-line pro-Brexit members of her Conservative Party at its annual conference and pledged to seek a deal that maintained close economic ties with the bloc.

The British pound rose on Tuesday after The Wall Street



EU chief Brexit negotiator Michel Barnier, left, with Northern Ireland political leader Arlene Foster, right, in Brussels on Tuesday.

tries, such as France, have pressed for this declaration to set out what options are ruled out for future trade relations.

But there is a growing consensus that the text should keep options open for Britain, European diplomats said. The two sides are aiming to agree to the outline, which won't be legally binding, by November. Official trade talks can start only once the U.K. leaves the EU in the spring.

EU officials hope to have ready by Monday an early sketch of that blueprint, setting out core principles.

In a sign of progress, the European Commission postponed publishing fresh contingency plans for a no-deal Brexit this week, seeking to avoid injecting new tensions into the talks, the diplomats said.

Any withdrawal agreement, which will include an estimated \$50 billion divorce bill, will set up what is likely to be a tense vote in the U.K. Parliament for Mrs. May's minority Conservative government.

◆ France's Macron grows isolated..... A18

Unionist Party leader Arlene Foster said her party has "deep red" lines on allowing no new regulatory or customs barriers to trade within the U.K.

Irish Foreign Minister Simon Coveney, meanwhile, played down hopes of a quick breakthrough, saying talks on the Irish border could drag on for several more weeks.

The EU originally insisted that customs and regulatory checks must be made along the Irish Sea between mainland Britain and Northern Ireland. But Mrs. May has said that would effectively carve the U.K. into two customs areas and undermine Britain's constitutional integrity.

Under a compromise being discussed in recent days, the U.K. would agree to some increased regulatory checks on product standards for goods moving from mainland Britain to Northern Ireland so that no new checks are needed on the boundary with the Irish Republic, the diplomats said. The EU would meanwhile scale back the checks needed along the Irish Sea, moving them to business premises in mainland Britain, for example.

A solution is also emerging on who has final say on disputes over a divorce agreement. The EU has long said the European Court of Justice should be the arbiter, while Britain has said it wants to end the EU court's role in Britain after Brexit.

That separation would normally require customs and regulatory checks on goods moving from one territory to the other.

In Brussels on Tuesday, after meeting with EU chief negotiator Michel Barnier, Northern Ireland's Democratic

they say a text could be provisionally agreed on in time for consideration by the bloc's leaders at a planned summit in Brussels on Oct. 17.

For the negotiations to suc-

ceed, an agreement on exit terms must be accompanied by a separate outline on the shape of future trade and security relations between the U.K. and the EU.

London wants to be sure that agreement allows future trade frictions to be minimized. The EU has been divided on how much detail the blueprint should contain. Some coun-

trade and security.

**December-January** Likely debates and ratification votes in British and European parliaments on withdrawal deal.

**March 29, 2019** Britain leaves the EU.

**Dec. 31, 2020** Scheduled end of post-Brexit transition period, when the new rules begin.

## Next Steps Along The Breakup Path

**Oct. 17** European Union summit. Possible agreement on Brexit withdrawal.

**Mid-November** Provisional special EU summit intended to sign off on Brexit deal and an outline of future ties, including

## Watchdog Questions Italy Growth Forecast

By GIOVANNI LEGORANO

**ROME**—Italy's fiscal watchdog criticized the economic forecasts of the country's new government, in a blow to the credibility of budget policies that are unnerving investors and the European Union.

The Parliamentary Budget Office said Tuesday it can't endorse the government's forecast of 1.5% economic growth next year, adding that it expects growth to be "several tenths of a percent" lower. Weaker growth implies a larger budget deficit than the government is projecting.

Italy's government, a coalition of the antiestablishment 5 Star Movement and the far-right League, has rattled financial markets and EU authorities with a budget plan that reverses years of efforts to lower spending and debt.

The government says its planned spending increases and

tax cuts would lead to a budget deficit of 2.4% of gross domestic product in 2019. Economists and EU officials say that forecast assumes overly optimistic growth and the true deficit could be significantly higher.

Concern over the implications for Italy's public debt, which at 130% of GDP is already the highest in the EU apart from Greece, has led to investor flight from Italian government bonds.

EU authorities are expected to declare Italy in violation of the bloc's rules on fiscal discipline unless Rome changes course. Leaders of the League and 5 Star have defiantly denounced EU officials, raising the specter of a monthslong confrontation.

The PBO has no power to block the budget, which the government is due to unveil in mid-October. But its verdict could exacerbate investor and EU concerns.

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## WORLD NEWS

# Pakistan's Rupee Is Hit By Bailout Bid

BY SAEED SHAH

ISLAMABAD, Pakistan—The Pakistani rupee dropped sharply against the dollar Tuesday after the government said it was seeking a bailout from the International Monetary Fund, which will likely lead to tough economic policies and slow the nation's economic growth.

Prime Minister Imran Khan's new administration was forced to turn to the lender of last resort after its planned alternatives to the IMF didn't work out, officials said, especially aid from Gulf nations.

Economists say the government needs to raise some \$12

billion to head off a financial meltdown from its inherited crisis of a mushrooming trade deficit and dwindling foreign-exchange reserves.

Mr. Khan's nationalist government had suggested it could make do without the IMF by raising cash through grants and loans from other countries, bond sales and money from overseas Pakistanis.

In particular, Pakistan was looking for cash injections from China, Saudi Arabia and the United Arab Emirates. Mr. Khan visited Saudi Arabia and the U.A.E. last month to ask for financial assistance. But so far, the requested cash hasn't materialized from the



Pakistani laborers sitting on a roadside in Rawalpindi on Tuesday. The government needs some \$12 billion to head off a financial meltdown.

Gulf. China has provided some loans in recent weeks, officials say.

Chaudhry Fawad Hussain, Pakistan's information minister, said Tuesday that Saudi Arabia and the U.A.E. put unacceptable conditions on providing any money. He didn't spell out what strings were at-

tached, but in the past those Gulf states have pressured Pakistan to join their war against Iran-backed Houthi rebels in Yemen and pushed for Islamabad to enlist in their campaign to isolate their regional rival Iran.

Pakistan is close to Saudi Arabia but has sought not to

antagonize its neighbor Iran.

"Nations look after their own interests," said Mr. Hussain on a local TV station.

Pakistan's new government, in power for less than two months, had promised millions of new jobs and what it called an "Islamic welfare state." Instead it now looks more likely

to have to rein in spending and increase taxes under an IMF program.

"Decisive policy action and significant external financing will be needed to stabilize the economy," the IMF said last week after a visit by the organization's officials to Pakistan.

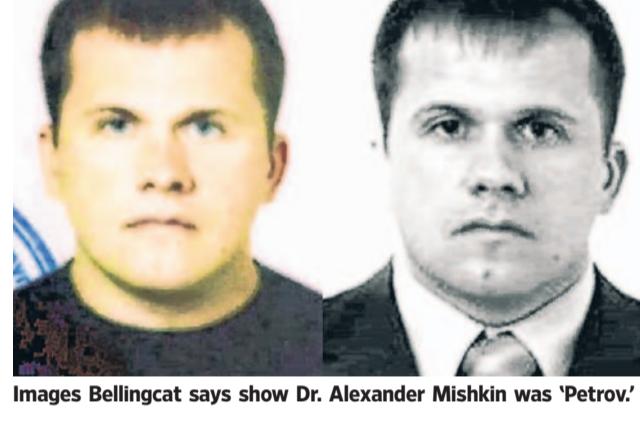
# U.K. Poisoning Suspect Identified as Russian Doctor

BY ANN M. SIMMONS

A London-based investigative journalism group said it has learned that one of the men accused of poisoning a former Russian spy in Britain this year is a medical doctor and veteran of Russia's military intelligence service.

The group, Bellingcat, reported on its website Monday that the man identified and charged by U.K. authorities as Alexander Petrov is actually Alexander Mishkin, a highly decorated member of Russia's military intelligence service, commonly known as the GRU.

The announcement came two weeks after Bellingcat and investigative website Insider reported that Ruslan Boshirov, identified by U.K. authorities as Petrov's partner in the al-



BELLINGCAT/ASSOCIATED PRESS

Images Bellingcat says show Dr. Alexander Mishkin was 'Petrov.'

leged assassination attempt in March, was actually Anatoliy Chepiga, a GRU colonel.

Bellingcat said it used "multiple open sources, testimony from people familiar

with the person, as well as copies of personally identifying documents," including a scanned copy of Mr. Mishkin's passport, to prove that he wasn't in fact named Petrov.

Last month, British prosecutors charged two Russian men—named in court proceedings as Alexander Petrov and Ruslan Boshirov—with four offenses related to the poisoning of 67-year-old defected Russian spy Sergei Skripal, who has lived in Britain since a 2010 spy swap with Moscow.

His daughter Yulia was also poisoned, and like her father, was left critically ill by the attack.

According to Bellingcat's reporting, Mr. Mishkin, 39, was born in Loyga, a village in the district of Arkhangelsk Oblast in northwestern Russia. He graduated from one of Russia's elite military medical academies and "was trained as a military doctor for the Russian naval armed forces," the investigative group reported.

While pursuing his studies, Bellingcat said, Mr. Mishkin was recruited by the GRU and assigned an undercover identity, "including a second national ID and travel passport—under the alias Alexander Petrov."

The investigative website said that unlike Boshirov, who it says is a pseudonym for Col. Chepiga, Mr. Mishkin's alter-ego Petrov shared most of his biographical details "such as the exact birth date, first and patronymic name, and first names of his parents."

Bellingcat also noted that until early September 2014, Mr. Mishkin's registered home address in Moscow was the same as the address for the GRU headquarters.

Presidential spokesman Dmitry Peskov said Tuesday the Kremlin had no further com-

ment on media reports regarding the identity of the two men.

The Kremlin has insisted the men are civilians and Russian President Vladimir Putin has denied his government's involvement in the Skripals' poisoning.

When Bellingcat and Insider identified the first poisoning suspect as being a GRU recipient of a Hero of the Russian Federation award—an honor bestowed personally by the president of Russia—Russian officials denied that he was a military agent.

Last month, men identifying themselves as Boshirov and Petrov told a Kremlin-backed television station they had been in the U.K. to visit the famous cathedral in Salisbury, the southern English city where the attack occurred.

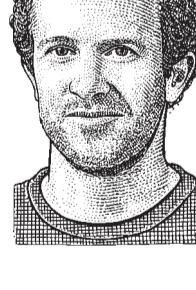
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The rules of work have changed—technology, automation and an "always on" mantra for business have created new norms for companies and their employees. What does this mean for new workers who may not have the work/life balance of previous generations? How can companies improve their culture to embrace more productivity and less distraction? The Wall Street Journal will sit down with Jason Fried and David Heinemeier Hansson, the founders of software firm Basecamp and authors of "It Doesn't Have to Be Crazy at Work," and Lorraine Hariton, president and CEO of Catalyst, a global nonprofit working to build workplaces that work for women, for a frank discussion about running a successful business today.

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## WORLD NEWS

# Turkey Search for Journalist Turns to Van

Police are examining possibility that critic of Saudi government was abducted

BY DAVID GAUTHIER-VILLARS

ISTANBUL—Turkish police are investigating whether a black Mercedes van was used to abduct a Saudi journalist who went missing after entering the Saudi Arabian consulate here last week, as the two regional powers sparred over his disappearance and U.S. authorities expressed alarm.

Prosecutors in Turkey have launched a criminal probe into the fate of Jamal Khashoggi, a critic of the Saudi government who hasn't been heard from since he walked into the consulate to collect divorce papers on Oct. 2.

Turkish police had initially concluded Mr. Khashoggi was likely killed in the consulate, an allegation the Saudi government has strongly denied. It dispatched its own team of investigators to assist the Turkish probe.

A closer analysis of video footage showing a flurry of cars, including the black Mercedes van, coming to the con-

sulate and leaving the building around the time Mr. Khashoggi was inside is leading investigators to examine the possibility that—alive or dead—the journalist was spirited away, two Turkish officials briefed on the probe said. “We can’t be definitive,” one of the officials said.

Saudi officials didn’t respond to requests to comment on Tuesday. “I assure you that the reports that suggest that Jamal Khashoggi went missing in the consulate in Istanbul or that the kingdom’s authorities have detained him or killed him are absolutely false, and baseless,” Prince Khalid bin Salman, Saudi Arabia’s ambassador to Washington and a son of the Saudi monarch, said late Monday.

In a sign of rising concern in the U.S. Congress about the case, 23 lawmakers wrote President Trump Tuesday evening, asking that he personally raise it with the Saudi and Turkish governments. Earlier Tuesday, Mr. Trump said he hadn’t yet spoken to the Saudi government about Mr. Khashoggi’s disappearance but would be talking to Saudi officials “at some point.”

The Trump administration has cultivated ties with the kingdom—the president chose the country for his first foreign visit in office—and it now faces a dif-



Saudi officials arrived at Saudi Arabia's consulate in Istanbul on Tuesday, as protesters gathered outside.

dividuals went to the Saudi consulate, according to the two Turkish officials. The Mercedes van was parked inside the gated compound when Mr. Khashoggi walked inside, the officials said.

Later that same day, the individuals, again in separate groups, returned to the Ataturk airport where they boarded the planes they had come on, the officials said. When the first jet took off, shortly before 7 p.m., Mr. Khashoggi’s fiancée, who was waiting outside the consulate, had just sounded the alarm by calling an adviser to Mr. Erdogan. The second jet took off around 11 p.m., the officials said.

The planes carried tail numbers HZSK1 and HZSK2, and transported Saudi officials and intelligence officers, according to Turkish newspaper Sabah, which cited police and other unnamed sources.

Flight-tracking services checked by The Wall Street Journal show planes with those tail numbers flew back to Riyadh on Oct. 3 after making layovers, one in Dubai and the other in Egypt. The two Turkish officials confirmed that the jets carried those tail numbers.

—Margherita Stancati,  
Robert Wall  
and Rebecca Ballhaus  
contributed to this article.

ficult task in handling a diplomatic crisis involving a close ally.

Secretary of State Mike Pompeo, citing “conflicting reports” on Mr. Khashoggi’s fate, urged Saudi Arabia in a statement Tuesday to support a thorough investigation “and to be transparent about the results of that investigation.”

Turkey’s Foreign Ministry said Tuesday that Saudi officials had given their consent to an inspection of the consul-

ate. A ministry spokesman said it had yet to take place.

The inspection could help clarify a sensitive point: what surveillance equipment is installed inside the building.

Turkey’s President Recep Tayyip Erdogan on Monday urged Saudi Arabia to disclose footage supporting their claim that Mr. Khashoggi left the consulate alive on Oct. 2. Saudi officials have said the consulate was equipped with surveillance

cameras but that they weren’t linked to recording devices.

Turkish investigators became convinced that Riyadh played a role in Mr. Khashoggi’s disappearance after piecing together the paths of more than a dozen individuals who flew to Istanbul from the kingdom aboard two separate private jets on Oct. 2.

After landing at the Ataturk airport, on the European side of the Turkish metropolis, the in-

## FROM PAGE ONE



The fund is in talks to lift its nearly 20% stake in the office leaser to a majority holding.

## SoftBank, WeWork in Stake Talks

*Continued from Page One*  
as Chief Executive Adam Neumann has promised a lofty vision of connecting people and building community.

Mr. Neumann has recently described office space for WeWork as books were for Amazon.com Inc.—just a sliver of what it will become.

His grand ambitions include developing entire neighborhoods full of not just its offices, but also WeWork-run apartments, gyms and even schools. Last month, it launched an elementary school, and it has bought a search engine optimization company, a software-coding school and even a stake in a

WeWork has said its losses reflect its investment in growth, and its locations have healthy profit margins once they are open and fully leased.

Fueling the growth are midsize and large companies that put divisions or groups of workers in offices for one to three years. Many of these companies like the flexibility of short-term leases, while WeWork absorbs the risk of paying the rent long-term, for 10 to 15 years.

Skeptics say WeWork’s investors who have given WeWork its billions don’t fully appreciate the risks of the

business. Its client list still includes a big share of startups that may not be around for long, as well as larger companies that could leave in a recession. WeWork is on the hook for the long-term leases.

“They’re spending a lot of other people’s money very rapidly,” said Frank Cottle, who runs a network of serviced-office companies and sold a large portfolio of serviced offices to IWG’s predecessor, Regus, two decades ago. “The people investing in WeWork are looking at its story,” he said. “They’re ignoring its profitability.”

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## IMF Study Says Severe Plunge Unlikely for Emerging Economies

BY JOSH ZUMBRUN

NUSA DUA, Indonesia—A new study by the International Monetary Fund projects emerging economies will muddle through recent market turbulence without a severe shock to their financial systems, but flags an outside chance of a crisis.

A few countries, such as Argentina, are expected to suffer contractions. But most will continue to experience growth, despite sometimes drastic declines in their currencies, the

IMF said in its Financial Stability Report, released at its annual meetings in Indonesia.

In a “severely adverse” scenario, the IMF says capital could flood out of countries at a pace not seen since the 2008 global financial crisis.

The IMF’s managing director, Christine Lagarde, warned in a speech last week that the pressure on emerging markets “could lead to market corrections, sharp exchange rate movements, and further weakening of capital flows.”

Emerging-market stability took on renewed focus this week when Pakistan became the latest country to seek a bailout from the IMF, hoping that the funds will give it enough to shore up its finances.

Earlier this year, Argentina sought a bailout after its currency plunged. Just a few months after receiving a \$50 billion bailout, Argentina’s currency declined further and the nation got an even larger IMF bailout. Turkey has also faced a massive currency drop.

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## FROM PAGE ONE

# Tree Glut Uproots Investors

*Continued from Page One*  
harvested trees at depressed prices to pay interest on money borrowed to buy. Calpers sold much of its land this summer at a loss. A spokeswoman for the pension fund declined to comment.

It's also been tough for the individuals and families who own much of the South's forestland, and who had banked on its operating as a college fund or retirement account. The region has more than six million owners of at least 10 wooded acres, say academics and forestry consultants. Many of the owners were counting on forests as a long-term investment that could be replenished and passed on to heirs.

"If you work and you didn't want to put all your money in the stock market, you'd buy 40 acres and plant trees and they'd be ready to cut by the time your kid went to college," said Skip Stead, a timber broker in Lincoln, Ala. "It's like a 401(k)."

The housing crash 10 years ago worsened the developing timber glut by depressing lumber demand and prompting woodland owners to postpone harvests. Mills closed.

Housing has come back in much of the country, pushing prices for finished forest products such as two-by-fours and plywood to historic highs during the spring and summer building season. Prices for logs, as well, have moved up in the U.S.'s other big timber-producing region, the Pacific Northwest, where supply is kept in check by wood-boring beetles and periodic wildfires.

## Saw timber

In the South, timber prices haven't stopped sliding. Adjusted for inflation, the price of Southern pine is down about 45% since 2007, according to Daowei Zhang, an Auburn University professor of forest economics. So-called saw timber, for making lumber, is at a 50-year low, adjusted for inflation.

Corporate owners of far-flung timber tracts can concentrate logging in regional markets where prices are healthier, such as Savannah, Ga., and Charleston, S.C., which have access to ocean shipping. Timber companies that own saw mills, such as PotlatchDeltic Corp., can buy local logs on the cheap.

Most Southern woodland owners are stuck with whatever the nearest mill is paying. Hauling logs cross-country chasing better prices isn't an option. It doesn't take many tree trunks to fill a truck to its 80,000-pound limit on interstate highways. Loggers, paid for each ton they cut and deliver to the mill, are reluctant to make all-day trips.

Some timber harvests are barely worth the effort after the expense of logging, hauling, taxes and replanting. In some areas, there is hardly any margin for the imperfect pines that are pulped for paper and particleboard.

Waiting for better prices carries its own risks, because after a certain age, trees, like people, become more susceptible to disease. Hurricanes can lay down entire tracts. The Southern pine beetle can alter financial plans in days.

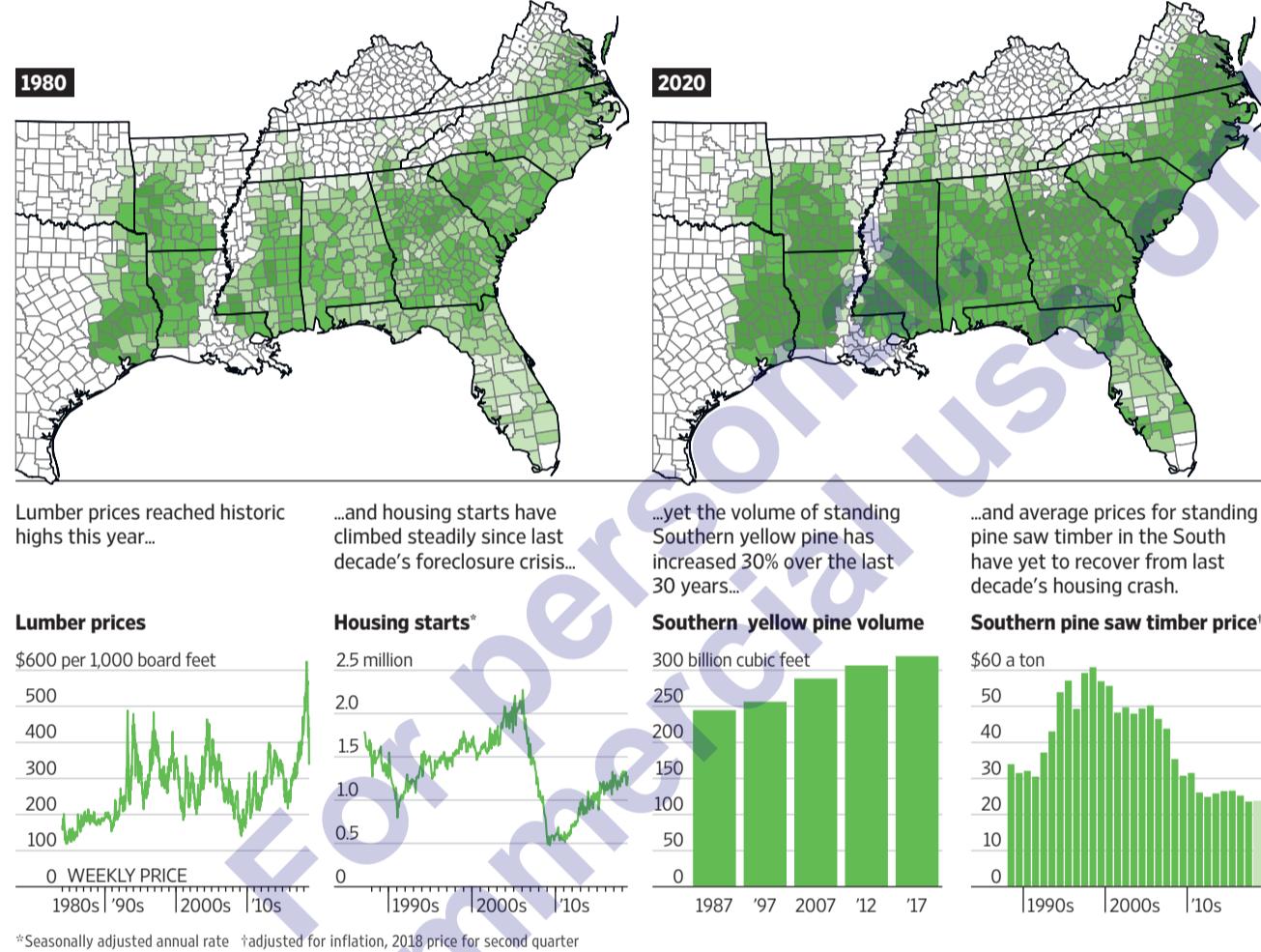
Hernando de Soto searched the South for gold in the 16th century but what he found was mostly trees, a primeval forest of longleaf pine that stretched from what's now



Clayton George stands amid loblolly pine he planted on Mississippi farmland in the 1980s under a federal program. Southern pine logs now are in surplus.

## Log Rhythm

The volume of Southern yellow pine, used in housing and to make paper, has surged in recent decades as farmers replaced cropland with trees and as clear-cut forests were replanted. By 2020, the amount of wood growing per acre of timberland in many counties will have more than quadrupled since 1980, U.S. forestry officials estimate.



\*Seasonally adjusted annual rate †adjusted for inflation, 2018 price for second quarter  
Sources: USDA Forest Service, Forest Inventory and Analysis Program (maps); FactSet (lumber price); Commerce Department via St. Louis Fed (housing starts); U.S. Agriculture Department (volume); Daowei Zhang, Auburn University School of Forestry & Wildlife Sciences, 2018 prices TimberMart-South (Southern timber prices)

THE WALL STREET JOURNAL.

southern Virginia to northern Florida and west into Texas.

The British navy gobbled up the colonies' longleaf for its rot-resistant wood and gummy sap, from which turpentine and pitch were made. In the decades following the Civil War, the pine lands were logged nearly to oblivion. Vast swaths of forestland also were cleared to plant tobacco and cotton.

## Tree farming

In the 1950s, the U.S. Department of Agriculture started dangling forestation incentives to stem erosion and prop up crop prices. At the depths of the 1980s farm crisis, when prices for agricultural commodities plunged, the Reagan administration launched the Conservation Reserve Program. Starting in 1986, it promised farmers annual payments of about \$30 to \$50 for each acre they planted with trees or grasses.

Many seized the offer. By 1994, more than 2.2 million acres of farmland in the South

had been converted to pine plantation, much of it in Mississippi, Alabama and Georgia.

Other federal forestation programs added about 2.5 million acres more, according to Auburn's Mr. Zhang.

Meanwhile, timber was gaining popularity as an investment idea. People reasoned that trees would grow, and thus gain value, no matter what the stock market did. Investors large and small snapped up forestland that big paper companies put on the market to take advantage of the interest. Researchers reported in 1998 that residual fertilizer in the soil of former farms was helping trees grow faster.

A crush of maturing trees arrived just as U.S. housing markets collapsed in 2007 and 2008, creating a supply imbalance that in some places has never ended. Even with increased demand from the housing recovery, there remain about 25 years' worth of softwood supply in the Southeast, said Brooks Mendell, chief executive of Forisk Con-

sulting, which advises timber investors.

In parts of Mississippi and Alabama, the glut is even worse. "It's unclear we'll ever have timber prices like we did 10 or 20 years ago," Mr. Mendell said.

Southern mill owners—who buy logs from landowners and resell them as poles, lumber

## A federal program led farmers to plant trees in the '80s. Now they are in surplus.

and pulp—anticipate wide margins for years because their raw material is so cheap. Billions of dollars of new saw mills and mill expansions have been announced by the likes of Georgia-Pacific and Canada's Canfor Corp. Lumber is more practical than logs to haul long distances to stronger markets.

The arbitrage inspired last year's merger of Deltic Timber Corp. and Potlatch Corp.

Deltic's three Arkansas mills offered profits amid depressed prices for Potlatch's Southern timber. The combined company quickly added a second shift to a mill in Ola, Ark., and a more efficient kiln for drying wood at another mill.

More mills could help timber prices, but building one of today's modern computerized mills, and finding the skilled labor to run it, is a complex task. "Can they install a mill in a rural town in Mississippi and be able to go hire a hundred workers who want to work in a saw mill?" asked Potlatch-Deltic Chief Executive Michael Covey at an investor conference in New York this summer.

"It's going to take a few years

for those Southern log prices to tip back up."

In the woods behind a subdivision in suburban Birmingham, Ala., this July, loggers downed all but the most aesthetically pleasing trees on George Lutz's 60 acres. He had plunked down some of his retirement savings to buy the property after the housing crash a decade ago and planned to develop residential lots. He was counting on the timber to recoup much more of his cost.

"If it wasn't my retirement, I probably wouldn't cut," he said.

The 65-year-old enlisted Rick Nelms, an Alabama consultant and procurement forester, to squeeze as much as possible from the harvest. Mr. Nelms is what's called a timber cruiser, able to estimate trees' value at a glance.

On Mr. Lutz's property, he watched the operator of a machine called a knuckleboom-crane yank trunks through a "delimber" to shave off the branches.

Mr. Nelms waved to the operator and shouted, "That's a pole."

The man in the crane looked down at the thick log he was about to lay on a pile of trunks destined for a mill that would saw them into lumber. It's bent, he said.

Mr. Nelms assured the operator the log would straighten out on the truck under the weight of the other big logs destined to become utility poles. The crane operator set the trunk aside.

It was worth the trouble to sort the trees carefully. A run-of-the-mill power pole could fetch about \$50 a ton at the mill, Mr. Nelms said, and logs big enough for larger transmission poles could be worth as much as \$130 a ton delivered. Saw logs, on the other hand, got only about \$20 a

ton.

Nearby, a truck that was headed for a pulp mill 40 miles away pulled two trailers stacked with about 150 tree trunks, each about 40 feet long and too skinny, knotty or crooked to make poles or lumber. Mr. Lutz would pocket just \$3 a ton after expenses, amounting to around \$75 for the whole load, according to Mr. Nelms.

Before the housing crash, he could have expected three to five times that much, but since then, many more trees in Southern forests have grown to maturity.

Mr. Lutz's trees were sorted into seven product types, including saw logs. It was a natural stand, so there was plenty of hardwood, which was a plus. Long a nuisance for plantation growers because they compete with pine for sunlight and nutrients, deciduous trees fetch much better prices these days. A river system that flows to Alabama's Mobile Bay offers a way to ship the hardwood to overseas buyers.

## Cost of planting

Over toward Mississippi, outside of Reform, Ala., George Ballard harvested 100 acres where a mix of trees had sprouted naturally after an earlier clear-cut. The hardwood here was a blessing, returning \$26 a ton instead of the \$4 to \$12 a ton his pine trees fetched after expenses, depending on what product they were destined to become.

The economics are much worse for 1,000 acres he owns across the road. Mr. Ballard, 62, clear-cut both tracts after he bought them in 1987. In contrast to the smaller parcel that he left to grow back naturally, he spent more than \$200,000 planting the larger property with rows of pine. Some lucrative sales had prompted him to go all-in replanting there and on other land he owned.

"I got \$6,000 an acre and we thought, 'We've got to plant everything with pine bushes,'" Mr. Ballard said. "We thought the future was pine trees."

Pine trees that would have been worth \$45 a ton "on the stump" back then might return \$14 a ton now, he estimates. For income, he leases forestland to hunters. He built a small lake and a cabin, planted some cleared spots with clover to provide food for deer and other wildlife and set up some blinds. Four men from Birmingham pay him \$65,000 a year to drive out on weekends and hunt whitetail deer and turkeys.

Mr. George, the Mississippi farmer who planted cropland to trees under a federal conservation program in the 1980s, moved to Memphis and became a cotton exporter. Now, with the trees mature and ready to cut, he has to consider his father's estate planning and a son in college as he figures out what to do.

Some of his trees have outgrown nearby saw mills and will have to be pulped. Whether Mr. George, who is 57, harvests now or holds out for higher prices, he will ultimately have to decide whether he wants to commit to trees again. "I'm not sure if we'll replant or let it go to pasture," Mr. George said. "We'd have to dynamite the stumps, though."



BOB MILLER FOR THE WALL STREET JOURNAL

'Timber cruiser' Rick Nelms oversees a harvest of pine trees at a tract in Alabama.

# GREATER NEW YORK

# NJ Transit Hobbled by Woes, Audit Shows

Governor promises to rebuild system plagued by underfunding and mismanagement

By PAUL BERGER

New Jersey Gov. Phil Murphy vowed Tuesday to implement dozens of recommendations contained in an audit calling for a wide-ranging overhaul of NJ Transit, the state's struggling public transit system.

At Metuchen's train station, Mr. Murphy said rebuilding faith in NJ Transit, particularly in its rail service, is key

to ensuring the state attracts new residents—especially parents drawn to its public-school system who work in New York City and want to spend time with their families in the evening. "This is fixable, it's within our grasp," he said.

Tom Wright, president of the urban-planning group Regional Plan Association, said: "It doesn't have to be a 10- to 15-year scenario."

Mr. Murphy, a Democrat, ordered the \$1.3 million audit soon after assuming office at the beginning of this year. Auditors from North Highland Worldwide Consulting found many issues that NJ Transit

riders know well. The agency, once a leader in public transit, suffers from years of underfunding, low staff morale and widespread rider dissatisfaction because of delays, cancellations and overcrowding.

The auditors also said NJ Transit has no strategic plan or proposal to manage its assets such as track, stations, locomotives and buses, valued at more than \$5 billion.

They recommended streamlining the agency's management structure, improving hiring and employee retention, and investing in modern systems to manage maintenance and spending—all recommen-

dations that state officials on Tuesday vowed to implement.

Transportation Commissioner Diane Gutierrez-Scaccetti, who also chairs NJ Transit's board of commissioners, said that work on a strategic plan and on implementing technology to track and manage the agency's rail and bus systems is under way.

NJ Transit's fleet of buses and trains, which carry more than 300,000 passengers each weekday, has suffered from declining performance in recent years, according to the audit.

The agency has been decimated by funding shortfalls, leading to staff shortages and

equipment falling into a state of disrepair, the audit found.

It highlighted a "precipitous reduction" in state subsidies of 90% beginning in 2010, when Gov. Chris Christie, a Republican, began his two terms.

A representative for Mr. Christie said Tuesday that during his tenure, funding for NJ Transit increased 56%, when money provided from governmental sources and "a long delayed fare increase" are factored in.

"Any finding in the report of precipitous reduction in state subsidies is flat out wrong," said the representative.

Auditors said a lack of fund-

ing forced the agency to shift money meant for improvements to tracks and equipment into the day-to-day running of the railroad, leading to a \$900 million reduction in the value of the agency's capital assets to about \$5.3 billion.

"We are throwing good money after bad to repair equipment that's so old and that causes us not to be able to buy new equipment," Ms. Gutierrez-Scaccetti said.

The funding shortfall also has forced NJ Transit to reduce nonessential maintenance, cut hiring and freeze nonunion wages for eight years, auditors found.



Mourners attended a vigil on Monday night in Amsterdam, N.Y., to remember the victims of the weekend limousine crash.

## State Disputes Limo Lawyer's Claims

By JIMMY VIELKIND

Assertions by a lawyer that the limousine involved in a deadly upstate New York crash was fit to be on the road are "categorically false," a state Department of Transportation spokesman said Tuesday.

Lee Kindlon, who represents Prestige Limousine, said the company had fixed several inspection violations and that a DOT inspector verbally told the firm that the vehicle was cleared for use.

"My clients believed they were in full compliance with the Department of Transportation, and the vehicle was road-ready," Mr. Kindlon said in an interview.

Joe Morrissey, a DOT spokesman, said Mr. Kindlon's assertions are "categorically false," and that the limo had been marked with an out-of-service sticker.

Records maintained by the Federal Motor Carrier Safety Administration show the limousine, with the license plate TOGALUX1, was cited for six violations during a Sept. 4 in-

spection. The violations included malfunctioning indicators for its anti-lock brake system and having no or defective emergency exits—a violation that put the vehicle out of service.

Gov. Andrew Cuomo on Monday said the limo "was not supposed to be on the road" at the time of the Saturday afternoon crash.

Twenty people died in the crash—the deadliest transportation accident in the U.S. since 2009. The victims include the driver, 17 limousine passengers and two pedestrians who were killed when the vehicle struck a parked SUV outside the Apple Barrel Country Store and Cafe after driving through a stop sign in Schoharie, a town about 40 miles west of Albany. The cause of the crash is under investigation.

Mr. Kindlon also said he had spoken on Tuesday to the company's owner, Shahyr Hussain, who also is known as Shahed. Mr. Kindlon said Mr. Hussain had "promised to make himself available" to investigators, although he is

currently in Pakistan.

Mr. Kindlon said he also had spoken with Schoharie County District Attorney Susan Mallery.

Prestige has handed over records for the company's four vehicles, including the 2001 Ford Excursion limousine that crashed, to investigators from the New York State Po-

lice and National Transportation Safety Board, Mr. Kindlon said.

State police on Tuesday confirmed that Scott Lisinicchia, 53 years old, was driving the limo at the time of the crash. Beau Duffy, a state police spokesman, said Mr. Lisinicchia had a Class A commercial driver's license but didn't have additional certification to transport that many

passengers.

Mr. Lisinicchia worked for Prestige Limousine for several years and the company is reviewing his certifications, Mr. Kindlon said.

Court records show that Mr. Lisinicchia was charged with drug possession in 2008 and 2013; both charges were dropped when he pleaded guilty to disorderly conduct violations.

In 2010 Mr. Lisinicchia was issued a criminal summons for unlawful possession of marijuana in Saratoga Springs, N.Y., according to police Lt. Bob Jillson. It is unclear how the case was resolved.

A law firm representing Mr. Lisinicchia's wife, Kim, issued a statement on her behalf Tuesday, saying her family is "devastated by the horrific tragedy."

"Scott was a loving and caring man who never would have knowingly put others in harm's way," Ms. Lisinicchia said. "The family believes that unbeknownst to him he was provided with a vehicle that was neither roadworthy nor safe for any of its occupants."

**Driver Scott Lisinicchia, who was among the 20 killed in the crash, faced drug charges in the past.**

From 2008 through 2016, prosecutors said, Mr. De-Meyer worked for Mr. Solomon, who

unresponsive at 2:38 p.m.

Mr. Solomon said in a statement that he and his wife were deeply saddened to hear that Mr. De-Meyer had killed himself. "He was close to our family for several years, and we are all heartbroken to hear of his tragic end," Mr. Solomon said.

From 2008 through 2016, prosecutors said, Mr. De-Meyer worked for Mr. Solomon, who

this month became chief executive of Goldman Sachs. Mr. Solomon, a longtime investment banker and the firm's former president and chief operating officer, is a serious wine collector and food enthusiast.

Mr. De-Meyer's job responsibilities included receiving wine shipments at Mr. Solomon's apartment in Manhattan, then transporting that wine to

## Faith Can Make A Difference, Heart Study Says

By MELANIE GRAYCE WEST

The path to reducing rates of hypertension in black communities may start in the church pews, according to a new study by New York City researchers.

Specially trained health workers operating within faith communities in the city were able to significantly reduce and manage hypertension among black people, compared with health education alone, according to researchers at the NYU School of Medicine.

The research shows that effective lifestyle programs can be implemented outside of a health-care setting and in places where they help people, "where there is no intimidation and where there is trust," said Gbenga Ogedegbe, professor of population health and medicine at NYU and one of the study's authors.

The program design used in the study could be adapted to help people with other types of chronic conditions such as diabetes, he said.

The results of the study were published Tuesday in the journal Circulation: Cardiovascular Quality and Outcomes.

In the study, lay health workers met in small group settings with participants for 90 minutes for 11 weeks, followed by three "motivational sessions" focused on maintaining lifestyle changes.

At the weekly sessions, participants learned to use a food diary, plan ahead for meals, manage stress and find ways to work exercise into daily activities, among other subjects. Christian prayer and Scripture was woven into the program.

The 373 participants in the study, which took place from 2010 to 2014 in 32 churches around New York City, all had self-reported diagnosis of hypertension and uncontrolled blood pressure. A third had diabetes, and more than half were clinically obese.

Researchers found that after six months, people who met

regularly with the community health workers through their church saw a net reduction of 5.8 mm Hg (millimeters of mercury) in systolic blood pressure. That drop, if sustained over four to five years, can reduce heart attacks, stroke and heart failure by at least 20%, according to Dr. Ogedegbe.

He noted that prayer, taken as a form of meditation, was an important part of the program. Patients with hypertension often have anxiety and blood pressure levels are a biomarker for stress, he said. "When we pray, what do we do? We do a whole set of repetitive patterns," he said. "You are contemplating something and all those processes lead to a reduction in pulse rate."

*Programs 'where there is trust' outside of a health-care setting are helping people.*

Heart disease is the leading cause of death in New York City, according to the city Department of Health and Mental Hygiene. In 2017, some 28% of residents said they were told they have high blood pressure, city data show.

Churches have long been partners to the city's public-health workers, serving as an important outreach group for issues ranging from HIV prevention to mental-health initiatives.

Faith groups, said Javier Lopez, the assistant commissioner for the Center for Health Equity, "are the cornerstone of leading community engagement."

Amanda Hoyte-Badu was approached by her pastor at the Nazarene Congregational Church in Brooklyn to become one of the lay health leaders in NYU's study. The small-group atmosphere, among peers, was key to the group, she said. "They were able to relate to each other."

## Man Accused of \$1 Million Wine Theft Leaps to Death

By CORINNE RAMEY

Nicolas De-Meyer, 41 years old, who worked for Goldman's David Solomon, had been expected to plead guilty in federal court in Manhattan at 2:30 p.m. on Tuesday.

Instead of showing up in court, police said, Mr. De-Meyer jumped from the 33rd floor of the Carlyle Hotel on Manhattan's Upper East Side. Police found Mr. De-Meyer

unresponsive at 2:38 p.m.

Mr. Solomon said in a statement that he and his wife were deeply saddened to hear that Mr. De-Meyer had killed himself. "He was close to our family for several years, and we are all heartbroken to hear of his tragic end," Mr. Solomon said.

From 2008 through 2016, prosecutors said, Mr. De-Meyer worked for Mr. Solomon, who

this month became chief executive of Goldman Sachs. Mr. Solomon, a longtime investment banker and the firm's former president and chief operating officer, is a serious wine collector and food enthusiast.

Mr. De-Meyer's job responsibilities included receiving wine shipments at Mr. Solomon's apartment in Manhattan, then transporting that wine to

his cellar in East Hampton, according to an indictment.

From 2014 through 2016, Mr. De-Meyer stole hundreds of bottles of wine worth more than \$1.2 million, the indictment said. This included seven bottles of Domaine de la Romanée-Conti, a sought-after wine from an estate in Burgundy, France, which Mr. Solomon had bought for \$133,650. Prosecutors called

that wine "among the best, most expensive and rarest wines in the world."

Mr. De-Meyer then used an alias to sell this wine to a North Carolina-based wine dealer, according to the indictment. He was arrested in Los Angeles earlier this year.

—Zolan Kanno-Youngs and Liz Hoffman contributed to this article.



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# LIFE & ARTS

WORK &amp; FAMILY | By Sue Shellenbarger

## The Best Bosses Are Humble Bosses

**A**fter decades of screening potential leaders for charm and charisma, some employers are realizing they've been missing one of the most important traits of all: humility.

In an era when hubris is rewarded on social media and in business and politics, researchers and employment experts say turning the limelight on humble people might yield better results.

Humility is a core quality of leaders who inspire close teamwork, rapid learning and high performance in their teams, according to several studies in the past three years. Humble people tend to be aware of their own weaknesses, eager to improve themselves, appreciative of others' strengths and focused on goals beyond their own self-interest.

Among employees, it's linked to lower turnover and absenteeism. These strengths are often overlooked because humble people tend to fly under the radar, making outsiders think it's their teams doing all the work.

More companies are taking humility into account in making hiring and promotion decisions. Researchers are developing new methods of tracking this low-key trait.

Hogan Assessments, a leading maker of workplace personality tests, plans to unveil a new 20-item scale early in 2019 designed to measure humility in job seekers and candidates for leadership posts, says Ryne Sherman, chief science officer for the Tulsa, Okla., company. The scale will prompt people to agree or disagree with such statements as, "I appreciate other people's advice at work," or "I'm entitled to more respect than the average person."

"Most of the thinking suggests leaders should be charismatic, attention-seeking and persuasive," Dr. Sherman says. "Yet such leaders tend to ruin their companies because they take on more than they can handle, are overconfident and don't listen to feedback from others," he says.

Humble leaders can also be highly competitive and ambitious. But they tend to avoid the spotlight and give credit to their teams, Dr. Sherman says. They also ask for help and listen to feedback from others, setting an example that causes subordinates to do the same.

More employers are also screen-



PEP MONTERRAT

ing entry-level recruits for humility. That's partly because it predicts ethical behavior and longer tenure on the job, says Adam Miller, chief executive of Cornerstone OnDemand, a Santa Monica, Calif., provider of talent-management software.

The apparel company Patagonia begins scrutinizing job applicants for humility as soon as they walk through the door for interviews. Managers screening new recruits follow up by asking receptionists, "How did they engage at the front desk?" says Dean Carter, global head of human resources for the Ventura, Calif.-based company.

If staff members report disrespectful or self-absorbed behavior, "that can be a deal killer," he says. Fostering humility makes employees at all levels feel free to suggest ideas, Mr. Carter says. Humble employees also are more likely to support the company's mission of helping solve environmental problems.

In interviews, he asks applicants to tell him about a time when they experienced a major failure. "If they say, 'Wow, let me think about this, because there are a lot of times when I've messed things up,' that says a lot," he says. "If they have to pick among a lot of humble learning moments, that's good."

Indian Hotels, operator of the luxury Taj Hotels in the U.S. and else-

where, uses Hogan's assessments, among others, to screen potential leaders. "Humility is an emotional skill leaders need to have," says P.V. Ramana Murthy, global head of human resources for the Mumbai-based company. Humility gives rise to deep listening, respect for diverse views and a willingness to hear suggestions and feedback, he says.

The company also tries to instill humility in senior executives through coaching and a nine-month training program.

If you think you know which of your colleagues are humble, you could easily be wrong. Humble people don't flaunt it. And many workers, including arrogant ones, try to be seen as humble and helpful to make a good impression, says Kibom Lee, a psychology professor at the University of Calgary in Alberta.

Hogan's new humility scale is based in part on research by Dr. Lee and Michael Ashton, a psychology professor at Brock University in St. Catharines, Ontario. After reviewing personality research in several languages years ago, they identified a combination of humility and honesty, or what they called the H factor, as a stable personality trait.

It's marked by a cluster of attributes that appear consistently in some people, including sincerity, modesty, fairness, truthfulness and

unpretentiousness. The same people tend to avoid manipulating others, bending the rules or behaving in greedy or hypocritical ways. The H factor is included in a free online personality inventory they developed.

Workplace researchers often rely on subordinates' reports to assess leaders' level of humility. In a 2015 study of 326 employees working on 77 teams at a health-care company,

researchers asked team members to assess their managers' humility, based on a scale including their willingness to learn from others or admit when they don't know how to do something. Team members also assessed their teams' attitudes and performance.

Teams with humble leaders performed better and did higher-quality work than teams whose leaders exhibited less humility, according to lead researcher Bradley P. Owens, an associate professor of business ethics at Brigham Young University.

The performance gains held up independently of how much team leaders exhibited other positive leadership qualities unrelated to humility.

Some challenges may call for a different leadership style. For example, employees facing extreme threats or intense time pressure might perform better when a leader takes a more authoritative, top-down approach, Dr. Owens says.

### Humility Viewed Through History

*'It is fatal to pretend. I prefer to do anything on the quiet rather than boast about it.'*

Indira Gandhi

*'After crosses and losses, men grow humbler and wiser.'*

Benjamin Franklin

*'The greater thou art, the more humble thyself.'*

The Apocrypha

*'Where there is patience and humility, there is neither anger nor vexation.'*

St. Francis of Assisi

However, companies with humble chief executives are more likely than others to have upper-management teams that work smoothly together, help each other and share decision-making, according to a study of 105 computer hardware and software firms published in the Journal of Management.

Such companies also are likely to have smaller pay gaps between the CEO and other senior executives. These factors predict closer collaboration among all senior executives, which in turn leads to greater companywide efficiency, innovation and profitability, researchers found.

► Take a humility quiz online at [WSJ.com/Life](http://WSJ.com/Life).

### ART

## POMPEII'S NEW REVELATION

BY JOHN HOOPER

**ITALY'S CAMPAIGN** to preserve Pompeii is yielding unexpected dividends: new discoveries about the city buried in 79 A.D. ash and lava by a volcanic eruption.

Work to conserve the imperiled city outside Naples had turned up a street and two houses "containing extraordinary finds" that are to be made public next week, said Massimo Osanna, director of the site.

Just days ago, news broke of the latest find, which was dubbed the Enchanted Garden by the Italian media. The area measures about 16 feet by 12 feet in the northernmost sec-

tion of Pompeii.

Though first brought to light 270 years ago, only two-thirds of Pompeii has so far been excavated. In recent years, the emphasis has been on safeguarding what has already been uncovered rather than on making discoveries.

Conservators stumbled upon the Enchanted Garden, which has walls adorned with fanciful depictions. A peacock ambles through foliage and birds take flight into a glittering sky. Two serpents with cute faces that might have come from a cartoon rear up out of their coils. Gilded creatures of indeterminate species are locked in combat with a wild boar as dark as night. Gazing at the entire, fantastical scene is a man—with the head of a dog.

Prof. Osanna said the paintings on the walls had emerged startlingly well preserved after two millennia. But what most fascinated him was the way the designer of the garden had entwined illusion and reality. The plants through which the peacock is strolling extend to the bottom of the wall on which they are painted.

"And in front there is the flower bed of a real garden with a water tub," he said.

A shrine set into one of the enclosing walls shows it to have been a Lararium, a space reserved for the worship of the Lares, the deities the ancient Romans regarded as the protectors of their homes and families. Beneath the shrine, the artist who decorated the walls painted a short pillar bearing sacrificial offerings. A tiny, real altar has been found nearby. The Lararium, which is thought to have been covered in part by a tiled roof, is the biggest so far found at Pompeii. "It is the first time that such complex decoration has been found in a space dedicated

to worship inside a house," Prof. Osanna said.

Some of the significance of the decoration is familiar to scholars. Among the sacrificial offerings is a pine cone, a symbol of survival.

But the dog-headed man is puzzling. It is known that in the years leading up to the eruption that destroyed Pompeii there was widespread enthusiasm among the ancient Romans for imports of all kinds from the East. And the Egyptian gods included one, Anubis, with the head of a dog or a jackal.

Yet the creature in the garden, said Prof. Osanna, didn't resemble other depictions of Anubis. Two rooms of the adjoining house are due to be excavated and he hopes that finds there will shed light on the iconography of the garden.

In 2010, an area of Pompeii known by some as the House of the Gladiators collapsed. That was the first of several incidents that pointed to the fragility of the site and the shortcomings of its maintenance. In 2013, the United Nations cultural agency Unesco threatened to put Pompeii on its list of World Heritage Sites in danger unless the Italian authorities gave higher priority to protecting it.

In 2011, Italy had launched an ambitious, €105 million (\$121 million) campaign, largely financed by the European Union, to conserve and restore the site. By the end of 2017, the preservation campaign had led to the opening, or reopening, of 37 buildings and numerous streets and alleys on the site.

The discovery of the Enchanted Garden was a byproduct of the latest phase, which began this year. It involves stabilizing the walls of lava and pumice that reach up to 16 feet high at the limits of the excavated areas of the city.



CIRIO FUSCO (2)

Paintings from the newly discovered 'Enchanted Garden' in Pompeii, above, and below, with Massimo Osanna, director of the site of the ancient city.



## LIFE &amp; ARTS



MAX WHITAKER FOR THE WALL STREET JOURNAL (6)

From top: The 1927 T bucket roadster is owned by Michelle Haunold Lorenz, CEO of Gearhead magazine and record label, and her tattoo-artist husband, Bill Lorenz, here with their corgi dogs. The T bucket roadster is a specific kind of hot rod built from a Model T. The steering wheel is from a ship's door hatch, and the vehicle's 307-cubic-inch V-8 motor is exposed. Old license plates line the car's interior.

**MY RIDE** | By A.J. Baime

## Punk Rock Meets Hot Rod in a Model T

This T bucket roadster plays some tunes on a 1927 Ford Model T

*Michelle Haunold Lorenz, 54, the CEO of Gearhead, a magazine and record label based in Elk Grove, Calif., on her and her husband Bill Lorenz's 1927 T bucket roadster, as told to A.J. Baime.*

The punk rock and hot-rodding movements came about in the same way. In the 1940s, friends would get together in a garage and mess with a car. They would say, "Hmm, how can we get this thing to go faster and look cooler?" Then they would take the car out and race it. With punk rock, friends would get together in a garage and come up with a song. Then they would go out and play it. It was all very DIY.

The T bucket roadster is a specific kind of hot rod that, to me, expresses an ethos of where those two movements meet. It is a Ford Model T with no top, so you sit in it as if you're in a bucket. It has big wheels in back, smaller ones up front, and no hood so the engine is right out in the open.

My husband Bill had been saving parts to build a roadster, but it was slow going. So in 2015, we bought our 1927 roadster for \$6,000 from a friend who had built it in Washington.

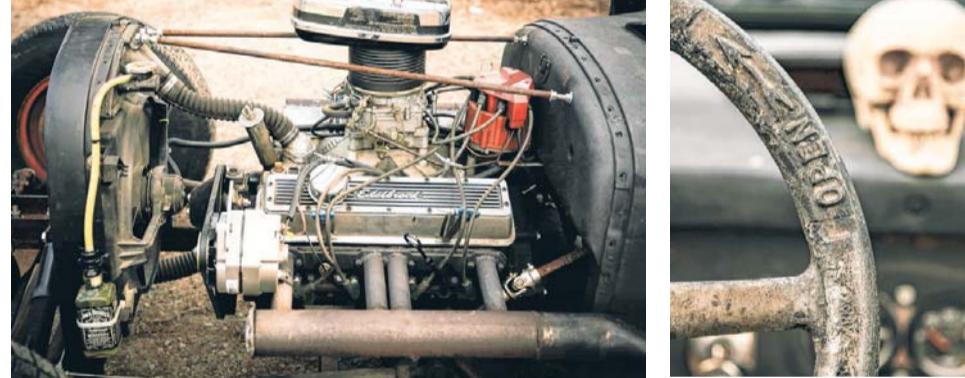
It has a beer keg for a gas tank (pressure-tested for safety) and a Jack Daniel's bottle for a radiator overflow. The steering wheel is a wheel taken off of a hatch door from a ship.

The interior is lined with old license plates—many from Wisconsin, because that is where my husband's family comes from. Bill is a tattoo artist at Sacramento Tattoo & Piercing, so there are boxes in back to carry his tools, and he likes skulls, so anywhere he could put one, he did.

We call the car Lydia, after a punk-rock musician that Bill had a crush on when he was a teenager. When we cruise, we often take one or two of our corgis with us. Bill drives and I hold the dogs; they keep calm as long as I have a bag of hot dogs. Bill jokes that it is like being a one-car parade because people stop and stare and wave at us, everywhere we go.

More than once, police have pulled us over. But they just want to talk about the car. We have not gotten any tickets yet.

One more thing about Lydia: She is loud. Our family is all about cars and rock 'n' roll, and Lydia makes her own music.



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*Work & Family columnist Sue Shellenbarger answers reader questions about office culture.*

**Q:** Your Jan. 3 column about whether to quit a new job that's a bad fit was excellent. I'm an engineer in my first job out of college and after less than four months, I'm already disappointed. My co-workers are almost all in their late 40s or early 50s, and I feel like this is the kind of place where you coast until retirement. Also, the company is smaller than I was led to believe. All I'm getting is a paycheck and some experience. Any advice?—M.R.

**A:** A misunderstanding about your employer's size probably shouldn't be a deal breaker, and it's usually best to give a new job at least a year. Quitting after only a few months means you'll have less freedom to make job changes in the future without being seen as a job hopper.



ternally to find out what other employees and teams are doing and whether they're excited about any parts of their jobs. Look for ways to take initiative and leave a lasting, positive impression. Consider setting some personal-development goals with your manager. Are there new skills you could be learning, or new tasks you could take on? Also, be cautious about letting your negative attitude show. If it's obvious to managers and colleagues, it could be preventing them from offering you new opportunities.

Also, consider joining a professional group outside the company and attending a few gatherings to hear what others at your stage are doing.

Helpful books include "Ask a Manager," by career columnist Alison Green, or "The New Rules of Work" by Alexandra Cavoulacos and Kathryn Minshew, co-founders of the career website the Muse.

Consider setting some goals. What can you learn on this job? How can you use it to help get where you want

to be in five or 10 years? What skills do you need to get to the next step?

Do a little networking in-

Get a question for Sue Shellenbarger? Write her at [sue.shellenbarger@wsj.com](mailto:sue.shellenbarger@wsj.com)

## LIFE &amp; ARTS

## EXHIBITION REVIEW

# Fashion Goes To the Dark Side

Balenciaga showed the true range of black in his designs, which not only look magisterial, but modern and often minimalist

BY LAURA JACOBS

Fort Worth, Texas

**THE COLOR BLACK** went deep with the couturier Cristóbal Balenciaga (1895-1972). Coco Chanel, his older peer, liked it too. In the 1920s she launched the LBD, or "little black dress," cunning understatement that would bring chic to women of every class. For Balenciaga, black was never little. It was his inheritance as a Spaniard—the aristocratic black of Velázquez, the Catholic black of the cassock, the mysterious black of the lace mantilla, the ebullient black of the bullfighter. In 1948, when his longtime companion, Wladzio d'Attainville, died suddenly, Balenciaga's grief was so great he was poised to enter a monastery. He didn't, and his next collection—all black—was the doorway to his most profound decades in design. Every one of Balenciaga's 93 collections (the last was summer 1968) included one dress that was cut and made by his hands alone—a black dress. Was this darkness a form of solitude, conscience, reverence? Or was it a reach into the unknown?

Such questions may come to mind at the Kimbell Art Museum, where "Balenciaga in Black," its first-ever exhibition of haute couture, has just opened. Originally organized for the Palais Galliera, Paris, by Véronique Belloir, the Galliera's curator of haute cou-

ture, the exhibition has been refashioned for the south gallery of the Kimbell's Piano Pavilion by Ms. Belloir and Jennifer Casler Price, Kimbell curator of Asian and non-Western art. The fit is perfect. With over 100 garments pulled from the Palais Galliera and the Balenciaga Archives, plus four loans from the Texas Fashion Collection (located at the University of North Texas in Denton), this may be the most sublime gathering of Balenciagas you will ever see in one room. Against Renzo Piano's poured concrete walls, the beige gray of unbleached linen, these shapes in black

are not only magisterial, they look modern and often minimalist.

"For Balenciaga, black was more than a color or even a noncolor," reads the exhibition's introductory wall text, "it was a vibrant matter, by turns opaque or transparent, matte or shiny." The word "matter" is important, for it points to properties of

space and mass, and suggests the mortal pitch of black, which is the thumb on the scale of Balenciaga's work. "From the never-before-seen black prototypes to the most abstract forms from his later collections," the text continues, "Balenciaga's use of infinite shades of black emphasizes the essential shapes, dense volumes, and astonishing silhouettes of his unique creations."

The above-mentioned prototypes—or *toiles*—are the first thing we see in the exhibition's overt, the section called "Sketch and Construction." Toiles are tradi-

tionally cut from off-white muslin, but for garments that were going to be black Balenciaga cut *toiles* from black percale, twill, or tarlatan. Why? Because the planes, folds and shadows of black add dynamics of light and weight to the finished piece, and Balenciaga wanted to see this from the start.

The exhibition moves clockwise, and the

next section, "Archival Documents," is possi-

bly the best use of draft sketches I've ever

seen. Most of the numbers pictured can be

found later in the show, exquisitely realized,

which is exciting. Some realizations are

placed within steps of Balenciaga's pencil

conceptions, including two masterpieces

from winter 1967. One of these, the four-

cornered cocktail dress (often called "envelope"),

is like a Cubist cathedral complete with fly-

ing buttresses, a wildly stylish reliquary for

the woman within. The other is a sinuous

sheath of silk crepe topped with a huge cu-

mulus whorl or wreath of ruched silk gazar.

The metaphors proliferate. Is this a tree of

smoke? La Morte dressed for the opera? Or

history's most elegant chimney sweep?

These two pieces float between the sec-

tions called "Structured Volumes"—classic

suits and dresses—and "Abstract Volumes,"

mantle-like coats and formal garments that

stand away from the body, letting cut and

drape (especially at the back) create secret

spaces that read as beautiful. When does vol-

ume become abstract? The answer is up to

the viewer, but it's these marvelous dresses

that ask the question.

Sections that follow include "Contrasting

Black," which shows Balenciaga mixing

bright and flat, playful iridescence with

blacks that brood. "Black and Sheen" looks at

his love of voluptuous paillette and jet appli-

qué for evening, and contains ravishing neck-

pieces made from surprisingly inexpensive

materials. "Black and Transparency" studies



Cristóbal Balenciaga dresses from winter 1967 (above) and c. 1952 (right); and installation view of 'Balenciaga in Black' at the Kimbell Art Museum (below left)

the lace confections that were a Balenciaga signature, and they are not fragile flowers. There's a Carmen-like toughness and autonomy to Balenciaga's black laces, the spirit of

the exhibition ends with "Black and Colors," though this section might have been called, despite a few black-and-white pieces, "Black and Pink." The delicate powder pink of the boudoir, the saturated pink of the matador's stockings—Balenciaga loved pink as an accent for black. An exceedingly simple column of a coat, with an easel dropped shoulder, is cut from soot-black wool with slim stripes, widely spaced, of neon pink. Balenciaga has worked the fabric so that the stripes, merely four, run horizontal, and he's placed these orbits with ineffable, electric and almost alien precision and panache. Here is yet another of the wondrous designs from winter 1967, when black was pulling Balenciaga into the beyond, a galaxy all his own.

—Ms. Jacobs writes about culture and fashion for the Journal.

**Balenciaga in Black**  
Kimbell Art Museum, through Jan. 6, 2019



## DANCE REVIEW

## PERSONNEL CHANGES AND PREMIERES

BY ROBERT GRESKOVIC

New York

**NEW YORK CITY** Ballet's current fall season began with the sudden absence of three of its male principal dancers. One, Chase Finlay, resigned amid sexual misconduct accusations, and two others, Amar Ramasar and Zachary Catazaro, were fired for alleged related incidents. These events had followed the unexpected retirement in January of the company's longtime ballet master in chief Peter Martins amid allegations of his own misconduct. (A two-month investigation found no corroboration of the allegations against Mr. Martins. In September, a lawyer for Mr. Finlay said that he had no comment, and it was reported that Mr. Ramasar and Mr. Catazaro, through their union, plan to challenge the firings.) The run's first week, which offered five performances of "Jewels," NYCB founder George Balanchine's internationally acclaimed three-act ballet from 1967, revealed a good deal about the casting shuffle following the departure of the three principal odd men.

The most odd debut came in the "Diamonds" section of "Jewels." Set to three movements of Tchaikovsky's Third Symphony, its focal point is a magisterial, central ballerina paired with a solicitous partner. Casting talented, boyish Joseph Gordon in the key male role opposite stellar and statuesque Sara Mearns resulted in a peculiar match.

Mr. Gordon, who danced his solo moments splendidly, deftly managed much of the hair-trigger timing of the luminous pas de deux, even as there were momentary signs of his being overwhelmed by his partner's spontaneity and com-



mand. What made the overall performance unusual in the ballet's 51-year history was the picture it offered: Instead of the "Diamonds" ballerina resembling a queen attended by her prince consort, the Mearns-Gordon duo resembled a sovereign assisted by her page.

For subsequent performances of the shimmering choreography for "Emeralds"—the first section of "Jewels," to the music of Gabriel Fauré—both Adrian Danchig-Waring and Taylor Stanley (in an effective debut) proved impressive. But Ask la Cour, Andrew Scordato and Daniel Applebaum (in his debut) neither inhabited nor executed their roles as solicitous cavaliers to any notable degree. Of the women featured here, one debut shone happily as Unity Phelan made gossamer work of the limpid choreog-

rphy's classical challenges.

By the second week's long-planned gala, a seventh of its kind and here called "Choreography & Couture," offstage news and reportage concerning the departed dancers likely prompted the curtain-raiser. The full troupe appeared onstage framing principal dancer Teresa Reichlen, who read a statement stressing a united commitment to "dignity, integrity, and honor."

The mixed bill that followed unveiled three new ballets with specially designed costumes. Two of these made for inconsequential additions to NYCB's rich store of one-act ballets.

"The Exchange," by Matthew Neenan, fielded a cast of 16. Mr. Neenan's choreography to selections of Antonin Dvorák rides effi-

ciently through its lyrical music, but it's difficult to follow when dressed in Gareth Pugh's often eccentric and stark red-and-black costumes that weigh down the activity of the dancers, who resemble members of four distinct, chickly clad tribes.

Gianna Reisen's "Judah," to portions of "John's Book of Alleged Dances" by John Adams, has mostly wispy and clingy costuming by Alberta Ferretti. In the end, on a stage set with two blocks of stairs, Ms. Reisen's five-part dance for 13 flapper-styled women and five more plainly costumed men looks like something that might have been seen on a 1950s TV variety show; the sometimes-inventive moves take the dancers up, onto and off the two extraneous staircases to little expressive purpose.

"The Runaway," the last but

hardly least of these new ballets, features fantastical costumes by Giles Deacon, powerful lighting by Dan Scully and blithe and vivid choreography credited to Kyle Abraham in collaboration with NYCB. Mr. Abraham, who's had his own modern company since 2005, was heard on the introductory video that opened the gala freely admitting that this was his "very first ballet."

The result, a punchy suite set to music by Nico Muhly (played live), and by Kanye West, Jay-Z, and James Blake with additional artists (heard on tape in music edited by Mr. Abraham), finds NYCB's strong cast of eight taking flight, showing attitude and displaying ballet's precise poses and moves amid a fun-loving mash-up. In fact, "mash-up" is a term Mr. Deacon uses to describe what motivated the striking array of black-and-white costumes, which outfit the "Runaway" dancers as bloomed courtiers festooned with feathers and grasses suggesting the South Seas.

Mr. Stanley is featured here in a fine solo that finds him growing out of an inert slump into commanding, formal ballet stances worthy of Louis XIV. All those around him shine, with Ashley Bouder, Georgina Pazcoguin and Ms. Mearns flash through virtuoso circuits of their own.

On stage, dignity, integrity and honor have been known to be hallmarks of ballet's art. Offstage, nowadays, a court of law may determine how much they remain in place at NYCB.

—Mr. Greskovic writes about dance for the Journal.

PAUL KOLNIK

New York City Ballet performing 'Emeralds' from George Balanchine's 'Jewels'

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—Mr. Greskovic writes about dance for the Journal.

PAUL KOLNIK

## SPORTS



The Rams' Jared Goff, right, after a quarterback sneak for a first down.

NFL

## PRETTY SNEAKY, COACH

BY MICHAEL SALFINO

## THE LOS ANGELES RAMS

used one of football's most boring plays to secure a win against the Seattle Seahawks this past Sunday. Facing a fourth-and-1 in his own territory, Rams coach Sean McVay called on quarterback Jared Goff to sneak the ball up the middle.

Completely unsurprisingly, the play worked. The Rams (5-0) ran out the clock and preserved their perfect record. This year, the sneak has been attempted on third-and-1 or fourth-and-1 situations 44 times. On 42 of those attempts (95.5%), the play successfully moved the chains.

Despite the high success rate, teams have opted to use the sneak just 15% of the time. But coaches are getting smarter—that's nearly double the 8.6% rate from 2013 to 2017, according to Stats LLC.

Overall since 2013, sneaks have a success rate of 84.9%. Non-sneaks are far less likely to convert, at just 64.6%. With one of the best running quarterbacks in Cam Newton, Panthers coach Ron Rivera calls sneaks on a robust 26.8% of short-yardage plays since 2013. Meanwhile, Pete Carroll (Seahawks, 2%), Jason Garrett (Cowboys, 3.4%) and Mike McCarthy (Packers, 3.4%) rarely opt for it.

## Up the Middle

Since 2013, Ron Rivera's teams call the QB sneak frequently, while Pete Carroll's teams rarely opt for it.

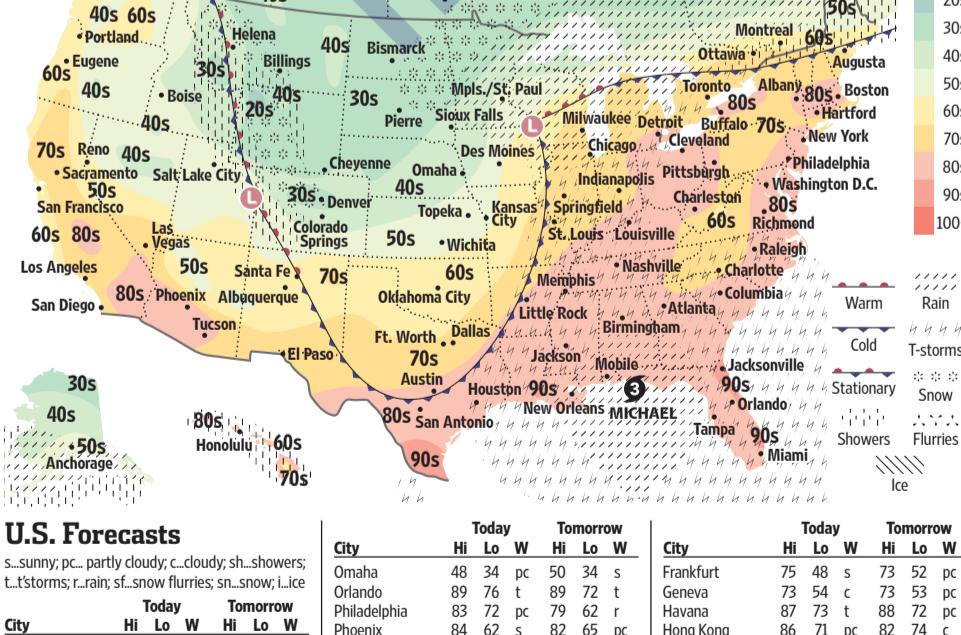
COACH/TEAM	SNEAK	SUCCESS
Ron Rivera CAR	26.8%	88.6%
Marvin Lewis CIN	20.7%	82.8%
Doug Pederson PHI	20.5%	100%
Bill Belichick NE	18.2%	78.8%
John Harbaugh BAL	13.1%	79.2%
Jason Garrett DAL	3.4%	100%
Andy Reid KC	2.9%	75%
Pete Carroll SEA	2.0%	33.3%

Source: Stats LLC

Note: Third-and-1 and fourth-and-1 situations.

Minimum 70 plays.

## Weather



## U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

Anchorage 56 45 r 54 43 pc

Atlanta 84 72 t 80 54 r

Austin 82 57 pc 80 58 s

Baltimore 82 72 pc 79 60 r

Boise 56 38 pc 58 35 s

Boston 82 62 s 70 63 r

Burlington 77 61 pc 67 52 r

Charlotte 78 73 t 61 43 pc

Chicago 75 43 r 50 35 s

Cleveland 84 68 sh 69 46 pc

Dallas 73 52 pc 71 52 s

Denver 37 27 sf 47 31 r

Detroit 84 57 t 61 41 pc

Honolulu 86 75 sh 86 72 pc

Houston 86 60 pc 82 57 s

Indianapolis 78 50 t 58 38 s

Kansas City 57 35 pc 52 35 s

Las Vegas 79 62 s 77 64 pc

Little Rock 82 50 t 69 46 s

Los Angeles 73 59 pc 72 58 pc

Miami 89 77 t 89 76 t

Milwaukee 74 43 sh 50 34 pc

Minneapolis 52 34 r 41 28 pc

Nashville 83 61 t 70 43 s

New Orleans 89 71 r 84 61 s

New York City 80 71 pc 76 61 r

Oklahoma City 64 43 s 61 46 s

STEVEN BISIGRUTER

AP

AP

BY ANDREW BEATON

**THERE WAS** a quaint period between the end of last season and the beginning of this one when the college football universe participated in an elaborate charade involving the most important position at the most important program in the country.

"It's still to be determined as to who is going to play quarterback for Alabama," Nick Saban said in July. He even kept a straight face.

Alabama is now 6-0. It might still be 6-0 if it had a platypus playing quarterback. But instead it has Tua Tagovailoa. And he's why the Crimson Tide are scarier than ever.

It seems more than slightly absurd to say that Alabama could get even better than they have been over the past decade. It's already the greatest modern college football dynasty, winner of five of the last nine national championships.

But it reached that status with uninspiring play at quarterback. Only one of Saban's title-winning quarterbacks is in the NFL. And that quarterback, AJ McCarron, was traded by the Bills before the season.

Tagovailoa has been so good that he hasn't even had a chance to fully show how good he can be. He has built leads with such ruthless efficiency that he hasn't thrown a pass in the fourth quarter all season. He has completed 75.2% of his passes for 1,495 yards and 18 touchdowns without an interception.

Last Saturday against Arkansas, he threw for 334 yards and four touchdowns—on a grand total of 13 passes. But he only completed 10 of them, which in one measure was a step back from his 8-for-8 performance the previous week. His current passer rating of 258.4 would be the highest all-time in a single season.

Even Saban, the notoriously critical coach, conceded that Tagovailoa has "played extremely well in every game" and has "probably" exceeded expectations.

"This is just the expectation that we have as a whole offense," Tagovailoa said last week.

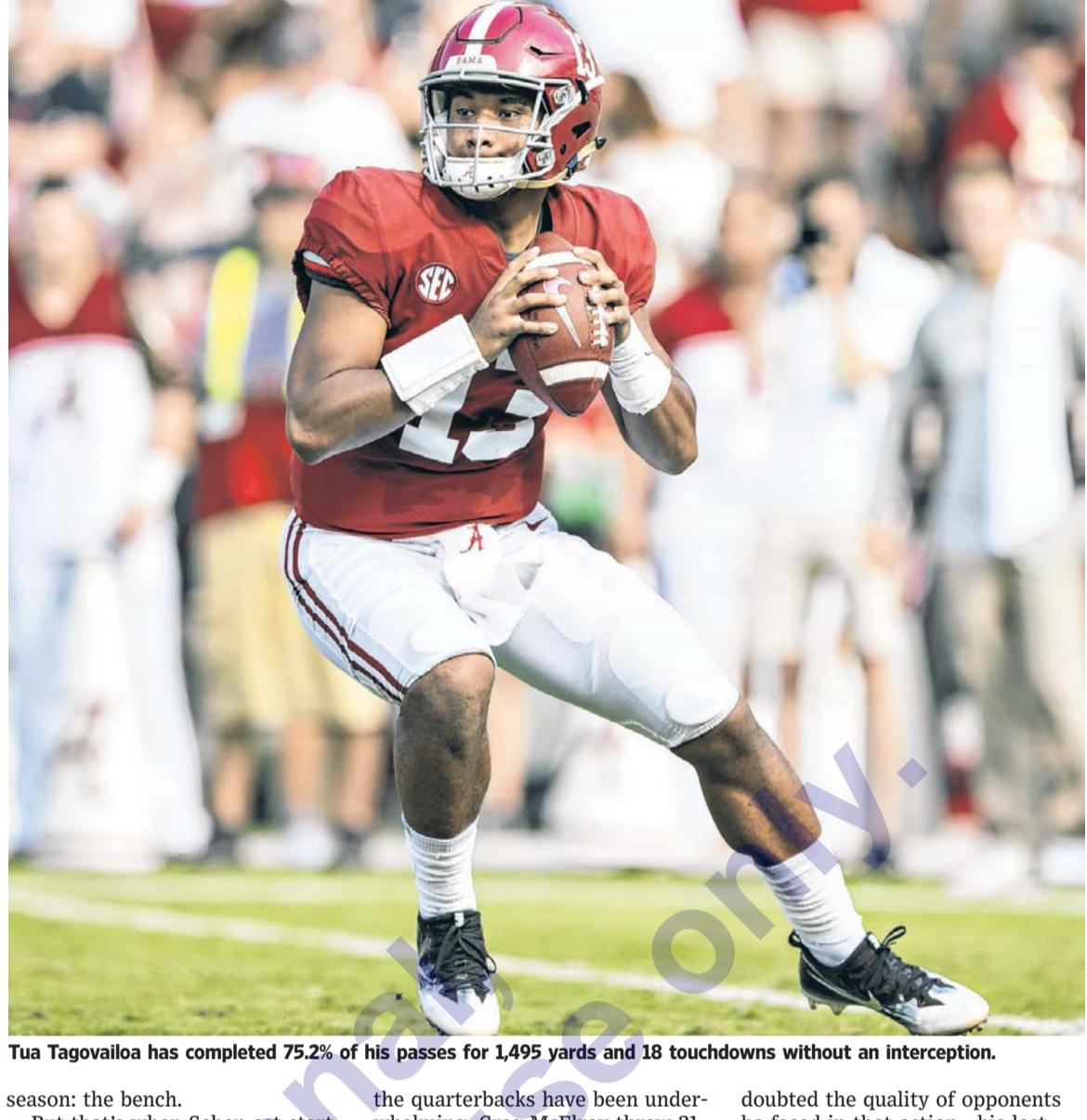
That Tagovailoa has yet to play a complete game as the Alabama starter is oddly fitting. He didn't start in the most important game of his career.

The moment the current Crimson Tide transformed into an even more overwhelming favorite to win the national championship this year dates back to last season. Alabama trailed Georgia 13-0 at halftime of the title game in January. Tagovailoa had spent the game where he spent most of the

## COLLEGE FOOTBALL

## Alabama Is Scarier Than Ever

The Crimson Tide are the best team in the sport, but they have never had a passer like Tua Tagovailoa



Tua Tagovailoa has completed 75.2% of his passes for 1,495 yards and 18 touchdowns without an interception.

season: the bench.

But that's when Saban sat starting quarterback Jalen Hurts in favor of the heralded freshman from Hawaii, who spent the season honing his ukulele skills and mopping up for Hurts in blowouts.

Saban inserted Tagovailoa even though the quarterback, then 19, hadn't thrown a pass against a team from the sport's top level since October. The move turned out to be genius. Tagovailoa led a furious comeback to take the game to overtime. Even when he had a disastrous freshman moment—a sack for a 16-yard loss that potentially took Alabama out of field goal range in overtime—his arm overcame it. On the next play, he threw a championship-winning, 41-yard touchdown.

In any normal universe, this would have cemented Tagovailoa as Alabama's starter until his name was called in the NFL draft. But Tuscaloosa is not a normal universe, especially for quarterbacks.

Among the bevy of NFL stars Alabama has produced under Saban,

the quarterbacks have been underwhelming. Greg McElroy threw 31 career NFL passes. McCarron has thrown a total of 17 passes in the last two seasons and is now a backup in Oakland after being traded from Buffalo before the season started. Jake Coker never threw an NFL pass before he announced he was retiring.

Meanwhile, during spring practice, Tagovailoa suffered a thumb injury. This was a reminder that the quarterback taking snaps with the first team instead of him, Hurts, wasn't too shabby and had taken Alabama to the national championship in two consecutive seasons. This also allowed the pageantry of a quarterback competition to subsist throughout the summer and until the start of the season.

That the starter turned out to be Tagovailoa came as no surprise to anybody who had seen him throw a pass in an Alabama uniform. He showed glimpses of his uncanny arm strength a year ago during garbage time. And if anybody

doubted the quality of opponents he faced in that action—his last regular-season pass in 2017 came against Mercer—he didn't look any different against one of the best defenses in the country, Georgia, in the championship.

Alabama quarterbacks are typically put in position to thrive. They're usually surrounded by star receivers, gargantuan offensive linemen and sometimes a Heisman Trophy-winning running back. That's why they have still been able to put up good numbers, even if they weren't destined to star on Sundays. Tagovailoa has turned Alabama's offense into an unprecedented fireworks display because he's the first superstar quarterback to join forces with all of that surrounding talent.

According to the school's record books dating back to the program's first game in 1892, an Alabama quarterback has thrown for four or more touchdowns in a game only 16 times. Tagovailoa owns three of those occasions. He has only started six games.

## The WSJ Daily Crossword | Edited by Mike Shenk



## BOY WANDER | By Benjamin Kramer

- | Across |                                  |  |
|--------|----------------------------------|--|
| 1      | Do a marketing job               | 27 Sloppy site                                   |
| 4      | Livens (up)                      | 51 They may be steep when hiked                  |
| 8      | "I'm Sprung" rapper              | 52 Cast a wide net                               |
| 13     | Relentlessly glum                | 53 Women line up to go there                     |
| 14     | Chip's partner                   | 57 Nautically sheltered                          |
| 15     | Skip phonetically                | 32 Did pastoral work                             |
| 16     | Teri's "Young Frankenstein" role | 34 Colosseum competitors                         |
| 17     | Cocktail in a can                | 38 Fashions                                      |
| 19     | Flatten, informally              | 39 Glazier's goo                                 |
| 21     | In a snug fashion                | 40 Rodent with a rounded muzzle                  |
| 22     | Promotional order                | 41 Hosts for roasts                              |
| 24     |                                  | 42 Member of the sales dept.                     |
| 25     |                                  | 45 42-acre attraction along the Schuylkill River |
| 26     |                                  | 46 Floss   |
| 27     |                                  | 47 Salt  |
| 28     |                                  | 48 Rear  |
| 29     |                                  | 49 Motto   |
| 30     |                                  | 50 Triumphant                                    |
| 31     |                                  | 51 Bandage                                       |
| 32     |                                  | 52 Strike before spikes                          |
| 33     |                                  | 53 Was benched                                   |
| 34     |                                  | 54 Match point?                                  |
| 35     |                                  | 55 Part of a coined phrase?                      |
| 36     |                                  | 56 Triumph over                                  |
| 37     |                                  | 57 Nautically sheltered                          |
| 38     |                                  | 58 Part of a coined phrase?                      |
| 39     |                                  | 59 Bandage                                       |
| 40     |                                  | 60 Strike before spikes                          |
| 41     |                                  | 61 Was benched                                   |
| 42     |                                  | 62 Match point?                                  |
| 43     |                                  | 63 Triumph over                                  |
| 44     |                                  | 64 Part of a coined phrase?                      |
| 45     |                                  | 65 Bandage                                       |
| 46     |                                  | 66 Strike before spikes                          |
| 47     |                                  | 67 Was benched                                   |
| 48     |                                  | 68 Match point?                                  |
| 49     |                                  | 69 Triumph over                                  |
| 50     |                                  | 70 Part of a coined phrase?                      |
| 51     |                                  | 71 Bandage                                       |
| 52     |                                  | 72 Strike before spikes                          |
| 53     |                                  | 73 Was benched                                   |
| 54     |                                  | 74 Match point?                                  |
| 55     |                                  | 75 Triumph over                                  |
| 56     |                                  | 76 Part of a coined phrase?                      |
| 57     |                                  | 77 Bandage                                       |
| 58     |                                  | 78 Strike before spikes                          |
| 59     |                                  | 79 Was benched                                   |
| 60     |                                  | 80 Match point?                                  |
| 61     |                                  | 81 Triumph over                                  |
| 62     |                                  | 82 Part of a coined phrase?                      |
| 63     |                                  | 83 Bandage                                       |
| 64     |                                  | 84 Strike before spikes                          |
| 65     |                                  | 85 Was benched                                   |
| 66     |                                  | 86 Match point?                                  |
| 67     |                                  | 87 Triumph over                                  |
| 68     |                                  | 88 Part of a coined phrase?                      |
| 69     |                                  | 89 Bandage                                       |
| 70     |                                  | 90 Strike before spikes                          |
| 71     |                                  | 91 Was benched                                   |
| 72     |                                  | 92 Match point?                                  |
| 73     |                                  | 93 Triumph over                                  |
| 74     |                                  | 94 Part of a coined phrase?                      |
| 75     |                                  | 95 Bandage                                       |
| 76     |                                  | 96 Strike before spikes                          |
| 77     |                                  | 97 Was benched                                   |
| 78     |                                  | 98 Match point?                                  |
| 79     |                                  | 99 Triumph over                                  |
| 80     |                                  | 100 Part of a coined phrase?                     |

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

**Previous Puzzle's Solution**

ADOS	MALLE	SAVOR
STORE	ALEX	TRIPE
GUILTY	ASCHARGE	DREDGED
TYAS	EAT	NRIC
AROMAS	RELAX	REAR
RELAX	SALT	REAR
DREDGE	FLOSS	MOTTO
TISSUE	CRASH	CANTOS
ERASE	REFENDER	EXODUS
TOGS	INDY	ORONO
ANN	JOG	RENAL
REASONABLE	EDUBBT	SENTRAL
GOON	LILT	

## OPINION

## On Climate, Listen to the Nobel

BUSINESS WORLD  
By Holman W. Jenkins, Jr.

Journalists have been herniating themselves unnecessarily in covering a new report from the Intergovernmental Panel on Climate Change finding that global temperature might increase by another 0.9 degree Fahrenheit sometime between 2030 and 2052.

The truth is, any reporter with a fifth-grade education could have made the same calculation last week, last year or 10 years ago by applying the standard climate-sensitivity estimate (in use since 1979) to the standard emissions forecasts.

The IPCC foresees heat waves, rainstorms and floods, but heat waves, rainstorms and floods have always happened, and it isn't clear what the report is really saying. The New York Times notes an estimate that an additional 0.9 degree will cost the global economy \$54 trillion but fails to say over what period. For the record, global gross domestic product is expected to hit \$100 trillion in 2020, and virtually all experts see global GDP continuing to grow faster than global climate costs mount up.

The climate cognoscenti, meanwhile, are understandably more focused on what an important report, due in 2022, will say about the 40-year-old, unsatisfying climate-sensitivity

model that underlies so many fuzzy forecasts reported in the media as fact. Today's IPCC is mum but does specifically acknowledge two studies this year that greatly play down the likelihood of catastrophic climate outcomes, including one described in this column in February.

Bottom line: The U.S. media once again proves itself largely useless to anyone interested in the climate conundrum. "Planet has only until 2030 to stem catastrophic climate change, experts warn," went a CNN headline, announcing yet another deadline that is sure to be missed. Unmentioned is the "or else": We'll have to adapt to some measure of climate change in a climate that is always changing even as the economy evolves toward greener technologies.

Or take a recent Washington Post piece that hyped a Trump administration estimate that the earth might warm by 7 degrees Fahrenheit by the end of the century, which was found buried in an environmental statement related to fuel-economy mandates.

Again, this merely applies the standard climate-sensitivity envelope to previously forecast future emissions, as any reporter could have done. The Trump document, in fact, is no different from Obama documents showing that the pending Obama fuel-mileage rules produce virtually no climate benefit—less than 0.0072 degree Fahrenheit by 2100.

The Trump analysis also

states plainly what the IPCC only muffles: "Drastic reductions" in greenhouse gases are not "currently technologically feasible or economically practicable."

Who among U.S. politicians might be considered the anti-Trump? Here is California Gov. Jerry Brown making exactly the same point, more colorfully, to the Nation magazine's Mark Hertsgaard: "Brown lurched forward, nearly leaping from his couch to denounce what he clearly viewed

### And not the media's hysterical and confused response to the latest IPCC report.

as the activists' naive demagoguery. 'What if I could snap my fingers and eliminate all gasoline in all California gasoline stations?' he demanded. 'What would happen? Revolution? Killings? Shootings?... There would be mass chaos. You'd never get close to [leaving oil in the ground] before the public reaction stopped it.'

The virtue of democracy is that it turns away from folly eventually, and policies that are costly and produce no benefit would seem the definition of folly.

Turning away from Obama policy is at least something, even if it leaves open whether there is a non-foolish alternative we should pursue. On this

point, we won't belabor how the press and the greens, with their hysterical exaggerations and vilification of opponents, talked themselves out of the U.S. tax-reform debate.

Notice, however, that the newly minted Nobel economist Paul Romer was anointed for showing that technological innovations don't drop from the sky; they respond to demand. A carbon tax, he predicted on Monday, would bring forth lower-carbon ways of doing things more quickly and cheaply than most people imagine.

In the meantime, one thing is sure: There is no way to parse these matters to mean we should engage in costly policies of no benefit, which has been the approach so far. With that in mind, let's turn to Chapter 4 of the IPCC report, which will be of interest to one and all regardless of their feelings about climate change.

At a cost of between \$1 billion and \$10 billion annually the forecast warming could be stopped by injecting reflective particles into the atmosphere. Via magical thinking, the IPCC presumes this technology would be employed only in conjunction with a forced march toward green energy. Right. Here's something you can take the bank: A future struggle among nations will concern how this cheap instrument of climate modification is to be used and for whose benefit quite regardless of any debate over climate change and fossil fuels.

BOOKSHELF | By Jason Willick

## Against the Liberal Empire

## The Virtue of Nationalism

By Yoram Hazony

(Basic, 285 pages, \$30)

## The Nationalist Revival

By John B. Judis

(Columbia Global Reports, 157 pages, \$15.99)

**T**he Auschwitz death camp represents two distinct horrors, according to Israeli scholar Yoram Hazony's new book, "The Virtue of Nationalism." The first is Jews "standing empty-handed and naked, watching their children die for want of a rifle with which to protect them." The second is "German soldiers using force against others, backed by nothing but their own government's views as to their national rights and interests." Which account you find more compelling—Jewish powerlessness or Nazi savagery—likely determines where you stand on many of the most pressing political issues today.

If Auschwitz was a tragedy of Jewish powerlessness, the most complete repudiation of it was a nationalist project—the creation of an armed, sovereign state of Israel. If Auschwitz

was a tragedy of Nazi savagery, the most complete repudiation of it was an anti-nationalist project—the creation of the European Union to limit the power of nation-states.

Certainly it's possible to support both Israel and the EU. But in Mr. Hazony's mind, they embody two poles of the philosophical divide that is splitting the West in two—national particularism on one hand and universal liberalism on the other. In this view, it's no wonder EU officials harbor irrational animosity toward Israel—they "cannot abide even a single, obstinately dissenting people, no matter how small." And it's no wonder Israel's conservative prime minister, Benjamin Netanyahu, makes common cause with Euro-skeptics— even if they hail from right-wing parties with anti-Semitic pasts. They are allies in a global struggle between nationalism and what Mr. Hazony calls "liberal empire."

The moral basis for the nation-state, the author says, goes back to the Old Testament, where "the world of Israel's prophets was dominated by a succession of imperial powers: Egypt, Babylonia, Assyria, and Persia." Though it had economic advantages, empire was inherently coercive, expanding relentlessly outward and depriving peoples of collective self-determination. Like ancient imperial powers, Western liberals today seek "to bring peace and prosperity to the world by uniting mankind, as much as possible, under a single political regime."

Mr. Hazony is dismissive of claims that liberalism may in fact be the regime most suited to human flourishing: All imperialists have made the same claim, he insists—whether they ruled ancient Rome, Soviet Russia or Nazi Germany. He is therefore heartened by the revival of nationalist sentiment in the West. For him, the U.K.'s vote to leave the EU and Donald Trump's election in the U.S. reflect rebellions against an oppressive liberal empire and reassertions of the nation-state as the proper unit of political order.

Mr. Hazony's definition of the nation-state draws from the Bible's account of the ancient Israeli nation. The most basic unit of organization is the family; groups of families join together to become tribes; and tribes come together to form nations. To cohere, a nation must share "commonalities of language or religion" and a "history of uniting in wartime."

## Two new books examine the recent global rise in nationalism—and consider the proper role of the nation-state in today's world.

Individual rights and liberties cannot exist without those preconditions, Mr. Hazony says. In multinational states such as the late Austrian empire, for example, "every grant of individual liberties" to particular peoples was also used "to press ever more forcefully for the dissolution of the imperial state." The state could only be held together by severe oppression. The observation that liberal rights will undermine themselves unless they are underwritten by a certain level of national cohesion is the most important of Mr. Hazony's book. It is also acutely relevant to the warring political tribes in the U.S. today.

John B. Judis, author of "The Nationalist Revival," does not see a death-match between imperial liberalism on the one hand and nationalism on the other. His more modest book argues that elites have overreached, both in the U.S. and in Europe, in advocating large-scale immigration and trade deals and foreign interventions. As a result, Mr. Judis—a former *New Republic* editor who has long supported progressive and pro-labor economic policies—calls for a synthesis between liberalism and nationalism.

"Trump has clearly rejected the excesses of the post-Cold War period," Mr. Judis writes, "but he may also be casting aside what was positive and constructive in liberal internationalism—the attempt to create international obstacles to the outbreak of war and economic depression." For Mr. Judis, Mr. Trump and the European nationalists are not avatars of a new order but symptoms of the failure of policies that Western leaders have pursued for three decades. The author argues that immigration has reduced native wages, that trade deals have placed the interests of corporations over workers, and that America's Russia policy has not been in the national interest. But Mr. Trump, he believes, has polluted these legitimate critiques with bigoted and nativist appeals.

Like Yoram Hazony, Mr. Judis rejects the idea of a "creedal" nation based on commitment to liberal principles alone—the notion that Americanism is "an idea, the idea of liberty under law as expressed in the Constitution." While the U.S. doesn't have an ethnic identity the way that many European states do, Mr. Judis argues, it was "born out of a core ethnic and religious identity. Over the next 225 years, that identity has been called into question, modified, and expanded, but never entirely lost." The crucial question, which neither Mr. Judis nor Mr. Hazony quite answers, is what that identity should look like in today's America.

Nationalists like Mr. Trump risk defining American identity too narrowly, so that only people who look a certain way are seen as fully American. But the "creedal" view, which dismisses nationalism altogether, also has dangerous implications. Because if America is simply an idea of cosmopolitan liberalism, then people who don't believe in cosmopolitan liberalism are themselves less than American—and easy to write off as "deplorables," or worse.

Mr. Willick is an assistant editorial features editor at the Journal.

POLITICS & IDEAS  
By William A. Galston

During the past week, I have heard the phrase "civil war" more than at any other time since 1968. Though few are predicting outright violence, more and more sober observers fear that our national divisions are too deep to be bridged by politics as usual.

Let me be clear: I believe that Senate Majority Leader Mitch McConnell's decision in 2016 to block a hearing for Judge Merrick Garland was an unprincipled exercise of raw power. Mr. McConnell achieved his long-held aim—a conservative majority on the Supreme Court—at the cost of deepening partisan divisions and dragging the court even further into the political fray.

Sen. McConnell is not a political neophyte. He must have anticipated the collateral damage his strategy would inflict on our politics and institutions. He proceeded anyway, an act for which history won't judge him kindly.

The temptation to respond in kind is almost irresistible. This is why my party, the Democratic Party, must ask itself some hard questions.

If they regain control of the House, should their first order of business be to reopen the Kavanaugh debate? Should they launch a new investiga-

tion and, if new evidence surfaces, move to impeach him? If this strategy fails short, should they seek to do what FDR tried and failed to do when a conservative Supreme Court hobbled the New Deal—namely, expand the number of justices?

These are not easy questions, because there is sometimes a case for a strategy of deliberately exacerbating divisions and raising the stakes.

In a speech delivered 160 years ago in Springfield, Ill., the Republican Party's Senate candidate famously declared, quoting the Gospel of Matthew: "A house divided against itself cannot stand. This government cannot endure, permanently half slave and half free."

Less well remembered is the political claim that formed the body of this speech. Abraham Lincoln argued in detail that there was an organized conspiracy to make it legally impossible to prevent the spread of slavery, backed by President James Buchanan, Chief Justice Roger Taney and Stephen Douglas, Lincoln's Democratic rival for the Senate seat. The progress of their conspiracy had produced an emergency to which the opponents of slavery were compelled to respond.

The antislavery response couldn't be simply an effort to restore the status quo. The assumption that slave and free states could coexist indefinitely in the same country could no longer be main-

tained. If the U.S. didn't commit itself to the proposition that slavery must come to an end, the cause of free government would be forever lost.

Republican Party operatives considered the speech too radical and argued that it contributed to Lincoln's defeat at the hands of Douglas. Lincoln's closest friend, legal partner William Herndon, agreed. But it laid the foundation for Lincoln's selection as the Republican presidential candidate in 1860—and for the greatest presidency in U.S. history.

### The deepening rift between America's two parties will heal only if one takes the lead.

And yet a strategy of division entails consequences that are hard to predict and even harder to control.

On his first day in office, President Lincoln sought to reassure the South that he had no intention of interfering with the institution of slavery where it already existed. It is not exactly surprising that most Southerners didn't believe him; he had insisted that slave and free states couldn't indefinitely coexist. If opponents of slavery were not only to block its spread into new states but also to set it on the "course of ultimate extinction," as Lincoln had insisted

in Springfield, why should slaveholders trust the legal and constitutional niceties to which the new president devoted the bulk of his inaugural address?

In vain did Lincoln plead in his peroration: "We must not be enemies." The two sides had become enemies, divided by clashing principles that seemed to brook no compromise. And the war came, a war so terrible that only eradicating the sin of slavery could possibly justify it.

Are the matters that divide Americans today so momentous as to warrant a strategy of unending tit-for-tat escalation into the political equivalent (at least) of civil war?

In an op-ed in Tuesday's *New York Times*, David Marcus, a writer at the *Federalist*, urges fellow conservatives to end the epidemic of "gloating" that broke out after Justice Kavanaugh's confirmation and adopt instead a "muted and conciliatory" tone. The legitimacy of U.S. institutions and the ability of Americans to talk to one another at risk, he rightly insists.

In the same vein, if Democrats regain control of one or both houses of Congress in 2018, they should defend our democratic institutions while showing the American people they are capable of governing on a basis broader than partisanship. If they don't, our descent into ungovernability will continue, and even a victory in 2020 may prove hollow.

## America Has Too Much Law

By F.H. Buckley

Some countries fail because they have too little law. Others have too much of it. Russia is a good example of the former, America of the latter.

The rule of law requires democratic government, which in turn requires a border between law and politics. When it's all politics, you have what the Soviets called "telephone justice," in which the judge phoned the party boss before coming to a verdict. When it's all law, the prosecutor and judge replace the ballot box and democracy dies in brightly lit courtrooms. That's where America seems to be heading.

In recent decades we've seen an encroachment on democratic government in which policy differences are criminalized. It got a boost in 2016 when Mike Flynn led chants of "Lock her up!" at Trump rallies. We knew that donors to the Clinton Foundation

### Democracy can also die in brightly lit courtrooms.

Democrats, thought Mrs. Clinton was corrupt. But that didn't make her a criminal, and it would have been undemocratic to deprive her supporters of the right to vote for her.

Then there was what James Comey called her "extremely careless" handling of classified information. This seemed to be a synonym for "grossly negligent" handling, which is a crime. But it wasn't malicious or dis-

loyal, and was a good example of a case unworthy of prosecution. Especially for a politician before an election. Prosecute a presidential candidate? That's the sort of thing they do in places like Ukraine.

We've begun to mimic Ukraine, however, through Robert Mueller's investigation and the hunt for the Great Trump Defendant. What Mr. Mueller has come up with so far is process crimes and secondary offenses—failing to register as a lobbyist or lying to the Federal Bureau of Investigation—not conspiring with the Russians. Every American prosecutor dreams of nailing Al Capone for tax evasion, but what if the target isn't Al Capone? What if he's an ordinary schmo like Mr. Flynn, who under pressure cuts a deal to plead to the Martha Stewart crime of lying about something that wouldn't have been a crime had he told the truth?

In the case of Brett Kavanaugh, the border was vio-

lated from the other direction. He was accused of something much more serious than a process crime—but in a political setting rather than a court of law. That allowed his opponents to toss aside the need to provide evidence of wrongdoing, and to promote any charge, no matter how ludicrous.

The Kavanaugh hearings may be a harbinger. Every politician, especially conservative ones, will be accused of criminal conduct, even from the likes of Michael Avenatti. We don't want to give our politicians a pass from prosecution, but the border between law and politics nevertheless needs reinforcement so as to protect the dignity of democratic politics.

*Mr. Buckley teaches at Scalia Law School. His new book is "The Republican Workers Party: How the Trump Victory Drove Everyone Crazy, and Why It Was Just What We Needed."*

## OPINION

## REVIEW &amp; OUTLOOK

## The Menendez Method

**A**fter narrowly dodging a corruption conviction, New Jersey Senator Bob Menendez faces a re-election dogfight against former Celgene CEO Bob Hugin. The Senator is now distorting his opponent's business record the way he dissembled about his political corruption.

Democrats always treat a Republican candidate from business as if commerce is by definition criminal, and Mr. Hugin is no exception. The GOP Senate candidate joined the New Jersey-based biotech firm Celgene in 1999 in its infancy and rose to CEO in 2010. He helped grow Celgene into one of the country's largest pharmaceutical companies.

Big pharma is a perennial target for politicians, and Mr. Menendez has been vilifying Mr. Hugin for ordinary business practices. Among other things, his ads charge that Mr. Hugin settled a lawsuit for \$280 million "for hiding information about potentially fatal side effects" and "raised the cost of a cancer drug three times in one year." These distortions need to be corrected since the truth is that tens of thousands of patients have benefited from Celgene's innovations.

Celgene's biggest blockbusters have been Thalomid and Revlimid, which treat the rare blood cancer multiple myeloma and are based on the compound thalidomide. While thalidomide was found to cause birth defects in the 1950s, research in the 1990s suggested it could treat conditions including AIDS.

In 1998 FDA approved Celgene's application of thalidomide to treat leprosy, which affects about 100 Americans each year. The following year the New England Journal of Medicine published a study that found thalidomide "had substantial antitumor activity in patients with advanced myeloma," which is incurable with conventional chemotherapy.

Celgene began to highlight thalidomide's potential to treat multiple myeloma before the FDA approved Thalomid and Revlimid in 2006. A former employee in 2010 sued Celgene for \$40 billion under the False Claims Act for allegedly engaging in illegal off-label promoting, paying kickbacks to doctors and billing Medicare for the therapies.

Companies under FDA rules aren't supposed to promote drugs for uses that haven't been approved by the FDA, but some courts have ruled this restriction violates the First Amendment. Doctors are allowed to prescribe drugs for unapproved indications, and Medi-

## The Senator who abused his power is distorting his opponent's record.

care will reimburse off-label cancer uses that are supported by clinical research.

Many doctors prescribed Celgene's drugs for multiple myeloma because they were superior to existing therapies and caused fewer severe side effects. The Justice Department under Barack Obama decided not to intervene in the "qui tam" lawsuit, and a federal judge dismissed allegations of kickbacks. Celgene settled remaining claims last year for \$280 million. Mr. Hugin's job was to maximize value for shareholders, and settling dubious lawsuits is often a cost of doing business.

As for the accusation that Mr. Hugin gouged patients, the unfortunate reality is that curing cancer isn't cheap. Between 2010 and 2017, the list price for a monthly dose of Revlimid doubled to about \$18,000. Most patients pay far less out-of-pocket.

Generic manufacturers have complained that Celgene has used the FDA's Risk Evaluation and Mitigation Strategy (REMS) program as a pretext to withhold samples of Revlimid that could be used to develop and test alternatives. This common industry ploy can extend a patent life by years. But Revlimid's patents don't expire until 2027, and earlier this year it agreed to allow Natco Pharma to introduce a generic competitor in 2022.

With competition from CAR T-cell treatments on the horizon, Celgene may now be trying to maximize profits from Revlimid that are necessary to fund research and development into other treatments. Celgene has trials for more than 40 new drugs or indications in the pipeline.

\* \* \*

None of Celgene's business practices are corrupt—unlike Mr. Menendez's machinations to procure visas for his doctor friend Salomon Melgen's girlfriends. The Senator also intervened for the doctor with the Department of Health and Human Services in a Medicare billing dispute that involved reused vials of a macular degeneration drug that put patients at risk of infection.

Mr. Menendez escaped conviction thanks to the Supreme Court's *McDonnell* ruling that made it harder for prosecutors to prove quid-pro-quo corruption. But the Senate Ethics Committee "severely" admonished him, and New Jersey voters now have an opportunity to oust a man who abused his power to help a campaign donor in favor of an entrepreneur who helped to save lives.

## Nikki Haley's Example

**N**ikki Haley announced Tuesday that she's stepping down as U.S. Ambassador to the United Nations at the end of the year, and she did so with a warm public sendoff by President Trump in the Oval Office. This isn't always the way appointees are ushered out in the Trump era, and it shows how skillfully the former South Carolina Governor navigated this Administration and its volatile foreign policy.

Unlike some officials, Ms. Haley didn't present herself as someone who was reining in Mr. Trump like a chaperone. Yet she also spoke her mind even if it meant getting out ahead of the White House on some issues, such as Russia's bad behavior. While Mr. Trump was asking why he and Vladimir Putin couldn't get along, Ambassador Haley was publicly pointing out the reasons. She also assailed dictators who Mr.

## The Ambassador got along with Trump even when she disagreed.

Trump said it was an "honor" to meet. Ms. Haley bought herself this leeway in part with her unapologetic public defenses of U.S. policy changes that were disliked by U.N. elites. This included Mr. Trump's decision last year to move the U.S. Embassy in Israel to Jerusalem from Tel Aviv. She told the body that she was "taking names" of allies that joined the denunciation of the U.S. She also won a tough Security Council resolution increasing sanctions against North Korea.

Ms. Haley said Tuesday she's hoping to take "a break," and Mr. Trump said he'd be glad to have her back. She emerges from her two years in office as a brighter star, and the experience might well tempt her to aim for higher political office—say, in 2024. Mr. Trump would be wise to name a replacement who is similarly forthright and shrewd.

## Ending the Nominations Blockade

**A**nyone seeking a mid-career sabbatical should seek a presidential nomination to a position that requires Senate confirmation. GOP Majority Leader Mitch McConnell is teeing up more votes this week, and the GOP needs to move fast because the glacial pace of staffing the government will slow to near-zero if Democrats retake the Senate.

Mr. McConnell has filed cloture on three nominees, including two assistant attorneys general who have been in a rubber room for more than a year. President Trump nominated Jeffrey Bossert Clark to run the environment and natural resources division in June 2017. Ditto for Eric Dreiband for civil-rights. The third is an assistant Pentagon secretary who would oversee manpower and reserve affairs.

Democrats file cloture on every nominee, which kicks off 30 hours of debate even if no Senator is opposed. They figure if they can't defeat nominees they can delay and consume valuable time. Democrats have forced 117 cloture votes—versus 12 in Barack Obama's first two years and four in George W. Bush's.

The question this month is whether Senate Democrats will accept a deal to confirm more judges and nominees, which would allow vulnerable Members to return home to campaign. Let's hope Republicans extract a high price for that privilege: Some 198 nominations are backed up awaiting confirmation, according to the Partnership for Public Service tracking.

The nominations range from State Department under secretaries to Labor Department spots. Charles Stimson was nominated in June

## Keep Democrats in D.C. until every pending nominee is confirmed.

2017 to be general counsel of the Navy, which needs urgent legal direction to deal with the fallout from recent ship accidents, as well as lawsuits against bases in Guam and Maine. Democrats have also blocked Justin Muzinich for the No. 2 post at Treasury since his nomination in April. Treasury could use the former banker who has taught at Columbia Business School to shore up its financial-crisis management. Three appellate court and some 36 district court nominations are also awaiting a Senate floor vote.

It's true that the White House has sometimes been slow to nominate folks quickly enough. Of about 700 important positions, the Partnership's tracker says some 141 have no nominee, from ambassador to Singapore to the Agriculture Department post that oversees food stamps.

Still, the maddening confirmation process has meant that some nominees give up on a Senate vote and take positions as advisers or counselors to the agency. This weakens the accountability that the Founders established Senate advice and consent to provide. Democrats say President Trump is untutored but then deny the qualified personnel to advise him.

Some Trump nominees barely squeaked through the thin GOP majority, with tie-breaking votes for nominees like Education Secretary Betsy DeVos and even for a deputy director job at the Office of Management and Budget (Russell Vought). Republicans need to muscle through as many nominees as possible now because if Democrats run Congress next year they'll be busy impeaching people, not confirming them.

## LETTERS TO THE EDITOR

## Let's Learn From the Kavanaugh Imbroglio

Regarding your editorial "The Next Kavanaugh Stakes" (Oct. 8) and other recent editorials: Brett Kavanaugh is a better qualified judge now than when he was nominated by President Trump. How so? Because now he knows what it's like to be victimized by a large and powerful force. The Democrats reverted to their Saul Alinsky roots by not just trying to defeat Judge Kavanaugh, but to destroy him.

STEVE TANBERG  
Denver

The Kavanaugh hearings painfully reminded me of the time I was drugged and molested during college in the 1970s. My disgust for my assailant, whom I never reported, is equal to my abhorrence of the "believe survivors" diktat of the left, which dangerously seeks to negate due process. I fully support Brett Kavanaugh.

MARGARET BOWEN  
Prairie Village, Kan.

I'm a woman who has been through sexual assault and sexual harassment. Christine Blasey Ford had a horrible experience, worse than what I lived through. She deserves the nation's sympathy. However, her right to sympathy should not eclipse the civility of our society. There is no concrete evidence that her version of events several decades after the fact, all through the lens of psychological trauma, is fact. We do, though, have a wealth of witnesses who can attest to Judge Kavanaugh's behavior, demeanor and record in his adult, professional life to be comfortable with his judgment as an adult, which is what is required to make a good Supreme Court justice. Quite frankly, I don't care what he did as a minor. I care what he has done as an adult.

The focus on one alleged and unproven aspect of his past rather than dispassionately assessing the entire picture is ridiculously skewed and a violation of the values of our civil society. I'm sure that the good people of Salem, Mass., were convinced that those hanged for witchcraft were really witches, too.

PAMELA COWAN  
Williston, Vt.

The silver lining in the Kavanaugh/Ford story is that it makes a good starting point to discuss the dangers of alcohol use with our teenage daughters. My husband and I have discussed avoiding alcohol and drug use with them, but the real-life example of a 15-year-old girl and 17-year-old boys' impaired judgment while drinking, with long-term, irreparable damage into their adulthood, is more effective than any lecture we could give them.

ALLEGRA GOLDBERG  
Great Neck, N.Y.

Am I the only mother of a teenage son who is terrified by the Kavanaugh circus? I have taught my 17-year-old to be respectful of everyone, and to try to protect himself from false accusations by never being alone with a girl in a situation where she could turn it into "she said/he said." But what if in 10, 20 or 30 years some woman accuses my son of sexually assaulting her? Of course he will deny it. But will anyone believe him?

Vice President Mike Pence has the right idea: Avoid being alone with a woman who isn't your spouse (or your mother). Then, I hope, one might avoid false accusations.

Women, we don't move ourselves forward by tearing men down.

MELANIE PRIEGER  
Agoura Hills, Calif.

The means used by Democrats to block Mr. Kavanaugh's confirmation to the Supreme Court bring to mind the words of Friedrich Hayek in "The Road to Serfdom," his analysis of the emergence of fascism from collectivist ideology:

"The principle that the end justifies the means is in individualist ethics regarded as the denial of all morals. In collectivist ethics it becomes necessarily the supreme rule; there is literally nothing which the consistent collectivist must not be prepared to do if it serves "the good of the whole," because the "good of the whole" is to him the only criterion of what ought to be done. The *raison d'état*, in which collectivist ethics has found its most explicit formulation, knows no other limit than that set by expediency—the suitability of the particular act for the end in view."

BOB WARNER  
Altadena, Calif.

In "I Am an Independent, Impartial Judge" (op-ed, Oct. 5) Judge Kavanaugh attempted to explain away his emotional, sharp tone at the Senate confirmation hearings by stating,

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

"I was there as a son, husband and dad." But Judge Kavanaugh wasn't at the hearing as a "son, husband and dad." And his responsibility wasn't to address his loved ones. He was there as a jurist being considered for appointment to the Supreme Court. His responsibility was to respect the nature of the hearing and the committee members seeking the truth, and to display the judicial demeanor and temperament required of someone who would serve as a Supreme Court justice. He failed to do that. He isn't qualified to serve on the highest court.

ANITA WEINBERG  
Evanston, Ill.

I don't think Brett Kavanaugh owes anybody an apology for expressing emotion at a hearing where his good name and his ability to live life as he knows it was at stake. The only ones owing anyone an apology are the particular senators who ambushed him to increase their own political power, while not caring if they destroyed his and Prof. Ford's lives in the process.

Judges are human, too. They certainly have a right to be upset when accused, especially if wrongly accused.

HEATHER JONES  
Fairfax, Va.

There is nothing Judge Kavanaugh can now say that will redeem him from his injudicious, spiteful, disrespectful performance at the Senate hearing. He totally blew it while blowing his top.

KAREN R. KANE  
Rolling Prairie, Ind.

I want to thank Sen. Susan Collins as the mother of a son, who I pray is never wrongfully accused and considered guilty until proved innocent; as the mother of a daughter, an engineer, who I fear will lose out on honorable men mentoring her; as the wife of an honorable man; as a lawyer who was mentored by honorable men; and as a citizen who is scared for our nation after watching the Kavanaugh hearings. Sen. Collins's speech was a master class in how politics is supposed to work and why it didn't in this case. I am grateful for her part in educating those who don't know any better.

CARLA ALBERS  
Colorado Springs, Colo.

Regarding your editorial "The Never Conservatives" (Oct. 4): I imagine many women and minorities don't share a judicial philosophy of an originalist interpretation of the Constitution, given that we were not part of that process. I disagree strongly with the characterization that investigating claims of sexual harassment or assault was a Democratic plan to destroy Clarence Thomas or Brett Kavanaugh. I think that the party of "personal responsibility" needs to be more ready to hold its members accountable for their actions.

The resistance is about our refusal to turn the clock backward. Judge Kavanaugh might have been the gold standard for a nominee previously, but in the #MeToo moment of today, where the traditionally disenfranchised and oppressed refuse to be silenced, he is not the right person for the Supreme Court.

I didn't vote for Bill Clinton after he lied to the American people about his behavior; I thought he should have resigned. It was wrong for Democrats to have defended him. Women will no longer be bullied and silenced.

ERIN MCCOY  
Fort Lee, N.J.

Just think, if Harry Reid hadn't changed the Senate filibuster rule in 2013, the Democrats could have blocked Brett Kavanaugh's nomination. Oh well.

BILL FELLOWS  
Stanford, Calif.

After that despicable performance by the Senate Democrats, the voters of California have their own opportunity to play a real-life version of "The Apprentice" and say, "Feinstein, you're fired!"

DAVID WEISS  
Coronado, Calif.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"The air is so crisp and filled with political polarization."

## OPINION

# America's Economy Isn't Overheating

By Edward P. Lazear

The U.S. unemployment rate declined to 3.7%, a rate unseen in almost half a century, the Bureau of Labor Statistics reported Friday. Given the booming labor market, the Federal Reserve has reason to worry that the economy may be overheating. Although we are getting close to the peak of the business cycle, three labor-market indicators suggest we're not there yet: Job growth is too high, wage growth is too low, and the employment rate is still slightly below the level consistent with full employment.

First, consider the rate of job creation. Jobs must be created every month to keep up with population growth. Throughout a business cycle, labor economists can determine whether the number of new jobs is sufficient to keep pace with the added population using the employment-to-population ratio. The U.S. EPOP currently stands at 60.4%. It's always well below 100% because some people are retired, at home or in school. Population growth over the past year has averaged 227,000 a month, so the U.S. economy must create 137,000 jobs monthly—60.4% of the population change—to keep up.

September saw 134,000 new jobs created—almost exactly the full-employment number. But the three-month average is 190,000 jobs created a month. (The three-month average is more accurate because of month-to-month volatility; monthly numbers have an average error of about 75,000.) Because 190,000 significantly exceeds the



to 34-year-olds, depressed throughout the economic recovery, is now growing. It has risen by a full percentage point since January, suggesting there are still people to pull back into the workforce.

Finally, the rate of wage growth indicates that the labor market isn't overheated. When the economy runs out of workers, labor demand drives increased wages rather than employment as employers compete with each other for the scarce labor. Absent labor-market slack, wages tend to grow at rates above those consistent with target inflation and productivity increases. Wage growth at rates consistent with productivity growth isn't inflationary, since additional output from increased productivity reduces upward pressure on prices. U.S. productivity growth has averaged 1.3% over the past four quarters. Add the Fed's 2% target inflation figure to get 3.3%. This exceeds the 2.8% actual rate of wage growth over the past 12 months. If the economy were overheating, wages would be growing at a faster rate.

Despite the low unemployment rate of 3.7%, the U.S. labor market has some room to expand before it hits full employment. That's good news: The Fed need not worry that the tight labor market is indicative of an overheated economy—yet.

*Mr. Lazear, who was chairman of the President's Council of Economic Advisers from 2006-09, is a professor at Stanford University's Graduate School of Business and a Hoover Institution fellow.*

137,000 threshold, the U.S. labor market is creating jobs at a rate faster than required to absorb the added population.

**It's still recovering. The labor market has more room to expand before achieving full employment.**

This suggests the U.S. isn't yet at full employment. When the economy is at full employment, job creation is just large enough to keep up with population growth, neither increasing nor decreasing unemployment rates or EPOP. When the economy is recovering, job growth exceeds pop-

ulation growth, which makes up for jobs lost during a recession. The current rate of job creation points to a labor market still in the recovery phase.

Another clue that full-employment hasn't been achieved is that the EPOP remains below its full-employment level. The prerecession EPOP peak of 63.4% will not likely be reached because the population is aging and retirees depress the EPOP's natural level. But a peak rate that accounts for demographic changes is closer to 61%, according to the Council of Economic Advisers and a National Bureau of Economic Research report. That's still half a percentage point above where the U.S. is now. More evidence that the economy isn't at peak employment is that the employment rate of 25-

## Democrats Rage Against the Judiciary

**Brett Kavanaugh** endured a Supreme Court confirmation ordeal like no other. He's now Justice Kavanaugh, but that doesn't mean the Democrats are done with him. Or even close to being done with him.

House Minority Leader Nancy Pelosi wants the Federal Bureau of Investigation report on sexual-assault allegations, heretofore seen only by senators and staff, made public. Rep. Jerry Nadler, who's in line to become chairman of the Judiciary Committee, has vowed to reopen investigations into Justice Kavanaugh's background if Democrats win control of the House next month. Democrats aren't playing up talk of impeachment, but they haven't ruled it out.

Mr. Nadler knows that an attempt to remove a justice from the Supreme Court, which requires a two-thirds supermajority in the Senate, would almost certainly fail. And Mrs. Pelosi is well aware that there are very good reasons why FBI background checks are confidential. Information gathered could be sensitive or embarrassing; much of it is hearsay; and people are less likely to speak openly and honestly with investigators in the future if they have to worry about being publicly identified.

So, is any of this going anywhere? Not likely, but that's not the point of these exercises. The left is angry right now—bordering on unhinged—and Democrats hope stoking this rage will help get their voters to the polls on Nov. 6. The risk is that these continued attacks on Justice Kavanaugh's character—and the promise of more to come—might also boost Republican turnout. When Senate Majority Leader Mitch McConnell thanked Democrats and left-wing activist for mobilizing Republican voters, he was being sincere.

Since the hearings, whatever voter-enthusiasm edge Democrats previously enjoyed has all but disappeared. Republicans in the

Trump era are divided on some issues, but putting conservatives on the Supreme Court isn't one of them. If Democrats weren't so busy blaming Hillary Clinton's loss on the Russians, they might recall that Mr. Trump's campaign promise to nominate judges in the mold of the late Justice Antonin Scalia went a long way toward unifying his Republican support.

Having lost the fight over Brett Kavanaugh, Democrats quickly pivoted to attacking the Supreme Court as an institution. After the confirmation vote Saturday, Sen. Diane Feinstein tweeted that his appointment "undermines the legitimacy of the Supreme Court." Connecticut Sen. Richard Blumenthal, another Democrat on the Judiciary Committee, added: "The damage done today will be enduring—to the United States Supreme Court & to our country." What's next, encouraging citizens to disregard certain rulings by certain justices?

Questioning the legitimacy of the court and undercutting confidence in the judicial branch is irresponsible and dangerous. The tactic recalls some of the ugliest periods in our nation's history, and today it's a mainstream Democratic talking point.

At a swearing-in ceremony on Monday, the president apologized to

the Kavanaugh family for the "terrible pain and suffering" they experienced in recent weeks. In his own remarks, Justice Kavanaugh said he had "no bitterness" and that the confirmation process "did not change me." Conservatives are hoping that's the case. They've seen too many Republican-appointed justices

**Their campaign against Kavanaugh failed, so they resort to smearing the Supreme Court itself.**

over the decades—from Sandra Day O'Connor to Anthony Kennedy to David Souter—shift leftward on the bench or simply prove to be less than consistent conservatives.

Nothing in Justice Kavanaugh's academic writings or his more than 300 opinions as a federal judge gives his supporters reason to worry. But no one on the court, with the exception of Justice Clarence Thomas, has come close to being treated as horrifically as Justice Kavanaugh by the nomination process.

Justice Kavanaugh may be a thoughtful jurist who is secure in his views about the law, but he's also a human being. Democrats and

the media portrayed him as a monstrous sexual predator, and it's only natural that he would want to correct that view.

Still, my guess is that Justice Kavanaugh won't waste his time trying to win over people who dispensed with basic fairness, the presumption of innocence and the notion of due process in an effort to derail his nomination and advance a political agenda. He understands that people who were eager to believe decades-old allegations without any corroborating evidence or eyewitnesses are probably never going to be in his camp. He knows it's useless to seek validation from mainstream news outlets that will persist in pretending that being accused of something is tantamount to being guilty of it. Those who were unpersuaded by a seventh FBI background check won't be persuaded by an eighth, ninth or 10th one, either.

Justice Thomas, who also faced false last-minute allegations during his nominating process, has spent more than a quarter-century on the court doing his job, staying true to his judicial principles, and not giving a damn what the Washington Post and CNN have to say about him. It's unfortunate that the newest justice faces a similar task, but I'm guessing he's up to it.

The European Union promises to cut emissions 80% by 2050. With realistic assumptions about technology, and the optimistic assumption that the EU's climate policy is very well designed and coordinated, the average of seven leading peer-reviewed models finds EU annual costs will reach €2.9 trillion (\$3.3 trillion), more than twice what EU governments spend today on health, education, recreation, housing, environment, police and defense combined.

In reality, it is likely to cost much more because EU climate legislation has been an inefficient patchwork. If that continues, the policy will make the EU 24% poorer in 2050.

Trying to do more, as the IPCC urges, would be phenomenally expensive. It is important to keep things in perspective, challenging as that is given the hysterical tone of the reaction to the panel's latest offering. In its latest full report, the IPCC estimated that in 60 years unmitigated global warming would cost the planet between 0.2% and 2% of gross domestic product. That's simply not the end of the world.

The new report has no comparison of the costs and benefits of climate targets. Mr. Nordhaus's most recent estimate, published in August, is that the "optimal" outcome with a moderate carbon tax is a rise of about 6.3 degrees Fahrenheit by the end of the century. Reducing temperature rises by more would result in higher costs than benefits, potentially causing the world a \$50 trillion loss.

It's past time to stop pushing so hard for carbon cuts before alternative energy sources are ready to take over. Instead the world must focus on resolving the technology deficit that makes switching away from fossil fuels so expensive. Genuine breakthroughs are required to drive down the future price of green energy.

Copenhagen Consensus analysis shows a ramped-up green-energy research-and-development budget of around \$100 billion a year would be the most effective global-warming policy. It would be much cheaper than the approach pushed by the IPCC, and would not require global consensus. Most important, it would have a much better chance of ameliorating temperature rises. Under the IPCC's approach, by contrast, the costs would vastly outweigh the benefits. Instead, the over-the-top reception to the latest IPCC report means that we are more likely to continue down a pathway where the costs would vastly outweigh the benefits.

*Mr. Lomborg is president of the Copenhagen Consensus Center and author of "The Skeptical Environmentalist" and "Cool It."*

# U.N. Ignores Economics Of Climate

By Bjorn Lomborg

The global economy must be transformed immediately to avoid catastrophic climate damage, a new United Nations report declares. Climate economist William Nordhaus has been made a Nobel laureate. The events are being reported as two parts of the same story, but they reveal the contradictions inherent in climate policy—and why economics matters more than ever.

Limiting temperatures to 2.7 degrees Fahrenheit above preindustrial levels, as the U.N.'s Intergovernmental Panel on Climate Change urges, is economically and practically impossible—as Mr. Nordhaus's work shows. The IPCC report significantly underestimates the costs of getting to zero emissions. Fossil fuels provide cheap,

**New Nobel laureate William Nordhaus says the costs of proposed CO<sub>2</sub> cuts aren't worth it.**

efficient power, whereas green energy remains mostly uncompetitive. Switching to more expensive, less efficient technology slows development. In poor nations that means fewer people lifted out of poverty. In rich ones it means the most vulnerable are hit by higher energy bills.

The IPCC says carbon emissions need to peak right now and fall rapidly to avert catastrophe. Models actually reveal that to achieve the 2.7-degree goal the world must stop all fossil fuel use in less than four years. Yet the International Energy Agency estimates that in 2040 fossil fuels will still meet three-quarters of world energy needs, even if the Paris agreement is fully implemented. The U.N. body responsible for the accord estimates that if every country fulfills every pledge by 2030, CO<sub>2</sub> emissions will be cut by 60 billion tons by 2030. That's less than 1% of what is needed to keep temperature rises below 2.7 degrees. And achieving even that fraction would be vastly expensive—reducing world-wide growth \$1 trillion to \$2 trillion each year by 2030.

The European Union promises to cut emissions 80% by 2050. With realistic assumptions about technology, and the optimistic assumption that the EU's climate policy is very well designed and coordinated, the average of seven leading peer-reviewed models finds EU annual costs will reach €2.9 trillion (\$3.3 trillion), more than twice what EU governments spend today on health, education, recreation, housing, environment, police and defense combined.

In reality, it is likely to cost much more because EU climate legislation has been an inefficient patchwork. If that continues, the policy will make the EU 24% poorer in 2050.

Trying to do more, as the IPCC urges, would be phenomenally expensive. It is important to keep things in perspective, challenging as that is given the hysterical tone of the reaction to the panel's latest offering. In its latest full report, the IPCC estimated that in 60 years unmitigated global warming would cost the planet between 0.2% and 2% of gross domestic product. That's simply not the end of the world.

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*Mr. Lomborg is president of the Copenhagen Consensus Center and author of "The Skeptical Environmentalist" and "Cool It."*

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On the other hand, Mr. Trudeau's federal government could serve as a counterweight to the rightward provincial shift. In the past, many Canadians, especially in Ontario, strategically voted Liberal federally and Conservative provincially. This balancing act has been less common in recent decades. But the federal Liberals can hope.

It remains to be seen how the CAQ will perform. The party seems intent on fiscal prudence and deregulation. But Mr. Legault was once a cabinet minister for the separatist Parti Quebecois, and the CAQ has expressed interest in Quebec nationalism.

Two other provinces already have right-leaning premiers—Saskatchewan's Scott Moe and Manitoba's Brian Pallister. And the United Conservative Party, led by Jason Kenney, is poised to join this growing movement after next year's Alberta election. That would bring to six the number of Canada's 10 provinces

with conservative governments. What does this mean for Liberal Prime Minister Justin Trudeau, who faces re-election in 2019? Does the pendulum swing

## WORLD NEWS

## WORLD WATCH

NORTH KOREA

## Kim Jong Un Issues Pope an Invitation

North Korean leader Kim Jong Un invited Pope Francis to Pyongyang, South Korea's presidential office said Tuesday.

The Vatican doesn't have diplomatic relations with Pyongyang, which has a history of suppressing religion, but the two sides have had informal contacts over the years.

—Andrew Jeong

## After Trip, Pompeo Cites 'Real Progress'

Secretary of State Mike Pompeo said he made "real progress" on his most recent trip to North Korea, where he met with Kim Jong Un and other officials to discuss denuclearization and plans for a second summit with President Trump.

"While there's still a long way to go and much work to do, we can now see a path to where we'll achieve the ultimate goal, which is the full and final verified denuclearization of North Korea," Mr. Pompeo said on Tuesday. He said a second summit between Mr. Trump and the North Korean leader would be announced "in short order."

Later Tuesday, while on Air Force One en route to Iowa, Mr. Trump said his next summit with Mr. Kim wouldn't take place until after November's midterm elections. "I just can't leave now," he told reporters.

—Rebecca Ballhaus

INDONESIA

## Sulawesi Death Toll Surpasses 2,000

The death toll from the earthquake and tsunami on Indonesia's Sulawesi island has climbed past 2,000, the disaster agency said, as authorities prepared to end the search for victims.

An agency spokesman said authorities will hold prayers Thursday to mark the end of the search in the Petobo, Balaroa and Jono Oge areas of Palu city, where the quake caused loose soil to liquefy, swallowing houses and burying the occupants with them.

—Associated Press

## France's Macron Grows Isolated

Leader's popularity sinks and allies depart as his efforts to remake the economy falter

BY STACY MEICHTRY

PARIS—The presidency of Emmanuel Macron has reached a tipping point.

Viewed from abroad, the 40-year-old former investment banker is a poster boy for international cooperation, widely applauded for speeches like his recent United Nations address denouncing protectionism and nationalism.

At home, however, Mr. Macron is increasingly isolated. His cabinet is heading for a shake-up, after two prominent ministers, including one of his earliest allies, abruptly resigned from government.

The French economy, growing at a rate of 1.6% this year, has fallen behind the rest of Europe. And the labor market overhaul Mr. Macron decreed a year ago has done little to lower France's chronically high unemployment.

That malaise represents an acute threat to Mr. Macron's signature cause—deeper European Union integration as an alternative model to the growing nativist movements across the bloc. It also undercuts the ethos of free markets and trade that Mr. Macron has come to represent in France and beyond.

Senior French officials defend Mr. Macron's agenda as a "cultural revolution" that will take time to lift the overall economy, much of it reared on decades of dirigiste governments. Roughly €6 billion (\$6.9 billion) in cuts to payroll taxes are on the way next year. And on Tuesday the lower house of Parliament approved measures to cut red tape.

"This may be the most tricky moment from a political point of view," Economy and Finance Minister Bruno Le Maire said in an interview. "But in that kind of moment you just have to re-



Opponents of President Emmanuel Macron, seen at the Élysée Palace in Paris on Tuesday, call him an out-of-touch 'president of the rich.'

main strong."

One ingredient missing from Mr. Macron's revolution is an ability to move hearts and minds. His approval ratings have tumbled to as low as 29% in September from 50% at the start of the year. And while his fledgling centrist party République on the Move maintains a strong majority in Parliament, the president is shedding prominent supporters on the left.

One of the two ministers who recently quit was his chief enforcer on security and immigration, Gerard Collomb, a political heavyweight who was among the first to defect from the Socialist Party and back Mr. Macron's 2017 presidential bid. Before quitting, Mr. Collomb put his finger on what many consider Mr. Macron's biggest blind spot: overconfidence.

"In Greek, there is a word called 'hubris,' and it is the curse of the gods when, at a given moment, you become too sure of yourself, you think you

## Gallic Shrug

Emmanuel Macron's labor-market overhaul hasn't significantly lowered joblessness.

## France's unemployment rate



Note: 2Q 2018 data is provisional  
Source: Insee

THE WALL STREET JOURNAL.

can win it all," Mr. Collomb said in an interview on French TV.

Mr. Collomb was echoing a comment Mr. Macron made in the election run-up, calling for a presidency above the political

fray, modeled after Jupiter, king of the Roman gods.

After taking office, Mr. Macron moved to embody that standard by resurrecting the seat of French monarchs, the Palace of Versailles, as a backdrop for summits. Mr. Macron's opponents branded him as an out-of-touch "president of the rich."

Tech titans from Silicon Valley converged on Versailles in January as the Macron government announced investments from companies ranging from Facebook Inc. and Alphabet Inc.'s Google to Toyota and SAP amounting to €3.5 billion and creating 2,200 jobs over five years.

This has done little so far to change the unemployment rate, which stood at 9.1% as of July compared with 9.4% at the start of Mr. Macron's five-year term.

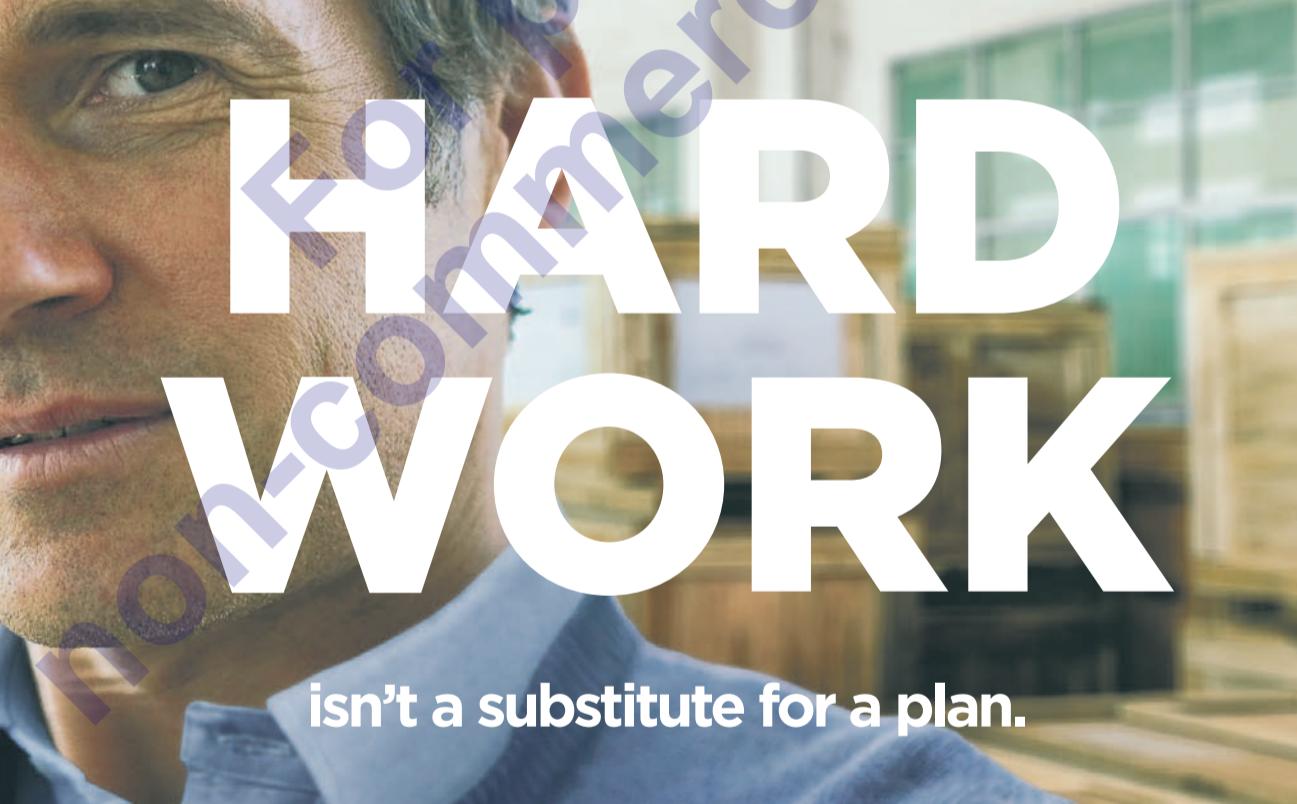
Mr. Macron's aloof image hardened this summer after he defended Alexandre Benalla, a presidential aide who was fired for donning police gear and

manhandling protesters during a May 1 International Workers' Day march.

Mr. Macron said he was proud of hiring Mr. Benalla and described the scandal as a "tempest in a teapot." Then parliamentary committees pored over the privileges Mr. Benalla had accrued, including an apartment in central Paris, use of a government car, and a permit to carry a handgun.

Returning from summer recess, Mr. Macron unveiled billions in spending on an anti-poverty package. But efforts to repair his public image faltered yet again when Mr. Macron was filmed talking with an unemployed gardener. In a scene splashed across French media, Mr. Macron cut him off, saying: "Honestly—hotels, cafes, restaurants—I'll cross the street and find you one."

In making the faux pas, Mr. Macron was channeling a common complaint among employers: That they lack qualified candidates to fill job openings.



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# BUSINESS & FINANCE

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## Builder in Talks to Sell Loan Unit

Lennar, seeking to unload noncore assets, explores deal with buyout house

Lennar Corp. is in advanced talks to sell its real-estate lending unit, looking to offload the business at a time when the nation's largest home builder and its peers are struggling alongside a stagnating housing market.

The Miami-based company is in discussions with the private-equity firm **Stone Point Capital LLC** for the sale of Rialto Capital, according to people familiar with the matter.

A Lennar spokeswoman declined to comment. Representatives of Stone Point Capital and Rialto didn't respond to requests for comment. It isn't clear what the business may be worth, and there is no guarantee there will be a deal.

Lennar said in April that it was considering a sale of Rialto as part of the company's strategy of spinning off or selling noncore subsidiaries to focus on its main home-build-

ing business. That business has come under increasing stress. The share price of the iShares exchange traded fund that tracks the home-building industry is down nearly 24% this year, compared with a 7.7% gain in the S&P 500. Lennar shares have lost 30% in 2018.

Lennar and other home builders like PulteGroup Inc. and Toll Brothers reported solid earnings for the most recent quarter, and they forecast strong sales in the months ahead.

But a slumping housing market has weighed on investor sentiment and led many to

sell any company tied to construction and home sales more broadly.

Despite a strong economy and buoyant consumer confidence, existing-home sales have fallen on an annual basis for the last six consecutive months. A shortage of inventory, high prices and a tax law that reduced incentives for homeownership have contributed to a slowing housing market this year.

The pace of new-home construction has also slowed. Rising lumber and land prices, labor shortages and slowing demand have all challenged builders.

Home-builder sales slowed 3% in September compared with a year earlier, according to a survey that real-estate consultant John Burns conducts of 400 builders across the country.

"They've had a tough time opening new communities because land has gotten pretty expensive," Mr. Burns said.

Borrowing to buy a new home is also getting more expensive. Rising bond yields are also pushing up 30-year mortgage rates toward 5%, their highest levels in nearly eight years.

When the housing market

Please turn to page B6

## Ackman Acquires Starbucks Position

By CARA LOMBARDO AND JULIE JARGON

William Ackman's activist hedge fund has built a roughly 1.1% stake in **Starbucks Corp.**, a so-far friendly bet that the coffee giant will recover from recent stumbles and weather the departure of its longtime leader, Howard Schultz.

Mr. Ackman unveiled **Pershing Square Capital Management LP**'s investment in the Seattle coffee company during a presentation Tuesday at a conference in New York, his first such appearance in several months. He took the stage with an unsweetened Starbucks iced tea.

Mr. Ackman said he thinks Starbucks shares have slumped recently due to a slowdown in same-store sales growth, a reduction in long-term growth targets and leadership changes. But he predicted the stock could more than double in price over the next three years.

The noted activist investor said management appeared to be taking all the right steps to get the business back on track, though Pershing Square hasn't yet met with Starbucks executives.

Mr. Ackman said his fund amassed 15.2 million shares at an average of \$51 a share over the past few months. That means he already has made a tidy paper profit on the stock, which rose 2.1% Tuesday to \$57.71. Even with that gain, its shares are up less than 1% this year, trailing broader markets.

Mr. Ackman, a famed investor whose firm has suffered three years of declining performance due to several bad bets, has recently had success with investments where he didn't employ activist tactics. He praised Starbucks on Tuesday, but didn't rule out eventually pressing for changes.

If he does, Mr. Ackman's investment stake could become a big test for Starbucks Chief Executive Kevin Johnson. Mr. Johnson became CEO in April 2017 and has been running the company entirely on his own since late June, when Mr. Schultz, who built the company into a global chain, stepped down as chairman. Until then, Mr. Johnson had worked closely with Mr. Schultz, whose office was next door.

Starbucks said in a statement that it looks forward to "maintaining a productive dialogue with Mr. Ackman as we do with all of our shareholders."

The company has been struggling with slowing sales over the past few years in the U.S., an increasingly competitive market for coffee.

After some analysts criticized the ubiquity of the brand, the company in June said it would close 150 U.S. stores in its 2019 fiscal year, triple the number it closed on average in recent years, and that it would slow the growth of licensed stores in airports, supermarkets and other retail

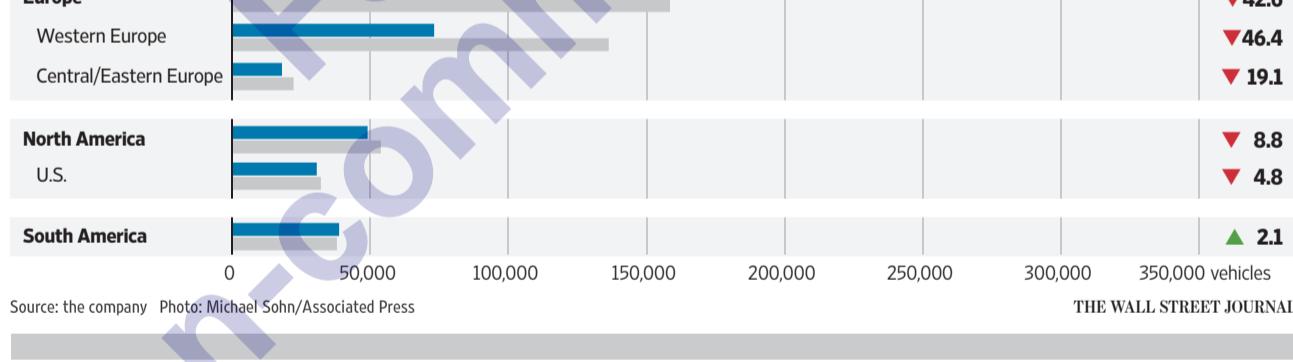
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## EU Rule Change Throws Volkswagen Off Its Stride



The car maker's namesake felt the pinch of new emissions standards. B2

Global sales of VW-brand vehicles in September fell 18% from a year earlier, led by a sharp drop in Europe.



## China Struggles to Manage Yuan

China's effort to support its slowing economy is heaping pressure on the yuan, signaling challenges for Beijing as it tries to stimulate growth amid rising trade tensions without triggering

domestic banks. The currency briefly recovered to around 6.91 in Tuesday trading in mainland China and Hong Kong after a short-term lending rate jumped.

Interbank lending rates in Hong Kong—an offshore trading hub for the yuan—surged on Tuesday, possibly due to efforts by China's central bank to prevent the yuan from weakening too much, several analysts said.

China's efforts to manage its currency are complicated by the escalating trade conflict between the U.S. and China, with the U.S. levying new tariffs on billions of dollars worth of Chinese imports

and China retaliating with tariffs of its own. President Trump's administration is seeking to press its advantage as China struggles to manage weaker economic growth, heightening pressure on President Xi Jinping to protect China's economy and stature abroad.

The pace and scale of the yuan's depreciation is a subject of recurring anxiety in global markets. For many investors, an essentially sanguine view centering on the country's solid growth and low inflation is tempered by concerns about China's efforts to manage its enormous debt load

and keep the world's second-largest economy running smoothly through an extended period of deceleration.

Those concerns are being amplified by the efforts of global central banks, led by the Federal Reserve, to tighten monetary policy and limit the prospects that healthy U.S. growth will lead to an overheated economy and a sustained increase in inflation.

The yield on the 10-year U.S. Treasury note this week exceeded 3.2% for the first time since 2011, the latest sign that markets are expecting continued

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BRAVES DO BETTER AT REAL ESTATE

PROPERTY REPORT, B6



TITANIC RELICS DRAW OFFER OF \$19.5 MILLION

PRIVATE EQUITY, B12

## Google Appeals \$5 Billion EU Fine

By SAM SCHECHNER

Alphabet Inc.'s Google said it filed an appeal of the European Union's €4.34 billion (\$4.97 billion) antitrust fine for allegedly abusing the dominance of its Android operating system for mobile phones.

Google said Tuesday that it has no plans to ask for interim measures to pause application of the decision. Without further action, Google will have to meet a deadline at the end of October to end the behavior the EU says is anticompetitive or face additional fines of up to 5% of average daily global revenue for each day it doesn't comply.

Google had promised it would appeal the decision when the European Commission, the bloc's antitrust regulator, delivered it in mid-July. The commission said Google broke the block's competition laws in part by strong-arming phone makers that use its free Android operating system to preinstall its namesake search engine, from which the company makes the bulk of its advertising revenue.

A spokesman for Google declined to make the appeal public or comment on what grounds the company cited in its defense.

Instead the company referred to a blog post it published in July, following

the EU's decision, arguing that Android has boosted competition among mobile-phone makers.

Representatives for the European Commission didn't respond to a request to comment.

Google's appeal is the latest volley in response to a series of actions European regulators and legislators are directing at big tech companies—many led by EU antitrust commissioner Margrethe Vestager, who has emerged as one of the most avid global regulators for big tech firms. Google is already appealing her 2017 decision that fined Google €2.43 billion for allegedly abusing the

power of its search engine to favor its own service to show product ads on behalf of online retailers.

In the Android case, the European Commission has ordered Google to stop making phone manufacturers preinstall its search app and the Chrome web browser if they want to preinstall Google's Play store, which is the main way to download Android apps. The bloc also ordered Google to end restrictions that discourage manufacturers from selling devices that run unofficial versions of Android.

New Google gadgets focus on voice control B4

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## China Struggles With Yuan

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expansion, while the nation's jobless rate tumbled to its lowest level since 1969. Fed officials have indicated they expect to continue raising the fed funds overnight target rate, reflecting the economy's fundamental strength and officials' determination to avoid a destabilizing breakout in price measures.

Whenever Chinese officials step up their stimulus to the economy or provide unusual financing assistance to vulnerable sectors of the economy, as they did this week by reducing reserve requirements at some banks, the move raises concern among some portfolio managers and analysts about China's markets and economy.

Skeptics say China could be headed for another turbulent period that could potentially threaten the underpinnings of a global rally in risk assets that has taken the Dow industrials and some other major indexes to new highs, while reflating the prices of commodities such as oil that not long ago appeared stagnant.

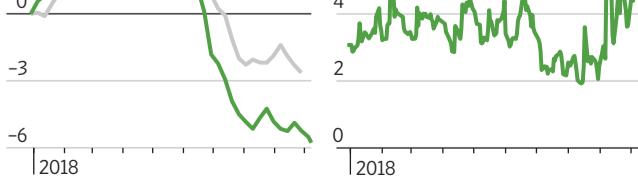
Those fears stem in part from the last major pullback in Western markets, the 2015-2016 shakeout that at its trough triggered a sharp pullback in U.S. stocks and sent the price of the benchmark U.S. oil price below \$30 a barrel, down from \$100 two years earlier. In that episode, six months of market unrest were kicked off with the August 2015 surprise devaluation of the yuan against the dollar.

On Tuesday the overnight cost of borrowing yuan for Hong Kong banks jumped to 5% from 1.745% a day earlier, hitting its highest level since May. The rate for one-week lending reached 7.6% Tuesday, up 4 percentage points since last week to its highest level in over a year.

## Anxious Times

The yuan's decline has been more pronounced against the U.S. dollar. Yuan borrowing rates surged as bets against the currency increased.

### Yuan's performance



\*CFETS RMB index  
Sources: FactSet (yuan's performance); Refinitiv, Treasury Markets Association (Hibor rate)

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## BUSINESS & FINANCE



ALEXANDER RYUMIN/TASS/ZUMA PRESS

A PPG plant in Russia last year. Shares in the maker of coatings, specialty materials and glass products, fell 10% Tuesday but rose about 5% in after-hours trading on news of the Trian stake.

## Activist Trian Acquires Stake in Paint Maker PPG

BY CARA LOMBARDO

**Trian Fund Management** LP thinks **PPG Industries Inc.** could use a fresh coat of paint.

The activist hedge fund disclosed a stake in the paint maker in a filing Tuesday, without detailing its intentions or the current size of the investment. Trian owns about 2.9% of the Pittsburgh company, a stake it has built over the past several months that is now valued at roughly \$700 million, according to a person briefed on the matter.

PPG makes coatings, specialty materials and glass products. Its shares fell 10% Tuesday—and are down by about that much in the past year—after the company warned of higher costs and weaker demand. The stock rose about 5% after hours on news of the Trian stake, giving the company a market value of about \$25 billion.

"We have always welcomed the productive input of our shareholders," PPG said "PPG is looking forward to maintaining a constructive dialogue with Trian."

PPG last year tried to buy Dutch rival **Akzo Nobel NV**, which rejected its advances.

Trian, a roughly \$12.5 billion hedge fund founded by Nelson Peltz, Peter May and Ed Garden, markets itself as a collaborative activist that works with management to fix underperforming companies, often by refocusing on core operations.

Though Trian rarely resorts to proxy fights, the hedge fund's high-profile battle with

### Company Warned Of Rising Expenses

A day before Trian Fund Management revealed its stake, PPG Industries Inc. warned about costs rising at the fastest pace in two years.

The Pittsburgh-based company said it was paying more for the chemicals it uses to make paint and coatings as well as for oil and shipping.

Its share-price drop Tuesday led the broader S&P 500 Chemicals Index down 2.8%.

"PPG's comments have made us more cautious on the outlook for the entire chemicals group," Seaport Global Securities analyst Michael Harrison wrote in a note.

Manufacturers have benefited from the robust U.S. economy, booking strong or-

ders and raising output.

But supply-chain constraints and rising costs have limited the gains for some companies. Other manufacturers have raised prices on goods ranging from mobile homes to lawn mowers as material and freight costs have climbed.

PPG said it would raise prices and accelerate cost-cutting to recover some of the lost margin. The company, which is scheduled to report its third-quarter results on Oct. 18, said it expects earnings per share of \$1.41 to \$1.45, well below the \$1.59 that analysts polled by FactSet have been expecting.

Many other manufacturers, including competitors Sherwin-Williams Co. and 3M Co., are slated to report quarterly results in the coming weeks.

—Austen Hufford

Procter & Gamble Co. last year that eventually landed Mr. Peltz a board seat at the consumer-products giant was the costliest in history.

Trian argued that the maker of Tide laundry detergent was falling behind as a result of "suffocating bureaucracy."

Trian also has a sizable position in **General Electric Co.** Mr. Garden sits on the board of GE, whose shares have tumbled over the past year as it has missed targets and slashed its dividend.

Last week, GE replaced John Flannery as chief executive after only 14 months as problems in its power unit

deepened. It hired an outsider for the first time in its history to succeed him, former Danaher Corp. CEO Larry Culp.

In an August filing listing its investments as of June 30, Trian said it had omitted information that had been filed confidentially with the U.S.

Securities and Exchange Commission. Tuesday's filing made that information public—the PPG stake—and said it was roughly 2.6 million shares, valued at \$269 million, as of June 30.

Trian and PPG have been in contact but haven't had substantive discussions, another person briefed on the situation said.

## Fund Buys Starbucks Position

Continued from the prior page stores. Starbucks will still open more stores overall, but at a slower rate of growth in fiscal 2019.

Those closures will mostly be in urban markets, where Starbucks stores are tightly clustered and rent and wages are high, Mr. Johnson said at the time. He added there was still room to build more Starbucks in the Midwest and South. Mr. Ackman said the same thing during his presentation. Starbucks has about 14,400 U.S. stores currently.

Mr. Ackman also noted Starbucks's same-store sales have consistently been positive and that it is the dominant brand in the fast-growing coffee category.

"Young people are giving up soda for coffee," he said while answering questions after his presentation. "Starbucks will be the biggest beneficiary of that change."

But part of Starbucks's U.S. sales slowdown stems from consumers' migration to healthier drinks. Sales of its sugary Frappuccinos, which account for 11% of sales at U.S. company-operated cafes, fell 3% this year through May. Just three years ago, Frappuccino sales grew 17%. Starbucks has worked to reduce the sugar and calorie content of the drinks and is testing healthier

### Jitters

Starbucks stock performance



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versions in a few states.

The U.S. isn't the only market that has struggled. The company surprised investors in June when it reported a sudden sales slowdown in China, a country it had been touting as a high-growth market. In July, it reported same-store sales in China fell 2% in its fiscal third quarter as it lowered its global same-store sales growth outlook. Starbucks has since taken steps to remedy its troubles there.

Mr. Ackman said he likes Starbucks's long-term growth prospects in China. "We expect China will grow nearly twice as fast as Starbucks's overall earnings and represent an increasingly larger percentage of the company's earnings," he said.

Mr. Johnson's plans for boosting U.S. sales, meanwhile, have revolved around expanding its "digital relationship" with customers by opening its

mobile-order app to people not in its rewards program.

In a memo to employees last month, Mr. Johnson hinted at his concerns when he said the company would restructure, a move that would include layoffs. "We must knock down the

barriers in our decision-making and provide more clarity on the work that is important and what is not," he said in the memo, which was reviewed by The Wall Street Journal.

Mr. Ackman, meanwhile, has cut back on public appearances after his bad bets, including on

Valeant Pharmaceuticals (now known as Bausch Health Cos.) and against Herbalife Ltd., which spurred declines and prompted some investors to withdraw. The Journal reported in April he might face a future that wouldn't include him managing a private hedge fund.

Pershing Square has recovered somewhat recently, with its public fund, which closely tracks its private fund, up 15.8% this year through last month, beating broader markets.

The \$8.4 billion Pershing Square—which became well-known for high-profile activist campaigns at companies such as J.C. Penney Co. and General Growth Properties Inc.—made a quick profit of about \$100 million on Nike Inc. earlier this year without agitating for change. The fund also has been supportive of management at Chipotle Mexican Grill Inc., one of its best-performing holdings.

### William Ackman Praised Starbucks but Didn't Rule Out Pressing for Changes.

barriers in our decision-making and provide more clarity on the work that is important and what is not," he said in the memo, which was reviewed by The Wall Street Journal.

Mr. Ackman, meanwhile, has cut back on public appearances after his bad bets, including on

## BUSINESS NEWS

# Franchisees Consider Prodding McDonald's

BY JULIE JARGON

**McDonald's** Corp. franchisees are considering making a push to urge the company to help improve profit and cash flow at their restaurants.

A group of franchise owners plan to meet Wednesday in Tampa, Fla., to discuss forming an advocacy group to press McDonald's to address their concerns that the burger giant's sales growth isn't keeping pace with the cost of remodeling restaurants.

"We believe it's critical for us to come together to discuss the state of the business, unvarnished and unedited," hosts of the meeting said in a letter to franchisees reviewed by The Wall Street Journal.

Unlike at some other fast-food chains, there isn't an independent franchisee group at McDonald's.

A group of franchisees selected by their peers meets from time to time with management. Some 95% of the more than 14,000 McDonald's restaurants in the U.S. are operated by franchisees.

"We always welcome and are committed to a constructive, collaborative dialogue with our franchisees," a McDonald's spokeswoman said. "We will continue to work closely with our franchisees so they have the support they need to run great restaurants and provide great quality experiences and convenience for guests."

One franchisee said his cash flow is shrinking while he is also taking on debt to remodel restaurants in line with new specifications from McDonald's executives.

McDonald's has been pushing franchisees to rebuild or remodel outdated restaurants to attract more guests.

# Oil Industry Bets on Natural Gas

By SARAH KENT  
AND SARAH MCFARLANE

Oil companies are betting on natural gas as the fuel of the future—and working hard to ensure new projects deliver profits of the future.

**Royal Dutch Shell** PLC last week announced a liquefied natural gas project in Canada that will cost \$14 billion, while **Exxon Mobil** Corp. and partners are expected to approve a multibillion-dollar LNG project in Mozambique in 2019. That is a similar timeline to Russia's roughly \$20 billion Arctic LNG-2 project, which is part-owned by France's **Total** SA.

Natural-gas projects historically have delivered lower returns than oil projects, leading companies and shareholders to prioritize oil developments.

According to Edinburgh, Scotland-based consultancy Wood Mackenzie, the weighted average internal rate of return for liquefied-natural-gas projects currently in the pipeline is about 13%. That compares with 20% for deep-water projects and 51% for unconventional oil developments like shale.

"The problem for oil companies is that gas is much more difficult to make profitable," said Eirik Wærness, chief economist at Norwegian oil company Equinor ASA, formerly known as Statoil.

The case for gas also becomes even more difficult, at least in the short term, when oil prices are high, as they have been recently, though oil companies invest on a long-term horizon.

Yet oil firms have little choice but to double down on gas. Companies have discovered fewer large new oil deposits than natural-gas opportunities over the past decade. Governments, including China and many in Europe, want to reduce pollution by burning cleaner fuels for transport and electricity. A new natural gas power plant emits around half the carbon dioxide emitted by



The AIDAnova, one of the first cruise ships powered by liquefied natural gas, left the Meyer Werft shipyard in Germany on Monday.

a new coal or fuel-oil plant.

Oil consumption is expected to rise by 0.5% a year out to 2040, according to Wood Mackenzie, substantially slower than in previous decades. Some forecasts say demand could stop growing altogether within the next decade.

Natural-gas consumption, though, is expected to rise to 24% of the world's energy mix by 2040, from 22% in 2016, according to the International Energy Agency. LNG's share of that market is set to rise to almost 40% in 2023, from around a third in 2017, the IEA forecast.

By 2025, both Shell and **BP** PLC will be producing more gas than oil. French giant Total's production is near 50-50 split. Exxon is also planning significant new investments in LNG.

"It's all a balancing act," said Brian Youngberg, senior energy analyst at brokerage Edward

Jones. "At the end of the day, oil is the most profitable product they produce, but demand is going to slow so you need to start managing that transition."

At the same time, oil companies are considering efforts to curb global warming that could make lower-carbon natural gas more competitive.

## Big projects provide much more stable cash flow than most oil developments.

Policies like a substantial price on carbon "moves the dial on gas," Mr. Wærness said.

Oil companies are selling the strategic shift as a smart bet on a growing market.

"The good news is that the natural-gas market will con-

tinue to grow, and this explains why we are aggressive, offensive and expanding," Total CEO Patrick Pouyanné told investors last month. "On the contrary, the oil market will stabilize and even decline."

Investors have embraced the strategy, with some reservations. Big gas projects generate lower returns, but they are profitable and provide much more stable long-term cash flow than most oil developments. And internal rate of return is just one measure. Many big gas projects offer opportunities for profit-generation through trading and business integration.

The natural-gas projects provide "very stable and consistent cash flow and this is something oil-and-gas companies have never really had, and what has made them so cyclical," said Richard Hulf, a manager of the Global Energy Fund at Artemis Fund Manag-

ers.

Yet the dash for gas highlights broader risks in an age of lower-carbon energy and an eventual shift away from fossil fuels altogether.

Investment in renewable energy for electricity generation is already outpacing fossil fuels globally, driven by falling costs of producing wind and solar power. More than half of power-generating capacity added in recent years has been in renewable sources, according to the IEA.

The moves point to the potential for a more sober oil-and-gas industry, less prone to dramatic slumps yet with equally less promise to reach heady peaks. "You will see lower return on investments for some of these [gas] projects," said Espen Erlingsen, a partner at Norwegian consultancy Rystad Energy. "I guess that's something they have to live with."

# alexander

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REPORT

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## BUSINESS &amp; TECHNOLOGY

WSJ.com/Tech

# Exxon Pushes Carbon Tax

By TIMOTHY PUZO  
AND BRADLEY OLSON

Exxon Mobil Corp., once a powerful skeptic of global warming, will now be among the first oil companies to put money into the fight to make climate change a political priority in Washington.

The U.S.'s largest energy producer will commit \$1 million over two years to promote a national tax on carbon as a way to address the environmental issue. The funding will back an initiative designed to appeal to the Republicans who now control Washington, and may open the door for Exxon's peers in the oil industry to follow.

As warnings over the dangers of climate change have grown, governments around the world have pursued increasingly stringent regulation of fossil-fuel companies. Exxon's move is an attempt to manage such pressure in the U.S. in ways it hopes will simplify requirements on the oil industry, according to a person familiar with the company's thinking.

Exxon sees a carbon tax as an alternative to patchwork regulations, putting one cost on all carbon emitters nationwide and eliminating regulatory uncertainty hovering over Exxon's business in states that might seek to target oil companies, the person said.

Exxon's contribution will go to Americans for Carbon Dividends, a new group, one of whose co-chairmen is former Senate Majority Leader Trent Lott. It is promoting a carbon tax-plus-dividend policy first proposed by two former U.S. secretaries of state, James Baker III and George Shultz, last year. All three men are Republicans.

The initiative's goal is to discourage companies from emitting carbon through the tax, while minimizing additional cost to consumers. Funds raised by the tax would be channeled to Americans through what the group calls a



The oil company will commit \$1 million over two years to support the initiative in Washington.

## Stance Evolves On Climate Change

Exxon's decision to lobby for a carbon tax represents a remarkable shift from the company's stance roughly two decades ago. At the time, Exxon was at the center of industry efforts questioning the validity of global-warming claims and policy proposals—tactics that critics say contributed to the political polarization that has impeded legislative consensus on the issue to this day.

As early as 1997, Exxon took out newspaper advertisements, titled "Unsettled Science," that asserted "scientists remain unable to confirm" whether humans are causing

"global warming." That same year, in a speech just months before a multilateral agreement to reduce emissions was reached in Kyoto, Japan, Lee Raymond, then Exxon's CEO, said proposals to cut emissions "are neither prudent nor practical."

In the ensuing years, Exxon and some peers spent tens of millions of dollars supporting such bodies as the Global Climate Coalition, the American Petroleum Institute and the American Legislative Exchange Council, all of which highlighted scientific uncertainty about rising global temperatures. As it did, Exxon also supported climate research, including a \$100 million contribution to Stanford University to promote climate science and emissions reduction.

"carbon dividend" that it estimates could be as much as \$2,000 annually per family. Monthly payments would go directly to the recipients.

Exxon's move places it among global corporations that are promoting policies and business strategies to fight climate change. That list includes Apple Inc., Nike Inc. and McDonald's Corp., all of which have pledged to embrace renewable power and eliminate greenhouse gas emissions.

General Motors Co., Johnson & Johnson, and other oil companies, including BP PLC,

are founding members of the Climate Leadership Council, the organization fine-tuning the Baker-Shultz plan. "This is a real turning point in U.S. climate policy and politics," the council's leader, Ted Halstead, said of Exxon's commitment. "Corporations are leading us to a solution."

Exxon has countered the accusation that it sowed doubt on climate change, emphasizing its contribution to more than 100 peer-reviewed research papers on the issue. Also, it has pushed to make environmentalism part of its brand. For example, this year

By all accounts, the company's stance softened after Rex Tillerson took over from Mr. Raymond in 2006. Exxon executives began affirming climate change in public statements, saying the problem "warrants action." The company also began supporting the idea of a "revenue-neutral carbon tax."

That change coincided with investor pressure to disclose the impact of climate regulations on its business—and accusations from environmental advocates that while Exxon recognized the dangers of rising temperatures, it ignored the issue or even sowed doubt on the science. Exxon's support for a carbon tax stems in part from a desire to alleviate some of these pressures.

it pledged to cut its methane emissions 15% by 2020.

Its support for a carbon tax puts Exxon in rare opposition to allies in the Republican Party. Republican leaders have often derided the idea of global warming and disdained taxes as a solution.

Exxon's promotion of a carbon tax marks "an interesting and important signal shift," said Sen. Sheldon Whitehouse (D., R.I.). "For years, Exxon's political effort was all on the side of climate denial and obstruction," he said. "At least Exxon money is now on both sides of the fight."

# New Google Gadgets Focus on Voice Control

By DAVID PIERCE

Google launched new mobile and home gadgets aimed at ensuring the voice-controlled Google Assistant is never out of shouting distance.

As it battles **Amazon.com** Inc.'s Alexa, **Apple** Inc.'s Siri and **Microsoft** Corp.'s Cortana for voice-computing supremacy, the **Alphabet** Inc. unit unveiled two new Pixel smartphones, a Chromebook that acts as both tablet and laptop, and a smart display designed for kitchens and bedrooms. All let you launch Google Assistant without using your hands.

The announcements came as Google faces pressure over how much access outside developers have to its users' private data, including people's Gmail messages and Google+ profile information. Google on Monday said it planned to clamp down on such access and effectively close the consumer functionality of Google+.

The company has also drawn criticism for testing a mobile search engine in China that adheres to the country's censors. Google addressed privacy concerns only tangentially at the event.

"We need to offer simple, powerful ways to safeguard your devices," said Rick Osterloh, Google's vice president of hardware.

The company's latest Android smartphones, the Pixel 3 and Pixel 3 XL, which will sell

for \$799 and \$899, have an updated design and improvements to their already lauded cameras. The Pixel Slate hybrid Chromebook, a 12-inch tablet with keyboard dock, will compete with Apple's iPad Pro and Microsoft's Surface Pro. The Pixel Slate starts at \$599—but the keyboard is sold separately for \$199.

During the same event in New York City, Google also announced the \$149 Home Hub, a "smart display" similar to the Echo Show (as well as screens launched earlier this year by Google partners Lenovo and JBL). The Home Hub pairs a speaker with a large touch screen. It is meant to facilitate control of smart-home devices and display on-screen recipes and videos, along with adapted versions of many Google services, such as Calendar and Photos.

Unlike the Echo Show or Facebook's newly introduced Portal, the Home Hub doesn't have a camera. "We consciously did not put a camera on the Hub, so it was comfortable to use in private spaces in your home," said Diya Jolly, Google's vice president of product management for Home and Nest.

The Pixel 3 will be available unlocked, on Google's Project Fi network and in Verizon stores starting Oct. 18. The Home Hub begins shipping Oct. 22, and the Pixel Slate is coming later this year.



Rick Osterloh, Google's vice president of hardware, on Tuesday.

# In Age of Spotify, Pirates Rule the Music Stream

By ANNE STEELE

Even as Spotify and Apple Music have returned the music business to growth by getting fans to pay, piracy rates remain stubbornly high, according to the record industry's global trade organization.

The way people pirate music has evolved along with their legitimate listening habits, and piracy is curbing the market for subscribers, the International Federation of the Phonographic Industry concluded in a report released Tuesday.

Though 86% of consumers listen to music via on-demand services offered by Spotify Technology SA, Apple Inc. and others, around 38% of them are getting music through copyright-infringing methods, a rate that has remained consistent in recent years, an IFPI spokeswoman said.

Most of those pirating music—32% of the general con-

sumer population—use technology known as "stream ripping." Stream-ripping websites create an audio file on a user's computer from a YouTube video or similar source. Such websites typically earn advertising revenue without compensating artists or labels.

YouTube didn't immediately respond to a request for com-

**Around 38% of consumers get music through copyright-infringing methods.**

ment.

"Stream ripping also undermines streaming services' paid tiers that offer offline listening to subscribers," said the IFPI spokeswoman. "This is stifling growth of the legal music market."

Record companies have

banded together to take action against such stream-ripping sites and scored a victory in a 2016 suit against one of the largest stream-ripping websites, YouTube-mp3.org.

Global revenue from recorded music grew by 8.1% last year to \$17.3 billion, according to IFPI, the industry's third consecutive year of growth following 15 years of decline amid plummeting physical and digital format sales in an era of rampant piracy.

The rise was almost entirely driven by a 41% surge in streaming revenue, which is now the largest contributor of revenue to the industry thanks to 176 million users of paid services like Spotify.

While revenue for 2017 was still just 68% of the market's CD-fueled peak in 1999, industry watchers say the upside for streaming could be much larger with mobile-phone penetration in developing markets and growing familiarity with the services.

## BUSINESS WATCH

WESTMORELAND COAL

### Oil Major Has Halted Iranian Oil Purchases

TOTAL

Oil

Major

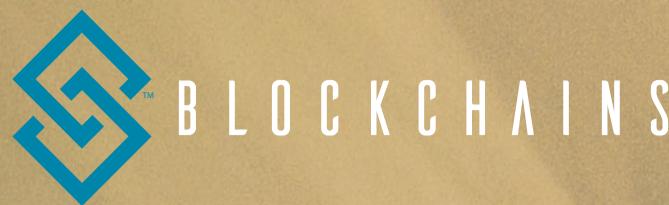
Has

Halted

Iranian

Oil

Purchases



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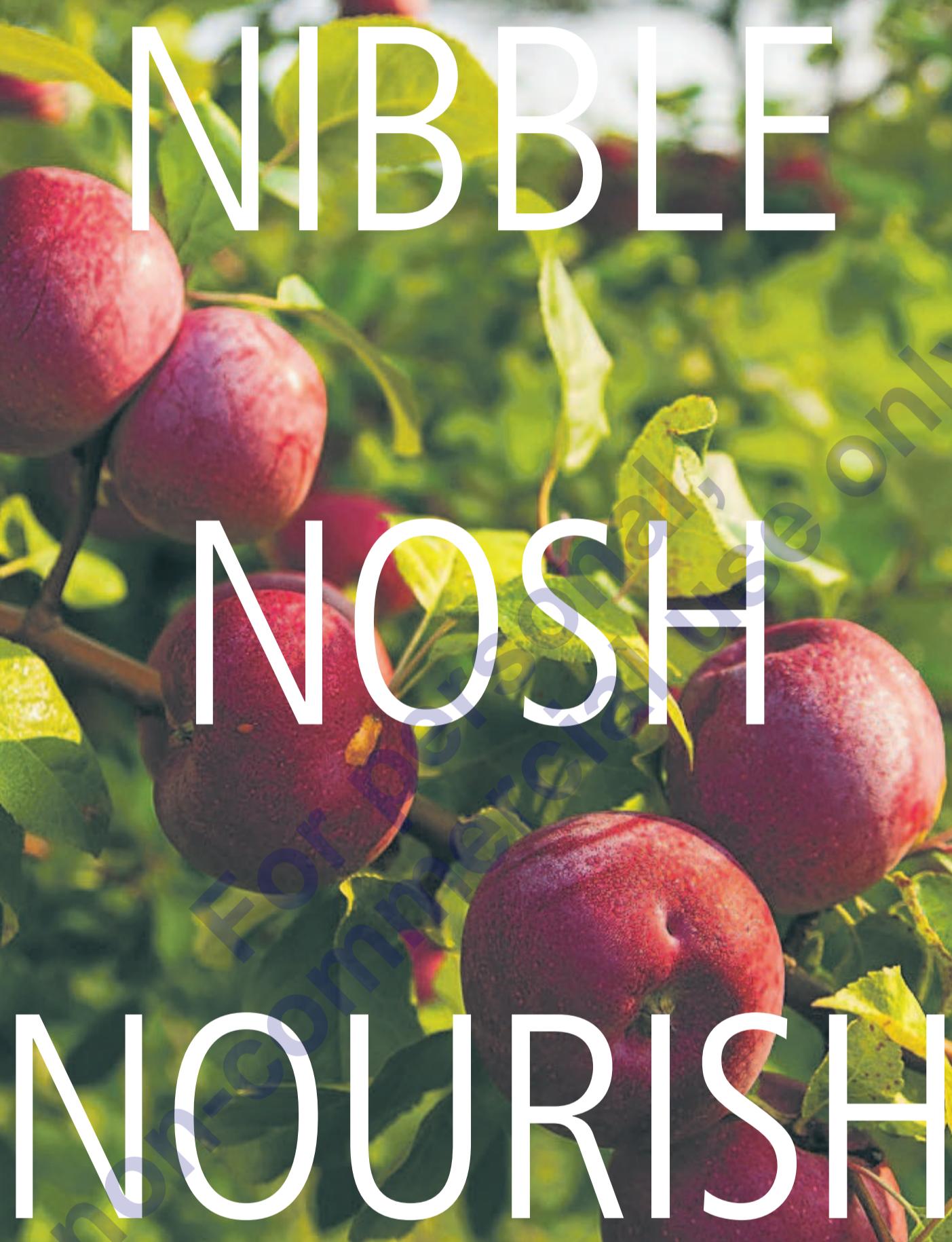
there are grains of sand in all the

sandboxes on Earth.



11.01.18

WATCH THE FILM @ [BLOCKCHAINS.COM](http://BLOCKCHAINS.COM)



A close-up photograph of several ripe, red apples hanging from a tree branch. The apples are partially obscured by green leaves. Overlaid on the image are three large, white, sans-serif words: "NIBBLE" at the top, "NOSH" in the middle, and "NOURISH" at the bottom. A faint, diagonal watermark reading "no commercial use only." is visible across the center of the image.

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**BUSINESS NEWS**

# Alexa Heads to the Warehouse

By ERICA E. PHILLIPS

Alexa is going to work in the warehouse.

E-commerce technology company ShippingEasy is integrating its shipping software with Amazon.com Inc.'s Alexa devices, making it possible to manage orders, print labels, check postage rates and handle other order-fulfillment tasks hands-free.

"It's a huge innovation for people trapped today at a shipping station with a keyboard or bar-code scanner," said Katie May, chief executive of ShippingEasy. Rather than interrupt the packing process to turn to a computer and click 'print' or select a shipping service, workers tell the Alexa device to do it, Ms. May said. "It's like having an assistant."

Many warehouses already use voice-directed technology, which gives verbal instructions to workers picking orders through headsets tied to warehouse management software. But commonly available consumer electronics like iPhones, voice-activated personal assistants and other products from big technology companies are finding their way into industrial operations as workers grow more accustomed to the devices in their



**Consumer electronics like voice-activated devices are finding their way into industrial operations.**

personal lives.

Supply-chain and logistics operators say the use of familiar technology has grown as high shipping demand has put more stress on distribution networks and the available labor supply has tightened. With the busy preholiday shipping season under way, warehouse managers are looking for tech-

nologies that speed up training for temporary workers and boost overall productivity.

ShippingEasy is a cloud-based platform for small to medium-size e-commerce sellers. It gathers orders from Amazon, eBay Inc., Etsy Inc., Walmart Inc., Shopify Inc. and other sources, then helps manage inventory and automate

and track shipments.

The Austin, Texas-based software firm has been testing its "conversational user interface" with 17 Austin businesses and a handful of other operations elsewhere in the country.

The interface will be available to download to Alexa-enabled devices this week.

# JPMorgan Pays Fine In Sanctions Case

By SAMUEL RUBENFIELD

Treasury didn't identify the U.S. client or the foreign entity.

JPMorgan Chase Bank NA agreed to pay \$5.3 million to settle allegations it violated various U.S. sanctions programs.

The bank was hit with two penalties, one monetary and the other a finding of violation. Both, the U.S. Treasury Department said, were connected to failures in its screening processes.

JPMorgan Chase voluntarily disclosed the issues more than six years ago, according to company spokesman Brian Marchiony. "We have since upgraded our systems and made substantial enhancements to our sanctions compliance program," he said.

The settlement relates to 87 net-settlement transactions between January 2008 and February 2012 totaling more than \$1 billion, of which about \$1.5 million, or just 0.14%, appears to be linked to parties under sanctions.

Each of the 87 transactions involved a U.S.-based JPMorgan Chase client and a foreign entity with connections to eight airlines that were, at various times, subject to U.S. sanctions, the Treasury said. The

Separately, the bank also received a finding of violation from the Treasury's Office of Foreign Assets Control for processing 85 transactions totaling more than \$46,000 and maintaining eight accounts on behalf of six customers identified on the U.S. sanctions list.

There was no financial penalty associated with the finding, the Treasury said.

The bank's vendor-screening system failed to identify the customers, the Treasury said, noting that the system had failed to connect customer names that had hyphens, initials or additional detail as potential matches to names on the sanctions list. JPMorgan identified weaknesses in the screening tool's capabilities as early as September 2010 and moved to a new system three years later.

## Bon-Ton Seeks to Join Suit Over Ads

By MARIA ARMENTAL

Department-store operator Bon-Ton Stores Inc. is seeking to join a nationwide lawsuit accusing large media companies of conspiring to drive up local television advertising prices.

Like similar lawsuits filed around the country, Bon-Ton's complaint, filed this month in federal court in Chicago, cites a Justice Department investigation into whether television station owners colluded to fix the rates TV stations charge advertisers for airtime.

The Wall Street Journal reported in July that the probe, according to people familiar with the matter, was examining the practices of companies such as Sinclair Broadcast Group Inc., Tribune Media Co. and other independent television station owners.

So-called multidistrict litigation cases, like the local TV advertising case before Judge Virginia M. Kendall in Chicago, consolidate nationwide lawsuits. Bon-Ton filed a notice Tuesday

**The suit alleges TV station owners colluded to fix rates they charged for ads.**

to join the multidistrict case.

Bon-Ton's lawsuit names Sinclair and Tribune Media among companies that allegedly colluded on ad prices.

A Tribune spokesman declined to comment on the lawsuit. A Sinclair representative couldn't be reached for comment.

Government officials came across the alleged ad-sales practice during their review of the now defunct Sinclair-Tribune merger, the Journal reported.

Companies such as Sinclair and Tribune own dozens of local TV stations that carry programming from national broadcast networks such as ABC, CBS, NBC and Fox and typically compete to win advertising business. But the suits paint a picture in which the companies allegedly coordinated higher prices in certain markets.

Bon-Ton, which filed for bankruptcy protection in February, said it "was forced to pay supracompetitive prices for local advertising spots."

For example, the lawsuit accuses the media companies of setting a "floor" for all spot pricing and maintaining "the facade of a competitive market" by negotiating with individual advertisers.

"Through their price-fixing scheme, Tribune, Sinclair, and their co-conspirators have monopolized the airwaves and extorted millions of dollars from businesses like Bon-Ton," Adam J. Levitt, a lawyer for Bon-Ton, said in a statement.

# NEXT LEVEL



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# THE PROPERTY REPORT

## Braves' Stadium Is a Winner, Owner Says

Atlanta's controversial new field could be playbook for funding future sports facilities

By PETER GRANT

The Atlanta Braves crashed out of baseball's playoffs on Monday, but the team's owner says their \$700 million real-estate development surrounding their new ballpark has been a hit for fans and the county.

The development, which includes an Omni Hotel, the Coca-Cola Roxy music venue, and offices for companies like Comcast Corp. and Thyssenkrupp Elevator, opened in 2017.

The owner says that taxes and other income generated by the site are helping offset some of the county's costs incurred by the Braves' controversial \$672 million suburban stadium, where the team moved after close to two decades in downtown Atlanta's Turner Field.

The Braves' parent company, Liberty Media Corp., projected in August that it would make a 22% return from its sale of the three apartment buildings in the complex.

"We have a pretty strong vested interest in making this thing successful for a long time," said Derek Schiller, the Braves' chief executive.

If the Braves succeed, the new SunTrust Park and adjoining development could serve as a new formula for how commercial property can help finance sports stadiums and arenas.

The traditional approach, where teams rely primarily on public subsidies, has fallen out of favor after enormous taxpayer burdens from developments like the Paul Brown Stadium, home of the Cincinnati Bengals.

"The historical model is shifting towards the ancillary development of mixed-use projects," said Andrew Zimbalist, an economics professor at Smith College who has written extensively on the impact of sports venues.

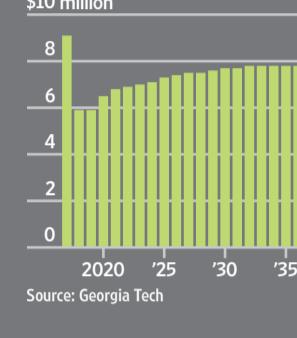
Other teams following the Braves' playbook include the Texas Rangers, which have joined with Cordish Cos. of Bal-

**Atlanta Braves SunTrust Park, Opened in 2017**



**\$372 million**  
Atlanta Braves share of SunTrust Park cost

Projected Cobb County benefit from development tied to SunTrust Park



**Texas Rangers Globe Life Field, Scheduled to open in 2020**



**Milwaukee Bucks Fiserv Forum, Opened in August, 2018**

**\$250 million**  
Public funds approved in 2015 by Wisconsin state legislature for Fiserv Forum

timore to develop an entertainment complex, hotel and convention facility near the new Globe Life Field scheduled to open in 2020. The Milwaukee Bucks are planning a 30-acre mixed-use development including hundreds of apartments and office space around the Fiserv Forum, which opened in September.

Even with real estate, taxpayers still foot a big part of the expenses. Wisconsin Gov. Scott Walker in 2015 signed a bill to allocate \$250 million to the Fiserv Forum, about half the

arena's total cost. Cobb County, the location of the Braves' new stadium, issued \$376 million in bonds. Voters in the city of Arlington, Texas, agreed to contribute \$500 million to the Rangers' new stadium.

Still, proponents say, commercial development financed by the teams makes new stadiums and arenas more palatable for taxpayers by stoking economic activity and additional tax revenues.

"If you build a stadium that doesn't have anything there but a stadium, it doesn't help

the local economy," Mr. Zimbalist said. "If you start generating other investment, then it could help."

The cost to Cobb County for SunTrust Park from debt service and other expenses comes to \$9.5 million annually, according to a study by Georgia Tech's Enterprise Innovation Institute released in September.

But the resulting increased tax collections and other benefits from the field and surrounding economic development exceeds that by \$18.9 million a year, the study said.

"Does this level of guaranteed private investment change the calculus for the public financing of the stadium?" asks the study, which was done on behalf of the Cobb Chamber of Commerce. "The answer is 'yes.'"

The Braves move to SunTrust Park last year remains controversial in Atlanta. While Turner Field has been repurposed for college football—home to the Georgia State Panthers—city residents still say that the area continues to suffer from the loss of businesses.

Braves executives said they moved to be closer to their fan base and that the Cobb County site was far superior for traffic, parking and real-estate development. But they acknowledge that SunTrust Park and the surrounding development have shifted dining and entertainment out of Atlanta.

"We have friends in Buckhead," one of Atlanta's upscale neighborhoods, said Mike Plant, chief executive of the Braves Development Corp. "We hear from them. They're not real happy."

## Landlords Stall EPA Ratings

By PETER GRANT

The Environmental Protection Agency has put on hold plans to update its system for rating the energy efficiency of office and industrial buildings, pausing after some big landlords complained the methodology would unfairly penalize their properties.

More than 200,000 properties across the U.S. participate in the Energy Star program, which generates scores of 1 to 100 to measure energy efficiency and rate buildings. The agency created the program to offer tenants and owners an easy way to compare how much energy each building uses and a sense of how expensive their energy bills would be.

While the program isn't mandatory, many landlords agree to participate because tenants increasingly are seeking more energy-efficient buildings. Some will sign leases only in buildings certified by the EPA as Energy Star, for top performance. Property investors also pay close attention because about 20% of a typical office building's costs go to lighting, heating and cooling.

In August, the EPA told building owners how its updated rating system would work. It takes into account the growing number of participating buildings and new technologies, such as motion-sensitive lights and cloud-based energy-management systems.

The EPA had planned to start certifying buildings with top ratings under the new system soon, but the agency agreed to postpone implementation after listening to landlords who felt the new methodology was confusing and it unfairly downgraded some buildings.

Energy Star ratings can affect occupancy levels and the rents building owners can charge, both of which are big components in determining property values.

"The ramifications are huge," said Anthony Malkin, chief executive of Empire State Realty Trust, owner of the Empire State Building and numerous other New York office buildings. Some of the company's properties, like most buildings over 1.5 million square feet, might not qualify for Energy Star under the proposed rating system, according to industry officials.

The new Energy Star scores highlight how difficult it is to compare energy in buildings

**Many landlords expected some drop in ratings under the new Energy Star program.**

that are in different cities and use different sources, like steam in cities such as New York. It is much easier to rate an appliance that can be evaluated in a testing facility.

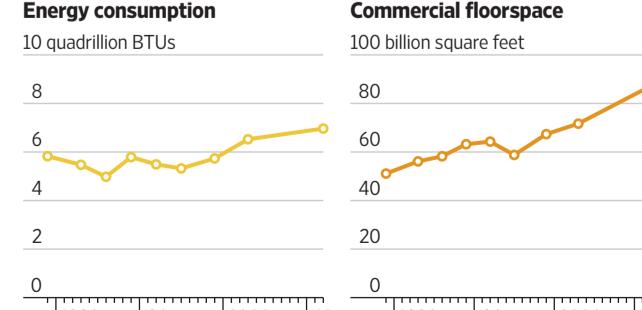
"Surveying commercial buildings is tricky," said Carl Blumstein, director of the California Institute for Energy and Environment. "It's a mess to try to build a sample that's representative."

Landlords spend tens of billions of dollars to upgrade

### Saving Energy

Building energy consumption is rising at a slower rate than the volume of commercial property, a sign of improving efficiency.

#### Energy consumption



## Lennar in Talks for Rialto Sale

Continued from page B1

started to rebound six years ago, rock-bottom interest rates encouraged homeowners to borrow and trade up for a bigger home. But rates are now about a percentage point higher than what the average homeowner currently pays, according to CoreLogic Inc.

"We've exhausted that audience," said Jack Micenko, a senior analyst at Susquehanna International Group, a financial firm. "The math doesn't add up as much."

Lennar, whose homes are priced near the middle of the new-home market, is in a particularly tough spot, some analysts said.

Toll Brothers homes are priced around \$850,000, and it has been able to attract more affluent buyers who are benefiting from the stock market's record run. D.R. Horton, which focuses more on starter homes, has homes priced on average around \$300,000, according to Credit Suisse.

Lower-price starter homes are still selling well because some millennials are starting to buy their first homes.

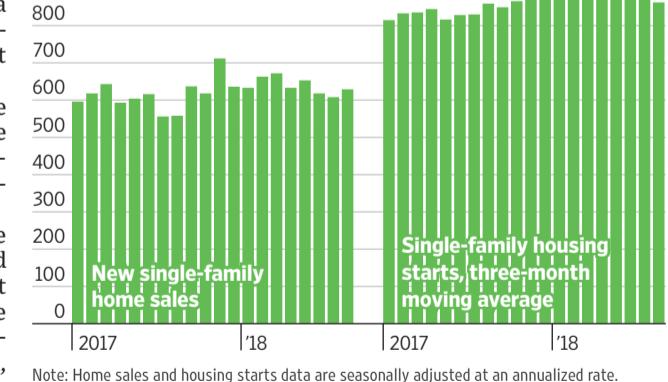
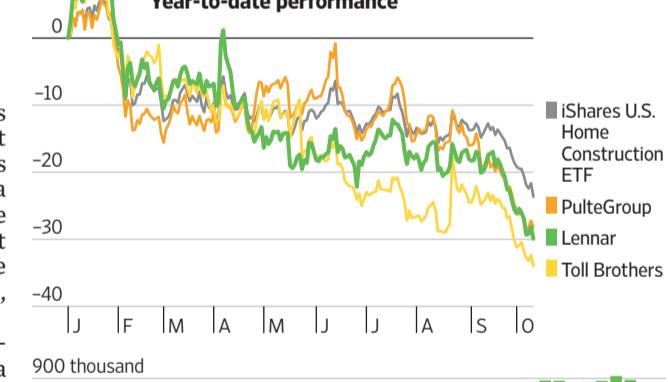
Lennar's typical buyer may be the most challenged by a steep run-up in prices, now coupled with higher interest rates. The builder has an average-priced home around \$400,000, and its buyers are more likely to migrate to lower-price new homes or less expensive existing homes, analysts said.

Lennar executives remained upbeat on the most recent earnings call last week. They said that they are seeing a soft spot in the market, but that the underlying dynamics suggest it will rebound in the coming year.

"I think there's a pause," said Stuart Miller,

### De-Construction

Weak housing data and rising rates have caused Lennar and other home builders to trail the broader stock market.



THE WALL STREET JOURNAL.

Lennar's executive chairman. "I think there's a catch-up."

Any sale of Rialto could provide Lennar additional capital to invest in its core, home-building business for when the market snaps back, some analysts said. "As they monetize that business or those assets it can be redeployed elsewhere," Mr. Micenko said.

Lennar said in April that it had hired Wells Fargo & Co. and Deutsche Bank AG to look at strategic alternatives for Rialto, including a possible sale.

During an investor call last week, Mr. Miller said the home builder has received a number of attractive offers for Rialto, adding that the company is evaluating them. He said that he will sell only if the price and terms negoti-

ated are attractive enough.

Rialto is a real-estate investment and management company that focuses on distressed assets. It was launched in 2007, after the property market began to teeter, by Lennar and Jeffrey Krasnoff, a former Lennar executive. He also co-founded LNR Property LLC, another real-estate firm that was among the first to invest in commercial mortgage backed securities.

Stone Point Capital, based in Greenwich, Conn., focuses on the financial-services industry.

Lennar became the country's largest home builder by revenue after acquiring rival CalAtlantic Group Inc. this year in a \$5.7 billion deal, plus assumption of debt.

# MEET WHAT'S NEXT



**"The entire reason you join a company like this is to take advantage of all of the resources that can benefit your clients."**

*—Ethan Silverstein, Vice Chairman, Global Brokerage, New York*

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MEDS

A photograph of a man in a white shirt and glasses pouring medicine from a prescription bottle into a woman's hand. They are standing in front of a bathroom mirror. The woman is looking at the camera with a serious expression. The man is holding a prescription bottle. In the foreground, there is a graphic overlay with text and icons.

ARE YOU THE ONLY ONE TAKING  
YOUR MEDICATION?

Your prescriptions are yours alone. For tips on  
safeguarding your medicine, and your family,  
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Partnership™  
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Where families find answers

## BUSINESS NEWS

# Maersk Invests In Booking Firm

With stake in startup, the shipping giant receives access to trucking technology

By ERICA E. PHILLIPS

**A.P. Moeller-Maersk AS** is investing in U.S. freight-booking startup **Loadsmart Inc.** as the container-shipping giant works to extend its services beyond maritime transportation.

Maersk's venture-investment arm is leading a \$21.6 million Series A funding round for Loadsmart, together with **Connor Capital SB** and Chromo Invest. Maersk said its stake in the New York-based company provides "huge potential" for integrating its ocean-shipping services with Loadsmart's trucking technology.

"We want to deliver end-to-end solutions to our customers," said Sune Stilling of venture investment arm Maersk Growth.

Loadsmart and its technology are "a great fit for our longer-term vision," he said. "We think of it as pieces of the puzzle." Maersk Growth also

marily to reach new customers.

"We lead with technology and we complement it with strategic partnerships that accelerate our mission to move more with less," said Loadsmart Chief Executive Ricardo Salgado.

Loadsmart is in a growing lineup of companies offering new technology to upgrade often-antiquated systems in the shipping business, to facilitate booking and the tracking of goods through supply chains. By synthesizing shipment data in the cloud, the new technologies can provide live status updates, auto-populate paperwork and reduce wait times for pickups and drop-offs at warehouses, ports, rail yards and other freight hubs.

"We want to deliver end-to-end solutions to our customers," said Sune Stilling of venture investment arm Maersk Growth.

Loadsmart and its technology are "a great fit for our longer-term vision," he said. "We think of it as pieces of the puzzle." Maersk Growth also



The company's venture-investment arm has invested in a number of supply-chain technology startups.

has invested in supply-chain tech startups SensorTransport, Ripe.io and TeleSense Inc., according to a company spokesman.

Natan Reddy, an analyst with CB Insights, noted that other large shipping compa-

nies are investing more in supply-chain startups. Maersk is "trying to get in on this rising tide of supply-chain technology we're seeing coming up," he said.

French container line CMA CGM SA this year opened what

it calls an incubator for digital startups looking to bring technology to shipping.

Mr. Reddy said Loadsmart should benefit from hooking up with Maersk given its prominence in the container-shipping business.

"The players that I see as having the most runway into the future...are focused more on connecting with existing players in the system rather than those looking to replace existing players," Mr. Reddy said.

## Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets. e-X-distribution. f-Previous day's quotation. g-Footnotes x and s apply. j-Footnotes e and s apply. k-Recalculated by Lipper, using updated data. p-Distribution costs apply. 12b-1: f-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-distribution. z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper; data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Tuesday, October 9, 2018									
Fund	NAV	Net Chg	YTD %Ret	Fund	NAV	Net YTD %Ret	Fund	NAV	Net YTD %Ret
<b>American Century Inv</b>	10.39 +0.01 -2.4	AggBdInst	10.39 +0.01 -2.4	<b>IntSmVa</b>	20.69 -0.10 -9.5				
Ultra	50.49 +0.06 16.3	GblBdInst	10.74 +0.01 -2.1	<b>TACUSCoreEq2</b>	19.06 -0.07 6.1				
<b>American Funds CI A</b>	9.69 ...			<b>US CoreEq1</b>	24.26 -0.08 7.5				
AmpCap p	34.35 -0.02 11.8	GblAlloc p	19.29 -0.03 -1.7	<b>US CoreEq2</b>	22.64 -0.09 6.0				
AMutlPl p	42.86 -0.05 6.5	<b>BlackRock Funds III</b>	37.54 -0.16 5.1	<b>DivIntl</b>	11.41 -0.02 -1.0				
BalA p	27.74 +0.02 3.5	IHS&P500Idxk343.45	... 9.4	<b>US SmCpVal</b>	39.24 -0.07 4.0				
BondA p	12.37 +0.01 -2.4	<b>BlackRock Funds Inst</b>	8.5 TgdVal	25.36 -0.12 2.6	<b>GroCo</b>	20.37 -0.04 1.9			
CapIBA p	59.89 +0.08 2.3	EqtyDivd	23.89 -0.05 5.8	<b>InvGrB</b>	39.87 -0.16 3.4				
CapWGrA	49.99 +0.00 -0.8	GblAlloc p	19.41 -0.03 -1.5	<b>Dodge &amp; Cox</b>	10.80 +0.02 -1.9				
EupacA p	50.68 -0.14 -7.2	StatinOptlyns	9.69 ...	<b>Edgewood Growth Insti</b>	10.29 -0.11 3.9				
FdlnvA p	64.39 -0.09 5.2	<b>Bridge Builder Trust</b>	13.68 -0.03 -1.3	<b>LowP r</b>	51.46 -0.02 1.2				
GwthA p	55.09 +0.03 11.2	Core Bond	9.73 +0.01 -2.0	<b>MagIn</b>	11.07 -0.01 11.0				
HI TrA p	10.18 -0.02 2.7	Income	13.30 -0.02 1.0	<b>MidCap</b>	12.18 ... 15.2				
ICAA P	41.76 ... 6.0	Int'l Stk	42.51 -0.12 -8.2	<b>OTC</b>	12.18 ... 15.2				
IncoA p	23.06 -0.02 0.8	<b>Del Invest Insti</b>	Stock	23.14 -0.37 7.1	<b>SrsEmrgMkt</b>	18.33 -0.04 14.4			
N PerA p	45.13 -0.02 4.6	DoubleLine Funds	19.10 -0.03 14.9	<b>Value</b>	41.02 -0.28 1.9				
NECoA p	47.29 -0.03 6.0	<b>Dimensional Fds</b>	CoreFdnlcm	NA ... NA	<b>MFS Funds Instl</b>	15.74 -0.12 -2.5			
NwWrldA	61.67 -0.01 -7.8	GlbFdnlnc	10.85 ... 0.2	<b>Int'lRtBdI</b>	NA ... NA				
SmCpA p	56.92 -0.36 3.0	EmMtCorEq	19.77 -0.02 -13.5	<b>NaSrtIntlVal</b>	10.26 ... 4.0				
TxExA p	12.61 -0.02 -1.2	CorePlusBnd	13.44 -0.06 -6.0	<b>Nuveen CI I</b>	NA ... NA				
WshA p	46.66 -0.06 6.9	Int'lVal	18.84 -0.04 -6.0	<b>Ovneve CI I</b>	NA ... NA				
Baird Funds		IntSmCo	19.63 -0.12 -7.1	<b>OverS Fr</b>	10.76 -0.04 -4.9				

## Dividend Changes

Dividend announcements from October 9

None reported

## Borrowing Benchmarks | WSJ.com/bonds

### Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation		Week		Latest		Week		-52-Week-	
		ago	Chg From (%)	level	July 18	Aug.	Low	High	Low
<b>U.S. consumer price index</b>	0.06	2.7							
All items	<b>252.146</b>	258.012	0.06	2.2					
Core	<b>258.012</b>	258.012	0.06	2.2					

International rates		Week		Latest		Week		-52-Week-	
		ago	High	Low	High	Low	High	Low	Low
<b>Prime rates</b>									
U.S.	<b>5.25</b>	5.25	5.25	4.25					
Canada	<b>3.70</b>	3.70	3.70	3.20					
Japan	<b>1.475</b>	1.475	1.475	1.475					

## Key Interest Rates

Data are annualized on a 360-day basis. Treasury yields are per annum, on actively traded noninflation and inflation-indexed issues that are adjusted to constant maturities. Data are from weekly Federal Reserve release H.15.

	Week Ended		—52-Week—	
	Oct 5	Sep 28	High	Low
<b>Federal funds (effective)</b>	<b>2.18</b>	1.92	2.18	1.12
<b>Commercial paper</b>				
Nonfinancial				
1-month	<b>2.20</b>	2.11	2.20	1.10
2-month	<b>2.22</b>	2.16	2.22	1.16
3-month	<b>2.25</b>	2.21	2.25	1.19
Financial				
1-month	<b>2.17</b>	2.13	2.17	1.15
2-month	<b>2.22</b>	2.14	2.22	1.19
3-month	<b>2.29</b>	2.29	2.29	1.23
<b>Discount window primary credit</b>	<b>2.75</b>	2.75	2.75	1.75

Notes on data:  
**Federal-funds rate** is an average for the seven days ended Wednesday, weighted according to rates on broker trades; **Commercial paper rates** are discounted offer rates interpolated from sales by dealers; **Discount window primary credit rate** is charged for discounts made and advances extended under the Federal Reserve's primary discount window program; **rate** is average for seven days ended Wednesday; **Inflation-indexed long-term TIPS** average is indexed and is based on the unweighted average bid yields for all TIPS with remaining terms to maturity of 10 years or more. **Swap rates** are International Swaps and Derivatives Association (ISDA(R)) mid-market par rates for a fixed-rate payer, who in return receives three-month Libor, and are based on rates collected at 11:00 a.m. ET by Garbaran InterCapital PLC. Source is Reuters; **Moody's triple-A** rates are averages of industrial bonds only; **Muni rates** are Thursday quotes based on the Bond Buyer Index for general obligation, 20 years to maturity, mixed quality debt; **Mort**

## 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.  
I-New 52-week low.  
**dd**-Losses in the most recent four quarters.  
**FD**-First day of trading.  
**h**-Does not meet continued listing standards.  
**If**-Last filing.  
**q**-Temporary exemption from Nasdaq requirements.  
**v**-Trading halted on primary market.  
**vi**-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities issued 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 9, 2018				Net			
Stock	Sym	Close	Chg	Stock	Sym	Close	Chg
A	B	C		A	B	C	
ABB	ABB	22.32	-0.16	AEG	AEG	6.48	-0.01
ADT	ADT	8.63	-0.01	AerCap	AER	55.28	-0.83
AES	AES	14.82	0.05	AffiliatedMrns	AMG	31.27	-0.39
Aflac	AFL	47.41	0.28	AgilentTech	AEM	33.69	-1.41
AGNC Inv	AGNC	18.25	...	Alcatel-Lucent	ALU	64.93	-0.45
ANGI Homesvc ANGI	ANGI	19.91	-0.87	AlcatelUSA	ALY	62.61	-2.70
Ansys	ANSS	165.84	-2.43	AlconTech	AKAM	131.27	-0.59
ASML	ASML	182.95	1.27	AlimorTech	ALK	47.28	-4.91
AT&T	T	33.50	-0.11	AlimedPharm	ALXN	130.50	-1.12
AbbottLabs	ABT	71.20	-0.15	AlitexUSA	ALT	64.93	-0.45
AbbVie	ABBV	94.57	-0.24	AltraTech	ATU	61.52	-1.57
Abiomed	ABMD	395.00	-3.93	Altaba	ATB	10.00	-0.40
Accenture	ACN	168.80	-1.10	Alcatel	ATL	62.10	-0.07
ActvisionBlitz ATVI	ATVI	77.64	0.01	AlcatelUSA	ATU	10.00	-0.40
Adobe	ADBE	254.16	-0.53	Allegiance	AY	43.97	-5.63
AdvanceAuto AAP	AAP	168.89	0.53	Allegion	AYLE	87.62	-0.75
AdmMicroDevices AMD	AMD	27.24	0.78	Alimentar	AGN	192.16	-2.53
				Alimed	ALP	73.05	-0.20
				Alimor	ALP	73.05	-0.20
				Alitex	ALX	40.97	-1.90
				Altra	ALT	64.93	-0.45
				AltraTech	ATU	61.52	-1.57
				Altaba	ATB	10.00	-0.40
				Alcatel	ATL	62.10	-0.07
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## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
<b>Copper-High (CMX)</b> -100,000 lbs.; \$ per lb.							
Oct 2.7715	2.7715 ▲	2.7465	2.7950	0.0400	.891		
Dec 2.7685	2.8185	2.7505	2.8065	0.0395	121,437		
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.							
Oct 1185.60	1189.10	1185.60	1187.20	2.80	2,122		
Dec 1192.20	1195.80	1186.60	1191.50	2.90	376,326		
<b>Feb'19</b> 1197.70	1201.00	1192.00	1197.40	2.90	51,550		
Jun 1211.40	1212.80	1205.80	1209.50	2.90	14,927		
Aug 1213.40	1216.90	1212.20	1215.30	2.90	2,325		
Dec 1220.10	1231.30	1224.90	1227.80	2.90	5,289		
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.							
Dec 1067.90	1077.80	1058.60	1062.10	-6.80	23,142		
<b>March'19</b> 1059.60	1070.10	1057.80	1056.00	-6.30	1,663		
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.							
Oct 822.00	824.90	819.00	825.60	11.50	65		
Jan'19 822.30	829.50	814.00	828.90	10.60	71,487		
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.							
Oct 14,215	14,240	14,215	14,329	0.070	5		
Dec 14,420	14,470	14,285	14,400	0.071	165,427		
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.							
Nov 74.20	75.28	74.00	74.96	0.67	286,968		
Dec 74.09	75.16	73.91	74.81	0.64	344,123		
<b>Jan'19</b> 73.95	75.02	73.80	74.65	0.62	173,969		
March 73.81	74.77	73.60	74.42	0.62	162,562		
June 73.48	74.39	73.24	74.08	0.65	186,353		
Dec 71.82	72.66	71.62	72.41	0.63	234,848		
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.							
Nov 2,3919	2,4317	2,3878	2,4238	0.0296	124,127		
Dec 2,3962	2,4335	2,3909	2,4258	0.0287	86,317		
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.							
Nov 3,276	3,368 ▲	3,237	3,266	-0.001	270,249		
Dec 3,301	3,384 ▲	3,273	3,298	0.009	177,002		
<b>Jan'19</b> 3,344	3,425 ▲	3,335	3,361	0.028	208,358		
March 3,044	3,086	3,032	3,061	0.022	225,574		
April 2,740	2,761 ▲	2,727	2,747	0.005	175,338		
Oct 2,753	2,769 ▲	2,739	2,757	...	97,310		

## Agriculture Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.							
Dec 366.50	368.00	363.75	364.50	-2.00	854,600		
<b>March'19</b> 378.25	379.75	375.75	376.50	-2.00	351,795		

## Bonds | WSJ.com/bonds

## Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	— Yield (%) —	Latest	Low	High
Broad Market Bloomberg Barclays						
1897.70	-2.4	U.S. Aggregate	3.590	2.530	3.600	
<b>U.S. Corporate Indexes</b> Bloomberg Barclays						
2708.17	-3.2	U.S. Corporate	4.200	3.110	4.210	
2587.45	-1.3	Intermediate	3.900	2.640	3.910	
3646.09	-7.3	Long term	4.830	3.990	4.850	
554.64	-2.3	Double-A-rated	3.640	2.570	3.650	
700.22	-2.9	Triple-B-rated	4.470	3.400	4.480	

## High Yield Bonds ICE Data Services

n.a.	n.a.	High Yield Constrained	n.a.	n.a.	n.a.
n.a.	n.a.	Triple-C-rated	n.a.	n.a.	n.a.
n.a.	n.a.	High Yield 100	n.a.	n.a.	n.a.
n.a.	n.a.	Global High Yield Constrained	n.a.	n.a.	n.a.
n.a.	n.a.	Europe High Yield Constrained	n.a.	n.a.	n.a.

U.S. Agency	Bloomberg Barclays
1622.11	-0.9
1460.28	-0.2
3212.13	-5.1
2413.10	-2.0

\*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds

†In local currency \$ Euro-zone bonds

Sources: ICE Data Services; Bloomberg Barclays; JP.Morgan

\*\*EMBI Global Index

	Contract	Open	High	Low	Settle	Chg	Open interest
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.							
Dec 282.25	290.00	282.25	286.00	3.75	4,084		
<b>March'19</b> 276.75	282.25	276.25	278.25	3.25	1,132		
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.							
Nov 869.75	872.50	859.25	863.00	-6.75	347,432		
<b>Jan'19</b> 883.00	885.25	873.00	876.75	-6.25	162,252		
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.							
Oct 314.00	314.50	312.00	313.50	-70	534		
Dec 318.50	319.90	316.10	317.80	-70	205,684		
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.							
Oct 28.99	28.99	28.99	28.97	-36	583		
Dec 29.64	29.64	29.26	29.26	-38	217,053		
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.							
Nov 108,000	110,400	108,100	109,500	7.50	5,222		
<b>Jan'19</b> 110,040	112,000	110,400	111,300	7.00	2,306		
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.							
Dec 513.50	520.50	511.25	515.00	1.00	227,345		
<b>March'19</b> 533.50	540.00	531.25	535.25	1.25	113,855		
<b>Wheat (KC)</b> -5,000 bu.; cents per bu.							
Dec 517.50	524.50	515.50	519.50	2.00	154,123		
<b>March'19</b> 540.75	547.25	539.00	543.25	2.			

## BIGGEST 1,000 STOCKS &amp; BANK RATES

Continued From Page B8

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	
OmegaHealthcare OHI	33.10	0.06	Procter&Gamble PG	82.20	-0.20	StoreCapital STOR	28.47	-0.37	SynchronyFin SYF	31.15	-0.18	WECC Energy WEC	69.06	-0.32	21stCenturyFox FOX	45.50	-0.22	WEC Energy WEC	188.05	-0.43
Omnicon OMC	71.70	-0.65	Progressiv PGR	71.83	0.80	Sabre SABR	24.46	-0.03	Synopsys SNPS	90.83	-0.44	WEX WEX	188.05	-0.43	Twilio TWLO	74.33	0.24	W.P.Carey WPC	64.29	-0.26
ON Semicon ON	16.85	-0.24	PrudentialPru PRU	105.95	-0.04	SageTherap SAGE	127.60	-7.12	TAL Education TAL	23.25	-0.51	TAL Ameritrade AMTD	27.35	-0.10	Twitter TWTR	29.27	-0.82	WP Carey WPC	71.83	-1.22
OpenText OTEX	35.59	-0.31	PrudentialPEG PEG	54.07	0.55	ServiceTech CRM	148.50	-0.02	TE Connectivity TEL	82.38	-0.01	TylerTech TYL	21.92	-0.15	WPP WPP	71.83	-1.22			
Oracle ORCL	48.87	-0.49	PublicServiceEnt PSE	19.10	-0.01	Sanofi NYN	43.59	-0.14	Telum TX	35.77	-0.22	TysonFoods TSN	62.83	-0.45	Wabtec WAB	102.29	-0.52			
Orange ORAN	15.55	-0.09	PuiteGroup PHM	23.86	-0.34	SantanderCons SC	19.10	-0.09	Tenium TUM	30.77	-0.35	UBS Group UBS	18.44	-0.08	WalgreensBoots WAG	73.36	-0.59			
Orvis IX	83.44	-0.05	Qualigen QGEN	35.57	-0.09	SareptaCorp SPTP	129.17	-1.17	UDR UDR	40.31	-0.31	Walmart WMT	97.08	-2.39	Walmarts WMT	97.08	-2.39			
OwensCorning OC	52.25	-1.86	Qorvo QRVO	74.34	-1.36	Schulzberger SLB	63.11	-0.17	UOL UOL	55.56	-0.38	WasteConnections WCN	77.69	-0.43	Wells Fargo WFC	311.53	-0.15			
PolyEnergy PBE	51.98	-0.81	Qualcomm QCOM	70.13	-0.80	Schwab SCHW	52.17	-0.51	US Foods USFD	42.86	-0.17	WestMkt WMT	91.27	-0.39	Welltower WELL	63.98	-0.78			
PG&E PCG	49.55	0.63	QuestDiag DQX	103.60	0.62	Seagate STX	44.00	-1.84	WPP WPP	87.81	-3.17	WestPac WAT	181.50	-1.45	WestPac WAT	181.50	-1.45			
PNC Fin PNC	128.36	-1.05	QuarateRetailS QTRE	20.82	-0.20	TableauSoftware DATA	101.36	0.69	UltraBeauty ULTA	275.68	2.19	Watco WSO	175.2	0.53	Wayfair W	127.1	-1.41			
POSCO PKX	50.46	-0.43	PubcoRetailA RTQA	20.85	-0.20	SeattleGenetics SGEN	74.84	-2.22	UltiSoftware ULSO	294.27	-0.15	Webco WEB	61.08	-2.99	Webco WEB	61.08	-2.99			
PPG Ind PPG	98.56	-11.02	PuiteGroup PHM	23.86	-0.34	ServiceCorp SERV	44.02	0.11	WellsCareHealth WCH	11.72	-0.47	Welltower WELL	63.98	-0.78	Welltower WELL	63.98	-0.78			
PPL PPL	30.42	-0.08	ServiceMaster SERV	44.02	0.11	ShawComm B SJR	19.43	-0.05	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PRA HealthSci PRH	102.95	-1.43	ShawShaw B SJR	19.43	-0.05	ShinhanFin SHG	40.37	-0.31	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PTC PTC	99.25	0.72	Shire SHP	173.43	0.59	Shopify SHOP	140.22	-0.27	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PVH PVH	124.62	0.31	SignatureBank SPB	116.41	0.41	Snap SNAP	7.00	-0.48	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
Paccar PCAR	64.66	-0.77	SignatureBank SPB	116.41	0.41	Snapple SNA	30.79	-0.32	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PackWestBank PWCB	47.99	-0.77	Spire SPT	122.78	-2.22	TelecomItalia TLA	4.93	-0.07	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PackWestDig PWWD	18.39	-1.07	Spire SPT	122.78	-2.22	TelecomItalia TLA	4.93	-0.07	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PaloAltoNetworks PAWS	212.32	-0.06	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
ParkHotels PKH	31.00	-0.54	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
ParkerHannifin PH	178.36	-3.14	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
ParsleyEnergy PEG	30.00	0.70	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
Paychex PAYX	125.50	0.14	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PaycomSoftware PAYC	134.00	0.03	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PayPal PYPL	80.03	-0.52	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
Pearson PSON	34.68	0.01	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PembinaPipeline PBA	34.98	0.01	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
Pental PNTL	47.19	-0.09	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
People'sUtdFin PBCT	10.90	-0.01	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PepsiCo PEP	84.63	-0.26	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
Phillips66 PSX	117.68	-0.46	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
Pinduoduo PDD	22.34	1.15	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PinnacleFoodz PFD	65.90	0.55	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PinnacleWest PNW	31.32	0.55	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PioneerNatRscs PNX	187.92	0.68	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PlainsAllPipe PAA	25.44	0.16	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT	163.39	-2.17	WestPac WAT	163.39	-2.17			
PolarisIndustries PII	95.40	-0.87	Spire SPT	122.78	-2.22	Telus TSLA	120.30	-0.24	Tenaris TS	14.69	-0.63	WestPac WAT								

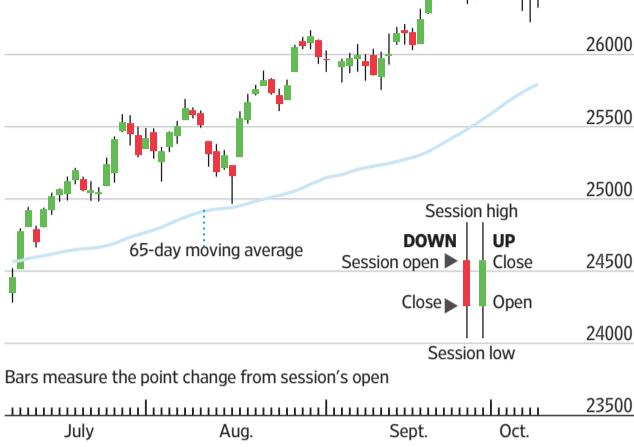
## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**26430.57** ▼56.21, or 0.21%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.88 20.91  
P/E estimate \* 17.18 19.30  
Dividend yield 2.08 2.25  
All-time high 26828.39, 10/03/18



Bars measure the point change from session's open

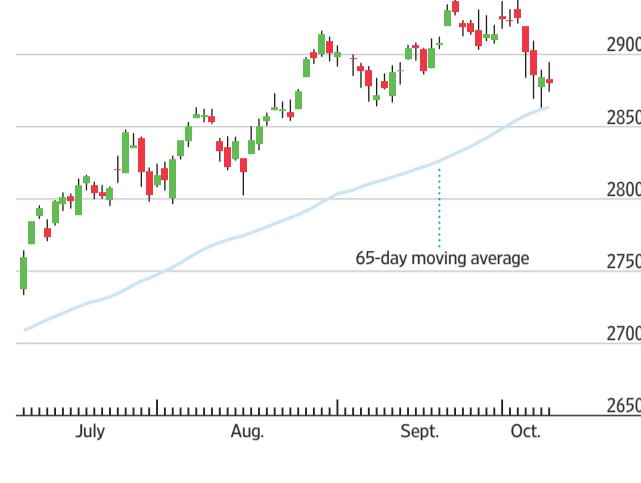
July Aug. Sept. Oct.

\*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

## S&amp;P 500 Index

**2880.34** ▼4.09, or 0.14%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.26 24.70  
P/E estimate \* 17.98 19.27  
Dividend yield 1.81 1.96  
All-time high 2930.75, 09/20/18



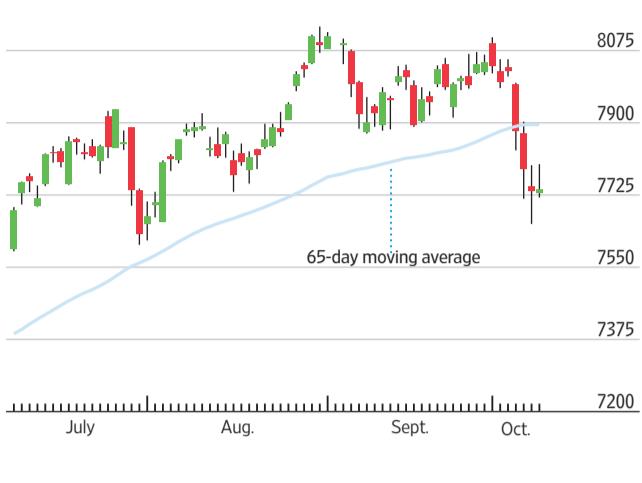
July Aug. Sept. Oct.

\*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

## Nasdaq Composite Index

**7738.02** ▲2.07, or 0.03%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.15 25.98  
P/E estimate \* 21.01 21.15  
Dividend yield 0.98 1.10  
All-time high: 8109.69, 08/29/18



July Aug. Sept. Oct.

\*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week		YTD % chg	3-yr. ann.
						High	Low		
Dow Jones	26539.94	26324.16	<b>26430.57</b>	-56.21	-0.21	26828.39	22830.68	<b>15.8</b>	6.9 <b>15.7</b>
Industrial Average	11213.45	10987.83	<b>10996.08</b>	-207.82	-1.85	11570.84	9440.87	<b>10.8</b>	3.6 <b>10.0</b>
Transportation Avg	745.81	738.40	<b>742.98</b>	3.42	<b>0.46</b>	774.47	647.90	<b>0.5</b>	2.7 <b>8.4</b>
Utility Average	29843.01	29644.26	<b>29680.94</b>	-60.33	-0.20	30390.61	26469.36	<b>12.1</b>	7.3 <b>12.3</b>
Total Stock Market	747.70	740.75	<b>740.99</b>	-5.62	-0.75	786.73	676.86	<b>8.0</b>	4.2 <b>11.6</b>
Barron's 400	740.99	740.99	740.99	-0.75	-0.75	786.73	676.86	<b>8.0</b>	4.2 <b>11.6</b>

## Nasdaq Stock Market

Nasdaq Composite	7799.75	7718.95	<b>7738.02</b>	2.07	<b>0.03</b>	8109.69	6556.77	<b>17.5</b>	12.1 <b>17.0</b>
Nasdaq 100	7430.36	7339.86	<b>7371.62</b>	18.79	<b>0.26</b>	7660.18	6037.87	<b>21.6</b>	15.2 <b>19.0</b>

## S&amp;P

500 Index	2894.83	2874.27	<b>2880.34</b>	-4.09	-0.14	2930.75	2550.64	<b>12.9</b>	7.7 <b>12.6</b>
MidCap 400	1969.86	1955.89	<b>1956.85</b>	-11.08	-0.56	2050.23	1801.29	<b>7.6</b>	3.0 <b>10.7</b>
SmallCap 600	1024.16	1015.31	<b>1015.94</b>	-4.19	-0.41	1098.36	889.94	<b>11.3</b>	8.5 <b>13.9</b>

## Other Indexes

Russell 2000	1635.99	1621.25	<b>1621.87</b>	-7.65	-0.47	1740.75	1463.79	<b>7.6</b>	5.6 <b>11.6</b>
NYSE Composite	13008.52	12926.16	<b>12960.45</b>	-39.68	-0.31	13637.02	12177.70	<b>5.0</b>	1.2 <b>7.7</b>
Value Line	568.40	564.39	<b>564.46</b>	-3.30	-0.58	593.57	533.26	<b>3.9</b>	0.4 <b>6.4</b>
NYSE Arca Biotech	5133.78	5061.73	<b>5069.52</b>	-26.72	-0.52	5400.34	4045.25	<b>18.8</b>	20.1 <b>13.7</b>
NYSE Arca Pharma	595.28	586.27	<b>593.26</b>	0.66	<b>0.11</b>	598.21	516.32	<b>7.1</b>	8.9 <b>3.5</b>
KBW Bank	107.32	106.08	<b>106.66</b>	-0.66	-0.62	116.52	97.59	<b>5.9</b>	-0.05 <b>14.6</b>
PHLX® Gold/Silver	65.63	64.47	<b>64.88</b>	-1.05	-1.59	92.08	61.92	<b>-25.2</b>	-23.9 <b>5.0</b>
PHLX® Oil Service	156.29	151.91	<b>154.64</b>	1.87	<b>1.22</b>	170.18	127.61	<b>11.4</b>	3.4 <b>-5.9</b>
PHLX® Semiconductor	1305.88	1291.76	<b>1300.15</b>	-0.85	-0.07	1445.90	1207.20	<b>7.7</b>	3.8 <b>27.3</b>
Cboe Volatility	17.49	15.27	<b>15.95</b>	0.26	<b>1.66</b>	37.32	9.14	<b>58.2</b>	44.5 <b>-2.3</b>

\$ 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
iShares Core US Aggregate Bd	AGG	19,233.0	104.43	-0.01	-0.01	104.45	104.43	
NIO ADR	NIO	7,810.1	7.95	0.56	<b>7.58</b>	8.42	7.27	
iShares MSCI Total Intl	IXUS	7,068.0	58.22	-0.04	-0.08	58.22	58.22	
Sirius XM Holdings	SIRI	6,991.5	6.18	...	unch.	6.21	6.16	
SPDR S&P 500	SPY	6,699.6	287.65	0.25	<b>0.09</b>	287.81	287.28	
Penn National Gaming	PENN	6,495.7	28.99	0.21	<b>0.73</b>	29.00	28.67	
iShares iBoxx \$ HY Cp Bd	HYG	4,446.1	85.23	-0.01	-0.01	85.25	85.16	
SPDR S&P Q&G Exp Prd	XOP	3,356.1	43.96	0.01	<b>0.02</b>	43.96	43.80	

## Percentage gainers...

Novelion Therapeutics	NVNL	288.9	2.02	0.73	<b>56.59</b>	2.09	1.34	
AcelRx Pharmaceuticals	ACRX	66.5	2.92	0.27	<b>10.19</b>	2.98	2.71	
India Global Cap	IGC	299.6	5.22	0.40	<b>8.30</b>	5.44	4.71	
NIO ADR	NIO	7,810.1	7.95	0.56	<b>7.58</b>	8.42	7.27	
Qutoutiao ADR	QTT	63.4	7.74	0.38	<b>5.16</b>	7.90	7.36	

## FINANCE &amp; MARKETS

# HSBC to Pay \$765 Million in U.S. Pact

Bank was accused of covering up risks related to mortgages before downturn

BY MICAH MAIDENBERG

**HSBC Holdings PLC** will pay \$765 million to settle Justice Department claims that it willfully covered up risks associated with residential-mortgage products in the runup to the latest housing-market downturn.

From 2005 to 2007, the bank placed defective mortgages into residential mortgage-backed securities it created and sold, the Justice Department alleged Tuesday.

Bank employees overlooked mortgages in the securities that were likely to default and failed to tell investors about the risks, according to prosecutors.

"When deals went south, investors who trusted HSBC suffered. And when the mortgages failed, communities across the country were blighted by foreclosure," Bob Troyer, U.S. Attorney for the District of Colorado, said in a statement.

In agreeing to pay the penalty, the London-based financial-services firm didn't admit or deny the government's claims. In prepared remarks, Patrick Burke, chief executive of the company's U.S. unit, said the firm was pleased to

have resolved the matter.

"Since the financial crisis, HSBC has been strengthening our culture, processes and internal controls to ensure fair outcomes for our clients," Mr. Burke said. "The U.S. management team is focused on putting historical matters into the rearview mirror and completing the turnaround of HSBC's U.S. operations."

By agreeing to pay the \$765 million civil penalty, HSBC has become the latest bank to settle with the Justice Department over how it handled toxic mortgage-backed securities. In August, **Wells Fargo & Co.** said it would pay \$2.09 billion to settle similar claims.

Other banks that have struck settlements with the

Justice Department over the handling of residential mortgage-backed securities include **Barclays PLC** and **Royal Bank of Scotland Group PLC**, as well as **Bank of America Corp.**

**Patrick Burke, CEO of HSBC's U.S. unit, said the firm was pleased to have resolved the matter.**

and **JPMorgan Chase & Co.**

As early as 2005, a credit-risk manager at HSBC expressed worries with how the bank was conducting due diligence regarding subprime

loans it purchased and bundled for the securities, according to the Justice Department.

HSBC told investors that employees would review at least 25% of the loans for credit and compliance issues, the government said. But in some cases, HSBC examined just 5% of the pools used to create securities, according to prosecutors. Once, in 2007, a trader at HSBC said, "It will suck," regarding a mortgage-backed security HSBC was about to issue, the Justice Department said.

In another case of alleged wrongdoing, the Justice Department said the company's head of risk management for residential mortgage-backed securities once wrote in an

email that a high default rate by mortgage borrowers could indicate systemic problems with the loan pool.

But the next day, the head of HSBC's whole loan-trading risk-management group said he was "comfortable that we need not make any further disclosures to investors," the government said. HSBC sold the security. A post-sale review suggested that loans in the product "appear to have fraud" or misrepresentation, but HSBC purchased more loans from the originator, prosecutors added.

**HSBC North America Holdings Inc.**, the holding company for the bank's U.S. operations, will pay the \$765 million penalty, the company said.

## A Goldman Sales Head To Depart

BY LIZ HOFFMAN

Turnover continues in **Goldman Sachs Group Inc.**'s troubled trading arm as the firm's new chief executive takes over.

The latest departure is John Willian, who announced Tuesday he would retire as head of sales for Goldman's all-important fixed-income division. He will be replaced in the U.S. by Avanish Bhavsar, a senior U.S. credit salesman, and Ricardo Mora, who focuses on emerging-market debt, people familiar with the matter said.

Goldman's trading arm has lost ground to competitors in recent years as it struggles with calm markets and changing client preferences. The troubles have been particularly deep in fixed income, which includes bonds, currencies and commodities.

Fixing the business is a priority for Goldman's new chief executive, David Solomon, a former investment banker who took over from Lloyd Blankfein on Oct. 1. Among Mr. Solomon's first moves was to install a sales executive, Jim Esposito, and a technology expert, Martin Chavez, alongside a more traditional trader, Ashok Varadhan, tilting the division's leadership toward faster software and improved client service.

Two co-heads of the trading division left earlier this year, and Paul Russo, the firm's co-head of equities, is also leaving. Ed Knight, a stock sales partner in London, and Stacy Bash-Polley, who oversaw relationships with top trading clients including BlackRock Inc., have left in recent weeks.

Mr. Willian joined Goldman in 1990 as a mortgage trader and later worked in municipal-bond trading and the company's prime brokerage division, which caters to hedge funds. In 2016, he was tasked with overseeing fixed-income sales.



More than 5,000 artifacts owned by Premier Exhibitions Inc., the bankrupt company behind the traveling 'Titanic: the Artifact Exhibition,' are being sold in a court-supervised sale process that is likely to end in a winning bid by a group of investment firms.

WANG HE/GETTY IMAGES (3)

## Titanic Items to Get New Owners

BY LILLIAN RIZZO

A consortium of private-equity firms and hedge funds is in a position to take ownership of thousands of Titanic artifacts with an unmatched \$19.5 million offer.

A planned auction for the Titanic assets was canceled after no higher bids were received, according to court papers filed Monday.

The more than 5,000 artifacts are owned by **Premier Exhibitions Inc.**, the bankrupt company behind the "Titanic" and "Bodies" trav-

eling exhibitions.

The sale to the consortium—which includes **Apollo Global Management LLC**, **Alta Fundamental Advisers LLC** and **PacBridge Capital Partners Ltd.**—requires court approval.

Judge Paul Glenn of the U.S. Bankruptcy Court in Jacksonville, Fla., will consider approval of the sale on Oct. 18.

The thousands of artifacts, which include a bronze cherub from the grand staircase used by Titanic's first-class passengers, a blue sapphire surrounded by 14 diamonds and a

steward's jacket, were on the auction block as a result of Premier's 2016 bankruptcy filing. In addition to the artifacts, the assets on the block included the right to salvage the wreckage site for more objects and intellectual property related to video footage and imagery of the shipwreck.

The sale had been delayed numerous times over the past year as Premier tried to drum up wider interest in its assets.

At one point, a group including the National Maritime Museum in Greenwich, London, was said to be interested

in bidding and was pushing to move the bankruptcy case to a different court. The museum group's push to acquire the artifacts had received support from James Cameron, director of the blockbuster movie "Titanic," and from Robert Ballard, who discovered the shipwreck in 1985. The campaign, which also included other U.K. museums, aimed to raise \$20 million to buy the artifacts.

The group's efforts fell short, however, and raised roughly \$10 million leading up to the court-supervised sale process.

**\$1B**

A fine of at least this much is expected for sanctions violations.

2007, and whether the bank fully disclosed any such lapses with U.S. authorities before the 2012 settlement, Standard Chartered said previously.

The bank first disclosed the probe in 2014, and said in its 2017 annual report that the inquiry could cause "substantial monetary penalties," which analysts have estimated could total as much as \$2 billion.

The sanctions probe has weighed on Standard Chartered since Mr. Winters took over as CEO in 2015. Shares of Standard Chartered are at their lowest level in more than two years, closing Tuesday down 0.4% at 589.10 pence (\$7.71).

Mr. Winters has led a sweeping restructuring of the bank, exiting from businesses and temporarily suspending dividends to rebuild capital eroded by bad loans. The bank has resumed paying dividends, and Mr. Winters says it has reset its culture and approach to risk.

One person familiar with the matter said preliminary figures shared with the bank totaled more than \$1.5 billion from the five bodies involved: the Justice Department, the Federal Reserve, the Manhattan District Attorney's Office, the New York Department of Financial Services and the Treasury's Office of Foreign Assets Control.

Some of the authorities could reduce their figures after negotiations with the bank and give credit for fines by the other agencies, the person familiar with the matter said. One said the conduct in question and volume of transactions warranted a fine above \$1 billion.

## Bond Woe May Spark A Change

Continued from page B1  
cycle is long in the tooth, with lots of debate about when the next recession will come. And Federal Reserve Chairman Jerome Powell has been emphasizing how little the central bank knows about the future.

Sure enough, shares are down a bit, and the highest-flying growth stocks are down a lot. Even **Amazon.com** was down almost 10% from its late-summer high to Monday's low, while glamour stock **Netflix** lost even more in just four days.

There are three reasons to worry. The first is that the acronym stocks—**Facebook**, Amazon, **Apple**, Google parent **Alphabet**, Netflix, **Microsoft** and others arranged into the FANGs, FAAMGs and so on—flew too high, and will now fall hard. They were propelled by strong fundamentals and helped by low bond yields making profits far in the future look attractive by comparison.

### Warning Signs

10-year U.S. Treasury yields have powered up to a seven-year high.



Sources: Ryan ALM (10-year Treasury); Refinitiv (value and growth stocks, indexes)

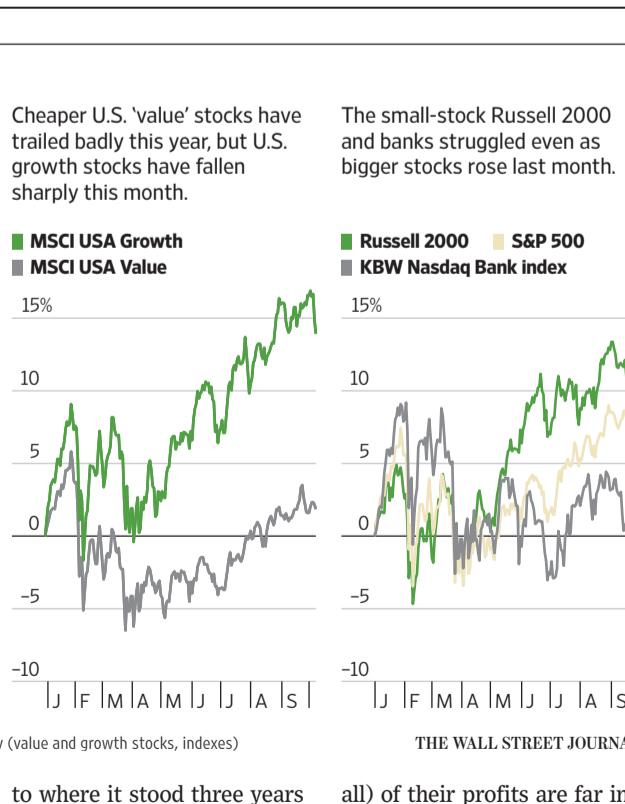
If rising yields have broken their upward momentum, it might turn into a downward spiral as investors try to cash in their paper profits on the acronym stocks before they vanish.

The second reason for concern is that if the term premium keeps going up, the acronym stocks should keep suffering as a result. A simple return of the term premium

to where it stood three years ago, just before the Fed rate rises began, could power 10-year yields to 3.75%; a return to what used to count as normal would take it well above 4%. Discount future profits back to today at a higher interest rate and they are worth less, and that hits rapidly growing companies more than the rest of the market because more (in some cases

all) of their profits are far in the future.

The third worry is that the stock market already was looking unhealthy. Since the start of September, smaller companies have been having a terrible time and bank stocks have fallen sharply. Both suggest a lack of confidence in the economic outlook. The overall market was held up by the performance



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of a relatively small number of large stocks in high-growth sectors, so if they stumble, the outlook is grim.

These are powerful arguments, but I am hopeful that rather than a full-blown market correction, this will be merely a rotation away from the overdone highfliers and back into some of the cheaper laggards.

The gap between cheap "value" stocks and expensive growth stocks this year was huge: On MSCI's indexes, U.S. value stocks were up just 1.6% by the end of September, while growth stocks rose 16.5%.

A shift back to value would be a welcome recognition that the future of the economy doesn't rest with just a handful of companies. The last really big example of a rising term premium and uncertainty also worked out OK for stocks: In the 2013 taper tantrum, the term premium and yields rose further and faster than they have recently, and U.S. stocks made back their losses within a month.

There are no guarantees, and companies are both more leveraged and more highly valued than they were in 2013. But the very least it is too early to panic about bond yields.

## MARKETS

# Bonds End Slide, but More Debt Is on Way

By SAM GOLDFARB

The weeklong selloff in U.S. government bonds paused Tuesday as traders showed more appetite for Treasurys after a three-day weekend.

The yield on the benchmark 10-year U.S. Treasury note settled at 3.208%, compared with 3.227% Friday.

**CREDIT MARKETS** The bond market was closed Monday for Columbus Day.

Yields, which fall when bond prices rise, initially climbed overnight. But they backed down at the start of the U.S. trading session, offering a reprieve from nearly relentless price declines.

The rout in Treasurys intensified last week, causing the biggest one-week rise in the 10-year yield since February. That left the yield at its highest closing level since May 2011.

Though analysts have pointed to a variety of reasons for the selloff, most say it has been underpinned by a strong U.S. economy, leading investors to favor riskier assets and increase their expectations for interest-rate increases by the Federal Reserve. Higher short-term rates tend to reduce the value of outstanding government bonds.

Since bond prices began falling in late August, they have occasionally moved higher without mustering a sustained rally. Investors will be watching to "see if this one is a little better," said Blake Gwinn, U.S. rates strategist at NatWest Markets.

One obstacle to a rally this week is that the Treasury will be selling a combined \$74 billion of new three-year, 10-year and 30-year bonds, kicking off Wednesday morning with a \$36 billion auction of three-year notes.

An increased supply of Treasury debt, necessitated by a rising federal budget deficit, is one of several factors that analysts say have bolstered yields this year. The Treasury announced plans in August to borrow \$759 billion in the second half, a 63% increase from a year earlier.

Investors and economists closely watch Treasury yields because they help dictate interest rates on everything from mortgages to student loans.

While higher yields reflect optimism about the U.S. economy, a continued rise could eventually slow growth by curtailing borrowing. It also could cause investors to pull back from riskier assets such as stocks since they would be better compensated for holding virtually risk-free Treasurys.

Recent selling of Treasurys has been especially noteworthy because it has occurred despite developments that might normally attract demand to the asset class. Among those are signs of political instability in Europe, where Italy's populist government has clashed with European Union officials over budget targets, causing Italy's 10-year bond yield to reach a 4½-year high.

The International Monetary Fund on Monday also made good on warnings that it would lower its forecasts for global economic growth this year and next.

# PPG Hits Materials Stocks, S&P

Warning spurs worst day for chemical, mining, packaging shares in months

By MICHAEL WURSTHORN AND GEORGI KANTCHEV

A broad selloff among materials firms sent the S&P 500 lower, handing the index its fourth consecutive session of losses.

Inflationary pressures spooked stock-market investors and sent shares

**TUESDAY'S MARKETS**

of all of the chemical, mining and packaging companies

within the S&P 500's materials sector reeling after paint and coating maker **PPG Industries** warned that higher raw-material costs and lower demand in China would crimp profit in the third and fourth quarters.

It was the materials sector's worst day of trading since February and deepened its losses for the year to 7.9%, making it the S&P 500's worst-performing industry group.

Rising costs have been a major concern for stock-market investors this year. While companies are reporting their best profits in years, many executives have also said material and commodity costs, along with wages, have also risen, eating into profit margins.

The threat of a trade war be-

tween the world's two largest economies hasn't helped. The International Monetary Fund pared global growth expectations for next year, saying the rise of protectionist policies, along with instability in emerging markets, will eat into economic growth around the world.

The warnings dashed some of the stock market's highflying expectations for companies' third-quarter results and extended the latest rough patch for stocks, which were already struggling with a recent sharp rise in bond yields.

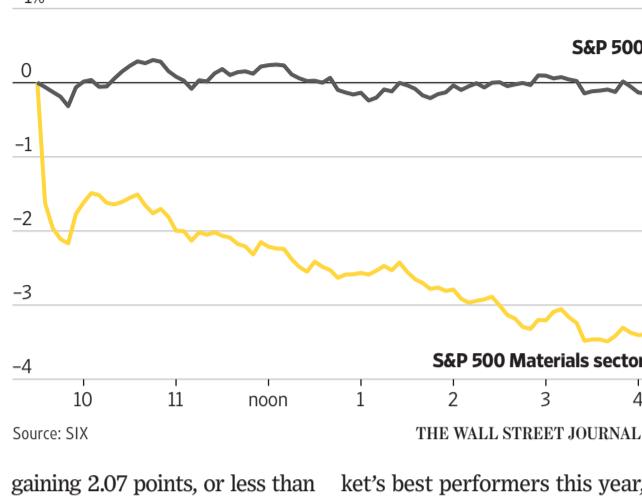
Still, deeper losses on Tuesday were held off. Investors re-embraced some fast-growing stocks, sending up shares of digital-streaming service **Netflix**, social-networking firm **Twitter** and online auction house **eBay**, among others, while energy companies, benefiting from the continuing rally in oil prices, also rose.

"The earnings growth this year has been nothing short of spectacular," said Craig Callahan, president of investment firm Icon Advisers. "Those who forecast earnings aren't seeing much of an impact from rising costs."

The S&P 500 declined 4.09 points, or 0.1%, to 2880.34 after falling as much as 0.4% earlier in the session, while the Dow Jones Industrial Average gave up 56.21 points, or 0.2%, to 26430.57. The Nasdaq Composite, meanwhile, edged higher,

## Chemical Reaction

Chemical companies, mining firms and packaging businesses in the S&P 500 plunged Tuesday.



Source: SIX

gaining 2.07 points, or less than 0.1%, to 7738.02 to snap a three-day run of losses.

The S&P 500's materials sector fell 3.4%, with PPG dropping \$11.02, or 10%, to \$98.56, the most of any other company in the group.

Industrial firms, another sector that has complained of rising costs this year, fell 1.5%, with steep declines among aerospace companies, industrial conglomerates and machinery makers.

Those losses were partly offset by a rise in tech and energy shares. Shares of eBay added 70 cents, or 2.2%, to 46.99, while Twitter rose 82 cents, or 2.9%, to 47.79. Netflix, one of the mar-

ket's best performers this year, added 6.61, or 1.9%, to 355.71. Analysts still expect companies in the S&P 500 to increase third-quarter earnings by 19% from a year earlier, one of the fastest rates of growth during the 9½-year bull market, according to FactSet.

Mr. Callahan said the higher costs that companies are reporting are due to one-time price increases and not a sign of a broader upswing in inflation. So far, 21 S&P 500 companies have reported results, and 86% of those firms beat analysts' expectations, according to FactSet.

With banks like Wells Fargo set to kick off the bulk of the

earnings-reporting season Friday, investors will look for further signs from executives whether mounting inflationary pressures are curtailing profits. The latest consumer-price index data due Thursday will also be watched, analysts added.

Any surprise in inflation is meaningful since it could push the Federal Reserve to hasten its pace of interest-rate increases. Such a move could upset the stock market since investors would have to discount companies' future cash flows to account for higher interest rates.

Fears of how rising rates will affect stocks contributed to the S&P 500's selloff over the past three sessions. For now, the climb in bond yields appears to have stalled. The yield on the 10-year U.S. Treasury note fell to 3.208% after hitting a 7½-year high earlier Tuesday.

"The rise in rates—whether or not it continues—is putting pressure on ultra-high growth stocks, and has investors thinking twice about their very high valuations," Andrew Acheson, director of U.S. growth at Amundi Pioneer, wrote in a recent note.

Elsewhere, the Stoxx Europe 600 added 0.2%. Japan's Nikkei Stock Average fell 1.3%, while Hong Kong's Hang Seng dropped 0.1%. China's Shanghai Composite Index rose 0.2%. Early Wednesday, the Nikkei was up 0.1%, the Hang Seng was up 0.6% and the Shanghai Composite was flat.

# Hottest Crude Trade No Longer Found in Texas

By STEPHANIE YANG

A shale play that was left for dead has come roaring back in 2018.

The Bakken formation, which stretches from Montana to North Dakota, had long been considered by some in the energy industry to be played out.

Now the region is experiencing a comeback, luring investors as crude prices have surged. Oil production in North Dakota has climbed to records this year, hitting 1.27 million barrels a day in July.

That is leading to outsize gains for producers concentrated on the Bakken.

*'It's interesting times in North Dakota,' says Pablo Prudencio of Wood Mackenzie.*

**Whiting Petroleum Corp.**, which has operations in North Dakota, Colorado and Texas, is up 72% for the year so far. **Continental Resources Inc.** and **Oasis Petroleum Inc.** are up 24% and 57%, respectively.

"It's interesting times in North Dakota," said Pablo Prudencio, an analyst at energy consultancy Wood Mackenzie. "The Bakken has a story of its own right now."

Several factors account for the Bakken's recent rise, Mr. Prudencio said. U.S. oil futures

surpassing \$70 a barrel have spurred more drilling across the country. Additionally, cheaper acreage and improved crude transportation have made the area more attractive than some other major shale fields.

Namely, the Dakota Access Pipeline has made it cheaper to send crude to other parts of the country. Previously, much of the oil produced was transported by rail.

Drilling efficiency also has picked up, analysts said, meaning more crude comes out of each well.

While the Permian basin in Texas has become known as the most prolific oil region in the U.S., constraints to getting crude out of the region and transporting it to market have damped enthusiasm for producers working there.

The stocks of Permian basin producers **Diamondback Energy Inc.** and **Concho Resources** have advanced 7% and 6.5%, respectively, this year while the broader SPDR S&P Oil and Gas Exploration and Production ETF, or XOP, is up 18% in the year to date.

"As folks were getting more concerned about pipeline capacity [in the Permian], the capital started to move away," said Dame Gregoris, senior vice president at RS Energy Group.

Through much of the year, regional oil prices in North Dakota have stayed stronger than in Midland, Texas, where transportation challenges at times pushed prices more than \$15 below the U.S. benchmark.

Traders also remained anxious about Iran's oil shipments, which are declining at a faster-than-expected pace ahead of U.S. sanctions in November.

Light, sweet crude for November delivery ended 0.9% higher Tuesday at \$74.96 a barrel on the New York Mercantile Exchange. Brent crude, the global benchmark, was 1.3% higher at \$85 a barrel.

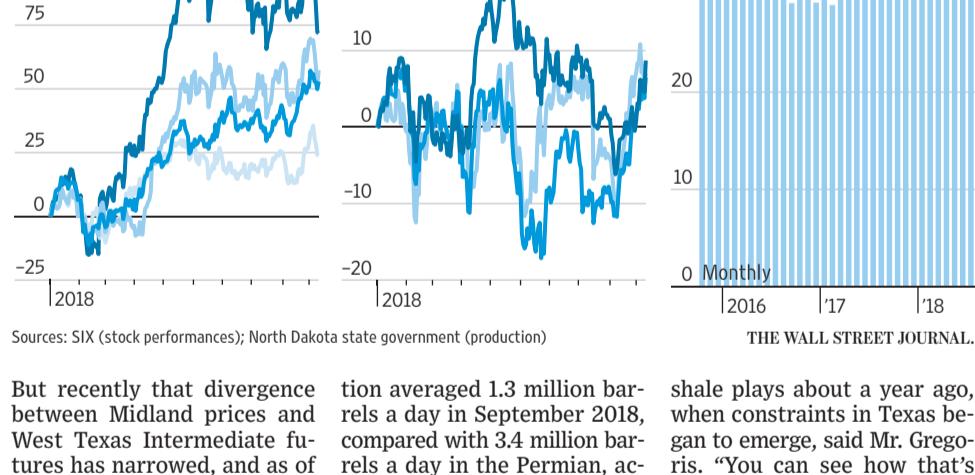
Hurricane Michael is moving northward in the eastern Gulf of Mexico and has already caused the shutdown of about 671,000 barrels a day of oil production, or



Bakken formation sees a resurgence as rising crude prices lure investors. A pumpjack in North Dakota.

## Bakken Boom

Oil companies that drill in North Dakota's Bakken formation are outperforming those in the Permian region.



But recently that divergence between Midland prices and West Texas Intermediate futures has narrowed, and as of Friday, was \$7.10.

And Bakken production is far from overtaking that of the Permian. Bakken oil produc-

tion averaged 1.3 million barrels a day in September 2018, compared with 3.4 million barrels a day in the Permian, according to the U.S. Energy Information Administration.

Some investors started to turn their attention to other

shale plays about a year ago, when constraints in Texas began to emerge, said Mr. Gregoris. "You can see how that's played out with all these Bakken names."

"It's a totally different ballgame," he added.

# Hurricane, Iran Worries Pump Up Oil Prices

By NEANDA SALVATERRA AND DAN MOLINSKI

Oil prices rose on concerns over declining supply from Iran as well as worries about a hurricane that has sharply

curtailed offshore oil production in the Gulf of Mexico.

Light, sweet crude for November delivery ended 0.9% higher Tuesday at \$74.96 a barrel on the New York Mercantile Exchange. Brent crude, the global benchmark, was 1.3% higher at \$85 a barrel.

Hurricane Michael is moving northward in the eastern Gulf of Mexico and has already caused the shutdown of about 671,000 barrels a day of oil production, or

roughly 6% of total U.S. oil production, the Bureau of Safety and Environmental Enforcement said Tuesday. The storm is expected to hit land Wednesday.

Traders also remained anxious about Iran's oil shipments, which are declining at a faster-than-expected pace ahead of U.S. sanctions in November.

"Nobody has an interest to go on a full confrontation with the U.S. on the subject," said Olivier Jakob, head of consultancy Petromatrix.

"One needs to wait until after the U.S. midterm elections."

The Trump administration exited from a 2015 accord to curb Iran's nuclear program in May and moved to reimpose sanctions on the Middle Eastern country and its oil exports.

The country exported 1.1 million barrels of crude oil a day in the first week of October, according to Reuters, down from around 2.3 million barrels a day in June, analysts said.

Traders also remained anxious about Iran's oil shipments, which are declining at a faster-than-expected pace ahead of U.S. sanctions in November.

"Market technicals are playing an important role right now as most of the fundamentals—from looming U.S. sanctions on Iran to private production deals be-

tween the Saudis and Russia, to stubbornly high oil output in the U.S.—are all well-priced into the market right now, leaving few unknowns," Mr. Richey said.

The oil sector is also plagued by concerns that global trade disputes are damping growth and the appetite for crude.

The International Monetary Fund lowered its forecasts for global economic growth this year and next, citing rising trade protectionism and instability in emerging markets. The IMF said the global economy will grow by 3.7% this year, down from its April estimate of 3.9%.

Investors are looking ahead to additional data coming later in the week about the demand for oil.

The Organization of the Petroleum Exporting Countries releases a report Thursday, and the International Energy Agency releases its monthly oil-market report Friday.

Oil markets are also awaiting a pair of weekly U.S. oil inventory reports from the industry group American Petroleum Institute and the government's Energy Information Administration.

The reports are normally released Tuesday and Wednesday, respectively, but will instead be published Wednesday and Thursday this week due to the Columbus Day holiday on Monday.

Among refined products, gasoline futures for November delivery fell 0.8% to \$2.0774 a gallon. Diesel futures rose 1.2% to \$2.4238 a gallon.

## AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

### 13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$130,714,149,500	\$117,141,736,500
Accepted bids	\$48,000,704,500	\$42,000,221,500
"noncomp"	\$1,284,900,500	\$854,976,500
"foreign noncomp"	\$473,000,000	\$500,000,000
Auction price (rate)	99.438833	98.79678
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