

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, OCTOBER 26, 2018 ~ VOL. CCLXXII NO. 99

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★★★★ \$4.00

DJIA 24984.55 ▲ 401.13 1.6%

NASDAQ 7318.34 ▲ 3.0%

STOXX 600 355.07 ▲ 0.5%

10-YR. TREAS. ▼ 4/32, yield 3.136%

OIL \$67.33 ▲ \$0.51

GOLD \$1,229.10 ▲ \$1.30

EURO \$1.1377

YEN 112.42

What's News

Business & Finance

Aazon and Google parent Alphabet delivered underwhelming sales growth for the latest quarter, leading investors to punish their stocks in after-hours trading. **A1**

◆ Twitter and Snap continued to lose users but managed to wring more revenue from those that remained. **B4**

◆ U.S. stocks rebounded sharply, pushing the S&P 500 and the Dow back into the black for the year. The indexes gained 1.9% and 1.6%, respectively. The Nasdaq rose 3%. **B1**

◆ Altria is pulling its pod-style e-cigarette devices from the market and discontinuing the sale of many e-cigarette flavors. **B1**

◆ AB InBev slashed its dividend as it reported weaker profit and lower volumes in several key markets. **B3**

◆ Megyn Kelly and NBC News have begun exit negotiations, signaling her tenure is likely coming to an end. **B1**

◆ American Airlines is struggling to recoup surging fuel costs, which pulled the carrier's profit down 48%. **B3**

◆ Union Pacific defended the phased rollout of the railroad's turnaround plan. **B3**

◆ Hilton's shares rose nearly 6% after Pershing Square said it has again taken a stake in the hotel firm. **B11**

◆ Third Point sued Campbell Soup and its board, alleging the firm distributed misleading information. **B2**

◆ WPP shares tumbled after the world's largest advertising group reported disappointing results. **B3**

World-Wide

◆ Investigators hunting for the terrorist behind 10 suspected bombs addressed to prominent Democrats and outspoken critics of the president have zeroed in on Florida and New York. **A1**

◆ The U.S. is refusing to resume trade talks with China until Beijing comes up with a concrete proposal to address Washington's complaints about forced technology transfers and other issues. **A1**

◆ The Trump administration is considering a plan to block ports of entry to migrants, including asylum seekers, on the U.S.-Mexico border. **A3**

◆ Saudi Arabia said evidence suggests Khashoggi's killing was premeditated, shifting away from its assertion the journalist died in a brawl. **A6**

◆ Trump offered a plan to drive down the price Medicare pays for some drugs, a move that faces resistance from pharmaceutical firms. **A3**

◆ Grassley referred Avenatti and one of the lawyer's clients for a criminal probe, alleging they made false statements about Kavanaugh. **A4**

◆ A stark pickup in government spending, particularly in defense, has helped fuel a broad acceleration in U.S. economic growth. **A2**

◆ Iran is moving ahead with measures to try to insulate the country's working class from the likely economic fallout from U.S. sanctions. **A7**

◆ A judge ordered Georgia election officials to take additional steps to give people a chance to fix problems with their absentee ballots. **A4**

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Search for Bomb Suspect Intensifies

Investigators are treating packages as 'live devices,' not as hoaxes, NYPD says

By ZOLAN KANNO-YOUNGS AND ARUNA VISWANATHA

Investigators hunting for the terrorist behind 10 suspected bombs addressed to prominent Democrats and outspoken critics of President Trump have zeroed in on Florida and New York, federal officials said Thursday.

At least some of the packages were sent from Florida, according to two federal officials briefed on the investigation, and it appears that most went through the postal system, one said.

Early Thursday, three more packages were found—two addressed to former Vice

President Joe Biden in Delaware, where he lives, and one to actor Robert De Niro in New York City. They all had the telltale signs associated with the seven others: manila envelopes with six U.S. flag stamps and the return address of a Florida office of Rep. Debbie Wasserman Schultz, with her last name misspelled, officials said.

"These devices should be considered dangerous," said William Sweeney, assistant director of the Federal Bureau of Investigation. He said the probe is "in its early stages," and the agency is working quickly to analyze clues from the packages at its facility in Quantico, Va.

Investigators are trying to determine whether the suspected bombs were operational, officials said.

There could be more pack-

Please turn to page A4

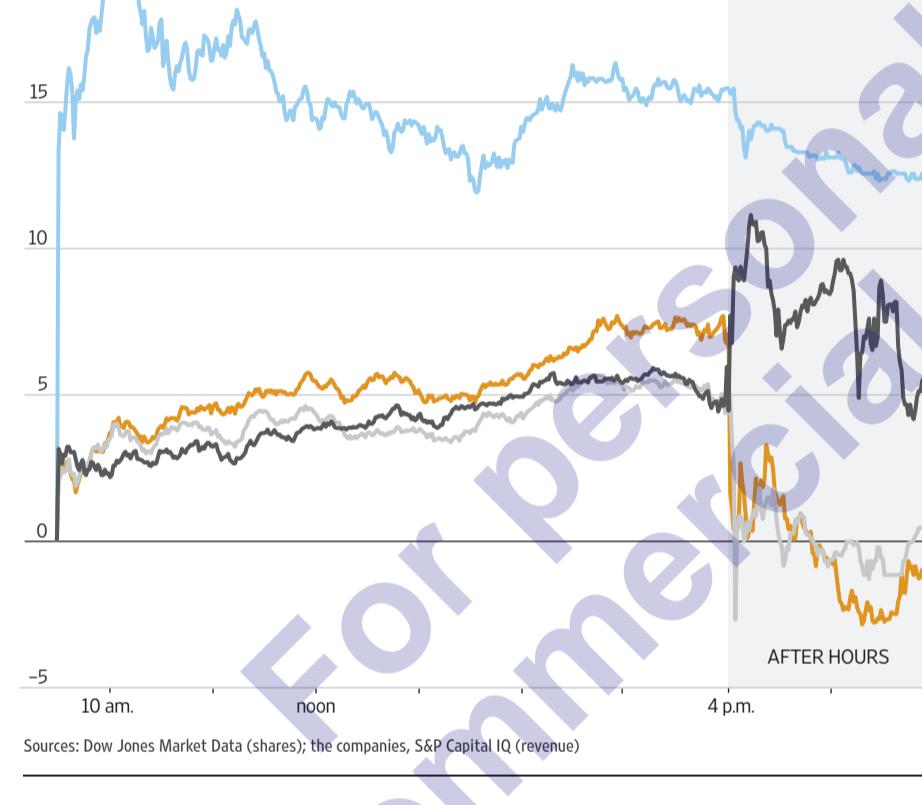


Law-enforcement officials operate a bomb disposal robot and monitor activity with a dog outside a post office that had been evacuated in Wilmington, Del., on Thursday.

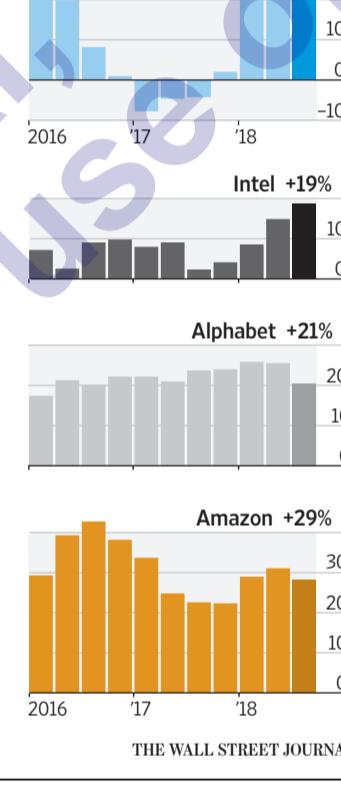
MARK MAKELA/REUTERS

Amazon, Alphabet Fall Short on Growth

Alphabet and Amazon.com fell short of revenue estimates. Twitter and Intel beat expectations, sending those stocks higher.



Quarterly revenue, change from previous year



By LAURA STEVENS AND DOUGLAS MACMILLAN

Amazon.com Inc. and Google parent Alphabet Inc. on Thursday delivered underwhelming sales growth for the latest quarter, leading investors to punish their stocks.

Amazon said recent acquisitions, like Whole Foods Market, restrained growth, while revenue at Google's core advertising business didn't rise as quickly as expected.

The evening selloff highlighted investors' lofty expectations for a long-reliable corner of the market. While most companies would be envious of year-over-year sales growth of more than 20% and a valuation over \$700 billion—as both Amazon and Alphabet boast—the market's reaction shows how unforgiving investors can be for tech giants.

Amazon fell 7.4% after its report, while Alphabet dropped 3.9%. The moves reversed earlier gains Thursday and continued the roller-coaster ride that tech stocks

Please turn to page A2

◆ Stocks roar back, sparked by earnings..... B1

At Netflix, Getting Fired Is Part of the Job

Hollywood giant's rituals promote radical candor—and lots of talk about who is getting the ax

The War On Plastic Gets Messy

Making your own straws isn't easy; watch the hot wax

By LUCY CRAYMER

In her quest to find a reusable alternative to plastic food wrap, Dana Sluka of Melbourne, Australia, decided to make her own wax-covered cloth for covering dishes. An online tutorial explained how to melt beeswax in a double boiler and brush it onto a piece of cloth. Ideally, the wraps can be reused for a year or so.

It sounded simple enough. Then Ms. Sluka accidentally dribbled hot wax all over her laminate counter. "It was sticky and I couldn't clean it off," she said. An idea came to her: She reached for the

Please turn to page A8

U.S. Spurns Trade Talks Without a China Offer

By BOB DAVIS IN WASHINGTON AND LINGLING WEI IN BEIJING

The U.S. is refusing to resume trade negotiations with China until Beijing comes up with a concrete proposal to address Washington's complaints about forced technology transfers and other economic issues, officials on both sides of the Pacific said.

The impasse threatens to undermine a meeting between President Trump and President Xi Jinping of China that is

scheduled for the end of November at the Group of 20 leaders summit in Buenos Aires.

Both sides had hoped the gathering would ease the trade tensions. U.S. businesses have been counting on sufficient progress at the meeting for the Trump administration to suspend its plan to increase tariffs on \$200 billion of Chinese imports to 25% on Jan. 1, from the current Please turn to page A8

◆ Heard on the Street: China's tax cut could top U.S.'s..... B12



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U.S. NEWS

Defense Has Fueled Rise in GDP

By KATE DAVIDSON

A stark pickup in government spending, particularly in defense, has helped fuel a broad acceleration in U.S. economic growth in the past year and a half, according to a Wall Street Journal analysis of Commerce Department data.

The U.S. economy has expanded at a 2.9% annual rate since April of 2017, according to the Commerce Department's tabulations of the nation's gross domestic product, or output. That growth rate is faster than the 2.2% annual growth rate between mid-2009—when the expansion started—and April 2017.

Faster government spending accounted for nearly half of the acceleration, according to The Wall Street Journal analysis.

The Commerce Department breaks down various contributors to economic growth, including government spending, business investment, consumer outlays and exports.

Defense shifted from contracting at a 2.1% annual rate between June 2009 and March 2017, to growing at a 2.9% rate since April 2017. The turnaround added 0.21 percentage point on average to the nation's overall economic growth rate, according to Commerce Department figures.

When including faster spending on nondefense items and spending at the state and local levels, increased government spending accounted for 0.34 percentage point of the 0.7 percentage point increase in the growth rate since April 2017, or nearly half.

Other factors are at play. Faster business investment, due in part to energy investing, has contributed 0.3 percentage point to the growth rate, while faster consumer spending ac-



Faster government spending, particularly in defense, has been a driver in the acceleration of the U.S. economy since April of 2017.

counts for about a third of the pickup. A slowdown in home building has subtracted about 0.2 percentage point from the growth rate.

The Commerce Department will provide its first estimate of third-quarter growth on Friday morning, with new numbers on which sectors are contributing most.

Economic growth is an important point of debate in the midterm elections. President Trump and Republicans say tax cuts and less regulation have accelerated growth. Democrats say faster growth is uneven and unsustainable. The role of government spending has gotten less attention from either side.

"There really had been some pent-up demand within the De-

partment of Defense for modernization, for training, for maintenance," said Todd Harrison, a senior fellow and defense budget analyst at the Center for Strategic and International Studies. "Now [with] the sudden increase in the budget in fiscal year 2018 and fiscal year 2019, you see some of that pent-up demand being unleashed in the market."

Defense outlays grew 6% in the fiscal year that ended Sept. 30, thanks in part to a bipartisan budget pact to boost government spending this year and next by nearly \$300 billion above limits set in a 2011 law, including \$165 billion more for military.

From fiscal year 2010 to fiscal year 2015, the defense bud-

get was declining after Congress implemented discretionary spending caps to help curb the deficit.

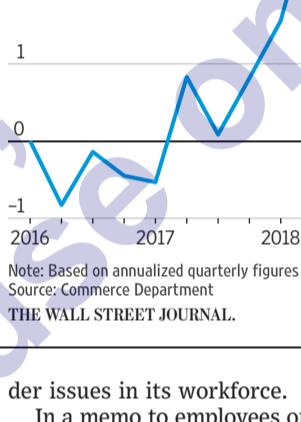
The GOP-controlled Congress, with support from Mr. Trump, moved this year to raise the caps as part of a new two-year budget deal that began to take effect at the end of March.

That led to a surge in defense outlays over the spring and summer. The gains are expected to continue into 2019 and 2020.

"I would expect that, with the increase in the defense discretionary caps, that its contribution is going to increase, and in fact it will be leading overall GDP growth by mid-2019," said Gus Faucher, chief economist at PNC Financial Services Group.

Call to Arms

Percentage change in military spending since first quarter 2016



Note: Based on annualized quarterly figures
Source: Commerce Department

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Tech Giants Come Up Short

Continued from Page One

have been taking. Before the late-day earnings releases, the tech-heavy Nasdaq Composite Index had its best session in six months Thursday after plunging into correction territory the day before.

Other tech stocks rose on quarterly results. Intel Corp. beat sales expectations by more than \$1 billion, lifting its stock in late trading. Twitter Inc. had its best day in more than a year and was the best performer in the S&P 500 after the company reported higher revenue despite declining numbers of users.

"Amazon and Google both had some softness in their results, and the stocks are trading accordingly," said Mark Mahaney, an analyst at RBC Capital Markets. "Some investors are concerned about the sustainability of growth" at both companies, he said.

Amazon posted its second straight quarter of record profitability, but revenue was a disappointment, and the e-commerce company warned

growth could slow in the current quarter.

Total sales in the third period rose 29% to \$56.58 billion, falling short of analyst estimates and marking the slowest-growing quarter in more than a year.

For the current quarter, which includes the holiday season, Amazon projected sales between \$66.5 billion and \$72.5 billion, below the estimate of \$73.89 billion expected by analysts polled by Refinitiv.

Amazon finance chief Brian Olsavsky noted that the roughly \$13.7 billion purchase of Whole Foods, which occurred in August 2017, had

been boosting growth rates in recent quarters by adding revenue without any year-earlier comparison.

While Mr. Olsavsky predicted a strong holiday season, the company left a wider error margin for its quarterly guidance because of a number of unknowns, he cautioned on an analyst call. Much of Amazon's revenue "comes in that very tight window between the middle of November and the end of the year," Mr. Olsavsky said. "It's always a very difficult period for us to estimate."

As the company moves into the fourth quarter, both an accounting change relating to

how the company distributes its Prime subscription revenue and an increase in wages for nearly 400,000 U.S. and U.K.-based blue-collar workers resulted in the broader guidance, Mr. Olsavsky said.

He also said that some of the unpredictability relating to its earnings was due to the fact that it is delivering more of its packages. As a result, they could be subject to higher costs due to capacity issues or fluctuating fuel costs.

"We're expecting a strong holiday season, so there's no message in our forward guidance against that," Mr. Olsavsky said.

Google's parent company also reported surging profits, up 37% for the three months through September, but saw revenue growth slow to 21%, from 24% the year before. Ad revenue, which accounts for the vast majority of sales, rose 20% to \$28.95 billion.

The results come after Alphabet lost more than one-sixth of its market capitalization in the span of three months.

The company is dealing with a growing backlash from regulators around the world about its handling of data privacy. It also has been racked by internal turmoil over the past year on issues ranging from its work with the U.S. military to its handling of gen-



Amazon reported its second straight quarter of record profits, but revenue was a disappointment at the e-commerce company.

LINDSEY WASSON/REUTERS

der issues in its workforce.

In a memo to employees on Thursday, Google Chief Executive Sundar Pichai said the company has fired 48 staff members for sexual harassment over the past two years, according to a copy of the memo reviewed by The Wall Street Journal. Alphabet had 80,110 full-time employees as of the end of last year.

Mr. Pichai's memo came in response to a New York Times story about Google executives accused of sexual misconduct. Google declined to comment on details in the article. Mr. Pichai said in the memo that Google is "dead serious about making sure we provide a safe and inclusive workplace."

Google's core search business has faced rising costs. Its payments to distribution partners accounted for 13.1% of revenue generated by the company's website traffic, a higher amount than the company spent in the year-earlier period and in the second quarter of this year.

Amazon is taking some digital-advertising business, albeit in small increments, away from Google and Facebook Inc. Google's share of U.S. digital ad spending is expected to fall to 37% this year, from 39% last year, according to eMarketer. Amazon's share is projected to jump to more than 4%, from 2% last year.

Economy Faces Some 4th-Period Headwinds

By ERIC MORATH AND JOSH ZUMBRUN

WASHINGTON—This year's robust economic growth appears poised to cool in the final months of 2018 as the U.S. faces headwinds from international trade and an easing of private-sector demand for manufactured products.

The trade deficit in goods widened for the fourth month in a row in September, the Commerce Department said Thursday. A widening trade gap is typically a drag on the measure of gross domestic product. A separate Commerce Department measure of demand for long-lasting manufactured goods rose in September due to a big increase in military aircraft orders. Excluding defense, durable-goods orders fell, and a narrower proxy for business investment declined for the second straight month.

The latest data, which the government will release Friday, isn't expected to significantly recast GDP figures for the third quarter, but it could hint at a slowdown in growth during the final three months of the year. Economists surveyed by The Wall Street Journal project that economic output expanded at a 3.4% annual pace in the July through September period. Many forecasters expect the growth rate to slip below 3% in the fourth quarter.

The trade deficit has widened through the third quarter. The latest data showed the trade deficit in goods climbed to \$76 billion in September.

Both the deficit in goods and the overall trade deficit had come down in the second quarter, contributing to that quarter's robust 4.2% growth.

Some of the gains for U.S. exporters in the second quarter proved temporary. Soybean exports had surged earlier in the year, driven by producers rushing their exports out of the country before tariffs between China and the U.S. went into effect over the summer.

Overall exports have risen slightly, but imports have risen even more, causing the trade balance to deteriorate. U.S. imports in September rose by the most in seven months.

The drag on GDP growth from international trade last quarter is expected to be largely offset by an increase in business inventories. Some firms have been stocking up in an effort to secure goods ahead of tariffs being imposed.

That poses a risk to fourth-quarter output growth because firms may draw down inventories rather than increase production to meet consumer and business demand.

Meanwhile, orders for durable goods, manufactured products intended to last at least three years, unexpectedly increased a seasonally adjusted 0.8% in September, the Commerce Department said. The gain was largely due to a doubling of military aircraft orders. Excluding defense demand, orders fell 0.6%.

from its definition of diamond. The article incorrectly said that diamond growers no longer have to market their stones as "laboratory-grown" or "laboratory-created," and it incorrectly said diamond miners no longer can refer to their stones as natural.

Mansur Gavriel sells its Travel Bag in calfskin versions and in vegetable-tanned leather versions. An article in the November/December issue of The Future of Everything magazine about De Beers incorrectly said the company insisted it would never sell lab-grown stones. Also, marketers must make clear that lab-created diamonds aren't mined stones although the Federal Trade Commission in July amended its jewelry guides to remove the word "synthetic" from its approved list of terms that can be used when selling lab-created diamonds. And marketers of mined diamonds can use the term "natural" to describe their product although the FTC removed the word "natural"

Online-only grocer Ocado operates a warehouse about 70 miles southwest of London. An article in the November/December issue of The Future of Everything magazine about retailers' use of robotics incorrectly said it was an hour north of London.

CORRECTIONS & AMPLIFICATIONS

Corporate records at Lebanon's Justice Ministry identify Achraf Assem Safieddine as the co-founder of one company sanctioned in 2014 by the U.S. in connection with two Lebanese brothers, Kamel Mohamed Amhaz and Issam Mohamed Amhaz, who were cited for supporting terrorist group Hezbollah. A World News article July 28 about companies tied to the Amhaz brothers incorrectly said Mr. Safieddine co-founded two of the companies sanctioned in 2014, and the article didn't specify that the corporate records were from Lebanon's Justice Ministry. Also, April 2018 corporate records for another Lebanese firm associated with Kamel Amhaz, Liban Stars SAL, which wasn't sanctioned, listed Mr. Safieddine as a primary owner, and later corporate records said that company is "under dissolution." The article omitted the date of the records

that listed Mr. Safieddine as a primary owner and omitted that it is listed as under dissolution. Although corporate records listed Mr. Safieddine as a primary owner of Liban Stars, he said that he was never a shareholder in any of the companies associated with Kamel Amhaz and that he resigned as Mr. Amhaz's legal adviser after Mr. Amhaz was sanctioned. The article omitted this information. Mr. Safieddine also said that he and partners in another concern, an unsanctioned weapons company that closed in 2015, disassociated it from Kamel Amhaz in 2014. The article didn't mention Mr. Safieddine's statement that Mr. Amhaz separated from that company in 2014.

In a graphic with a Markets article Tuesday about Italian debt, a chart showing holders of Italian government debt incorrectly omitted the label for

the share held by pension funds, insurance companies and other nonbank financial institutions. Additionally, the footnote symbol on the chart showing the average life of Italy's government debt should have been a dagger to point to the footnote reading "weighted by the amount of each maturity outstanding." The chart incorrectly carried a double dagger symbol.

China raised tariffs on cars imported from the U.S. to 40% in July. A Heard on the Street column Monday about Tesla incorrectly gave the new tariff as 45%. The MIT Media Lab's Open Agriculture Initiative's Personal Food Computer kits will be available for sale through the Open Agriculture Foundation sometime in 2019. An article in the November/December issue of The Future of Everything magazine about Open Agriculture's farming research incorrectly said the Open Agriculture Initiative itself will begin selling them in January.

De Beers has worked to promote the value of mined diamonds over lab-grown stones. An article in the November/December issue of The Future of Everything magazine about De Beers incorrectly said the company insisted it would never sell lab-grown stones. Also, marketers must make clear that lab-created diamonds aren't mined stones although the Federal Trade Commission in July amended its jewelry guides to remove the word "synthetic" from its approved list of terms that can be used when selling lab-created diamonds. And marketers of mined diamonds can use the term "natural" to describe their product although the FTC removed the word "natural"

THE WALL STREET JOURNAL

(USPS 664-880)

(Central Edition ISSN 0099-9660)

(Western Edition ISSN 0193-2241)

Editorial and publication headquarters:

1211 Avenue of the Americas, New York, NY 10036

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

Postmaster:

Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicope, MA 01020.

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U.S. NEWS

Trump Reviews Steps to Block Migrants

The Trump administration is considering a plan to block ports of entry to migrants, including asylum seekers, on the U.S.-Mexico border, with several options expected to be delivered to the Department of Homeland Security on Friday, according to a federal law-enforcement official familiar with the discussions.

*By Alicia A. Caldwell
in Los Angeles
and Rebecca Ballhaus
and Nancy A. Youssef
in Washington*

The official said no decisions had been made, but that the option of blocking ports of entry is being discussed by officials within the Department of Homeland Security.

A White House official said Thursday that the administration was mulling a "wide range of administrative, legal and legislative options" to address illegal immigration. The official offered no specifics on what measures the administration was considering and gave no timeline for a decision.

The law-enforcement official said DHS officials are also updating decades-old plans to deal with mass migration.

The executive action under consideration would give the administration more discretion to deny asylum to mi-

grants, a second White House official said. Options that have been discussed include restricting asylum status to migrants from certain countries or to only those who cross the border at a port of entry.

"We're trying to put a small Band-Aid on the problem," the official said.

The plans aren't finalized, and haven't been presented to President Trump, the official said. It may take until at least early next week to complete and announce, the official said.

The consideration of the plan, first reported by the New York Times, comes as a caravan of thousands of migrants, currently more than 1,000 miles from the U.S.-Mexican border, moves northward.

Mr. Trump in recent days has repeatedly criticized the caravan and used illegal immigration as a political issue with which to hammer Democrats. Mr. Trump has made it a focus on Twitter and in a series of campaign rallies around the country ahead of the midterm elections, in which Republicans' control of Congress hangs in the balance.

The Democratic leaders in Congress, Sen. Chuck Schumer of New York and Rep. Nancy Pelosi of California, issued a joint statement this week saying Mr. Trump is "desperate" to change the subject from



Workers removing old border fencing during construction earlier this month in El Paso, Texas.

health care to immigration because voters oppose GOP policies on health care.

Earlier Thursday, Mr. Trump tweeted: "To those in the Caravan, turnaround, we are not letting people into the United States illegally. Go back to your Country and if you want, apply for citizenship like millions of others are doing!"

Foreigners are allowed to ask for asylum at the U.S. border. Being caught crossing the border illegally is a misdemeanor, but there is no crime involved in asking for refuge at

a legal border crossing. Homeland Security Secretary Kirstjen Nielsen and other officials have repeatedly encouraged asylum seekers to go to ports of entry because that is the legal way to do it.

The busy ports of entry south of San Diego were closed once before after the kidnapping of Drug Enforcement Administration agent Enrique "Kiki" Camarena in 1985. After the Sept. 11 attacks in 2001, President George W. Bush partially closed the southern border and required inspections of

every crossing vehicle.

Human-rights organizations expressed concern Thursday. "The president's proposed border closure is an abdication of our American ideals and a betrayal of what our great country was built on," Eleanor Acer, refugee protection director at Human Rights First, said in a statement.

"Any attempt to block from the United States the vulnerable men, women, and children who come here seeking safety is a shameful new low for this administration."

Defense Secretary Jim Mattis is expected to approve a request for 800 U.S. troops to travel to the U.S.-Mexico border to provide logistical support for border agents, a U.S. official said earlier Thursday.

Once the deployment is approved, the Pentagon will determine which troops to dispatch to the border and begin planning their mission.

U.S. troops aren't legally permitted to use lethal force in law-enforcement operations and will be providing equipment and labor to border officials for tasks such as medical support, building fences and erecting tents.

The president has threatened to use military force to repel the caravan of mostly asylum seekers traveling north from Honduras through Mexico.

"I am bringing out the military for this National Emergency. They will be stopped!" Mr. Trump tweeted Thursday.

The president ordered National Guard troops to the border earlier this year after declaring a crisis at the border. More than 2,000 troops have since been deployed, but have largely been out of the public view as they helped monitor cameras and undertook other nonenforcement tasks.

—Michael C. Bender contributed to this article.

Teacher Shortage Prompts Schools To Turn to Screens

BY TAWNELL D. HOBBS

DUNCANVILLE, Texas—One recent morning, about two dozen students walked into precalculus, took their seats, and began logging into school-provided laptops.

The voice of their teacher, Elizabeth Jacobsen, came over a speaker system. "Chat me a hello message. Please be sure to turn your cameras on," she said.

Ms. Jacobsen's face popped up via live stream on the students' laptops and was projected on a whiteboard at the front of the room.

From her living-room-turned-office in Woodstock, Ga., Ms. Jacobsen walked students through finding the functions of an angle with a virtual pen, in close-up. An aide in the classroom helped students and made sure they stayed on task.

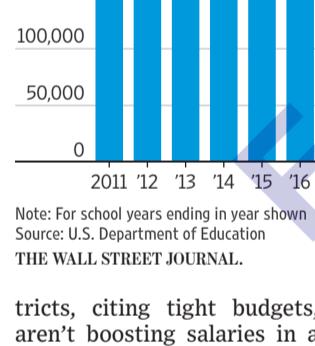
The teacher shortage is getting so bad across the country that tens of thousands of students nationwide now get lessons live streamed into their classrooms.

"It's weird at first, but you get used to it," said 17-year-old Desirée Ramirez, a senior here at Duncanville High School who is taking her second remotely taught class this school year.

All 50 states and Washington, D.C., report teacher shortages, mainly in hard-to-fill areas like science, math and special education. School dis-

Empty Desks

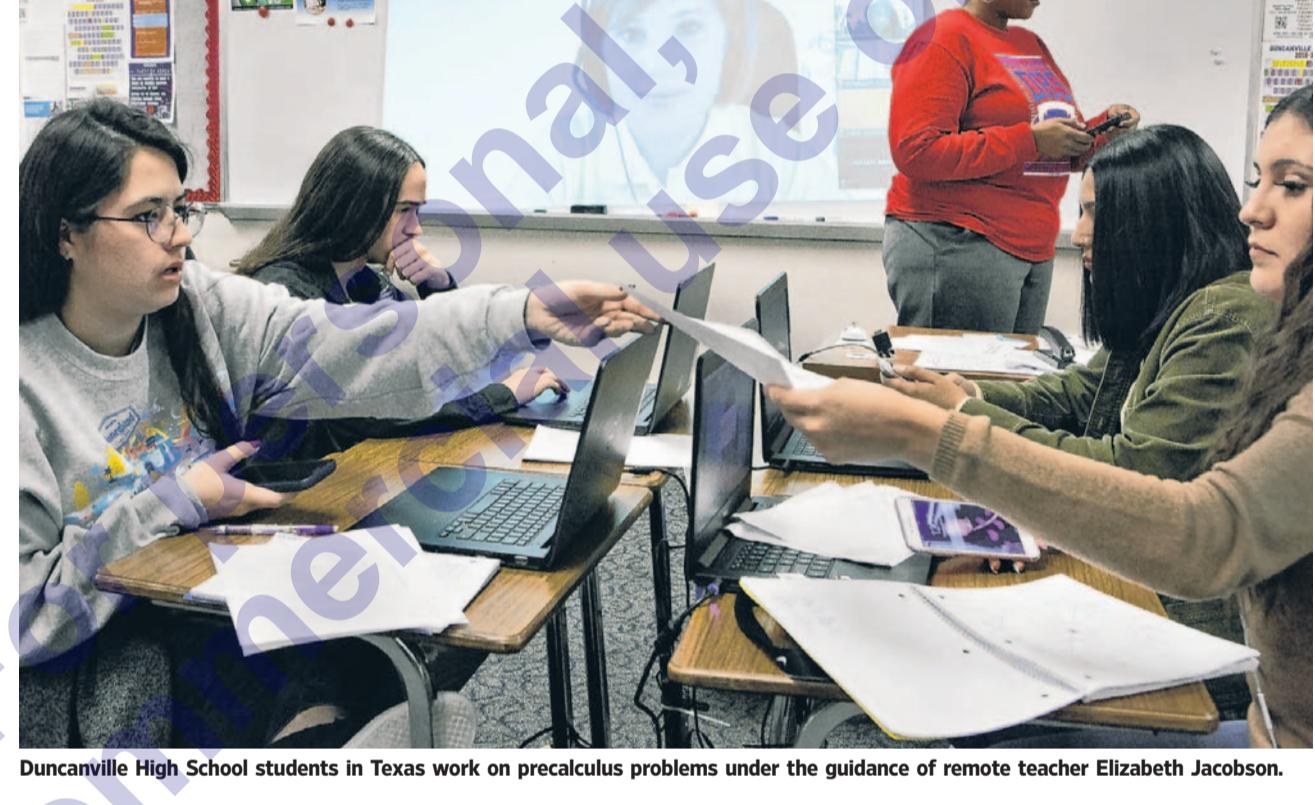
The number of people completing teacher preparation programs has decreased over the years.



Note: For school years ending in year shown

Source: U.S. Department of Education

THE WALL STREET JOURNAL



Duncanville High School students in Texas work on precalculus problems under the guidance of remote teacher Elizabeth Jacobson.

Proximity teachers, mostly former teachers who left the field for various reasons such as retirement or wanting to stay home with children, work from the school districts' curriculum, said Evan Erdberg, chief executive of the Austin-based company.

Some school administrators say students are performing well under the remote teachers. "The kids actually did as good or better," said Ronnie Wade, chief talent officer in Fulton County Schools, a 98,000-student district near Atlanta, Ga., that has used Proximity teachers for about three years.

Randi Weingarten, president

of the American Federation of Teachers, said her group is "cautious" about the method, understanding the need to fill spots in the short term but saying it shouldn't be used to skirt efforts to boost teacher pay and attract in-person teachers.

"The root cause of this is a lack of investment in the schools," Ms. Weingarten said.

Recently at Duncanville High School, a sprawling 4,300-student suburban campus south of Dallas, the precalculus students worked the problems on paper, then typed in their answers, which appeared in a group chat column on the right of the screens. They can click on a micro-

phone icon to talk with the teacher, click on a hand icon to raise their hand, click on a coffee cup to indicate they need a break and a thumbs-up or down sign to indicate they like or dislike something.

Facilitator Heather Simpson busily made rounds in the classroom to assist students, such as one who needed help with his password. Students for the most part focused on Ms. Jacobsen's virtual calculations on their laptops when they weren't working problems on paper. The teacher's praise for correct answers floated through the room. "Awesome," she told one student. "Good job," she told another.

The atmosphere is different than in a traditional class, as the teacher isn't walking around interacting with students. The facilitator does that and sometimes repeats instructions for confused students as the teacher carries on with the lesson. Students for the most part work individually.

Ms. Jacobsen, who once taught for a school district but resigned to have more time with her family, remotely teaches close to 300 students in 10 classes in Texas and Louisiana. It isn't much different teaching virtually, she says, but "there's work-life balance teaching this way."

White House Proposal Targets Drug Pricing Under Medicare

BY STEPHANIE ARMOUR
AND JOSEPH WALKER

President Trump on Thursday offered a plan to drive down the price Medicare pays for some drugs, a move that could save taxpayers billions of dollars but also faces resistance from the pharmaceutical industry.

The approach would test a plan to lower costs for some drugs over five years by basing them on their costs in other countries. It marks a push by the administration ahead of the Nov. 6 midterm elections to challenge assertions from Democrats that it has done too little to tackle high drug prices.

"This is a revolutionary change," said Mr. Trump, who outlined the proposal in remarks at the Department of Health and Human Services. "No one has had the courage to do it or just didn't want to do it."

The proposal wouldn't likely go into effect until late



President Trump's test plan would cut some costs for five years.

2019 or 2020 and would cover only some drugs in Medicare in parts of the country. Some Democrats said the idea would do little in the short term and fall

short of Mr. Trump's more aggressive campaign promise on drug prices.

Under the proposal, the Centers for Medicare and Medicaid Services would is-

sue a proposed rule this spring to change how it pays for infused and injected drugs administered by physicians in half of the country. The changes would only apply to some drugs in Medicare's outpatient program known as Part B, and not the most commonly used medicines sold at pharmacies.

Medicare spent \$28 billion on drugs used in Part B in 2016, up 59% from \$17.6 billion in 2011, CMS said in a statement. The agency said its planned experiment would reduce spending on the drugs by about 30% and save seniors money by lowering their coinsurance payments.

Compared with the U.S., drug prices are far lower in many overseas countries. In Europe, governments directly or indirectly control their costs. In some cases, the national health service buys drugs and sets a price that manufacturers must meet to sell their product. The U.S. prices are set on the open

market and through negotiation by insurers and hospitals.

The proposal aims to strong arm pharmaceutical companies into lowering prices for some of the highest-cost drugs in Medicare. But it is set to face heated opposition from the pharmaceutical industry, which has said it relies on U.S. spending on its drugs to fuel innovation and research.

"Adopting foreign price controls on American innovation puts America's patients last and diminishes their hope for a better future," said James C. Greenwood, chief executive of the Biotechnology Innovation Organization, a drug-industry group whose members' sales rely on Medicare Part B.

HHS Secretary Alex Azar said drug makers are always free to raise the prices they charge in other countries or focus on reducing inefficiencies in their operations to make up cost differences. Mr. Trump has called other coun-

tries "freeloaders," saying they're reaping the benefits of U.S. drug innovation while paying far less.

The proposal drew mixed reactions from lawmakers and consumer advocacy groups. Some derided it as a public-relations effort to drum up voter support for Republicans, who have been looking for a winning message on health care before the midterms.

The U.S. experiment would last from 2020 to 2025 and would only apply to certain drugs made by a single manufacturer and those known as biologics, which are made from living organisms.

The federal government, as part of the proposal, would also look at having vendors negotiate prices instead of doctors and hospitals and paying doctors a flat fee for administering medications instead of a percentage of the purchase price.

—Thomas M. Burton contributed to this article.

U.S. NEWS

Colorado Republican Hits a Wall

By ALEJANDRO LAZO

AURORA, Colo.—Rep. Mike Coffman nodded his head and shimmied his shoulders as he sat watching a Colombian dance troupe at the Queen of Peace Catholic Church in this Denver suburb one recent Sunday.

A moment later, the five-term Republican congressman was on his feet, dancing off-rhythm in his navy-blue blazer alongside a performer in a lime-green dress.

Mr. Coffman is a familiar face among immigrants here. A former state legislator elected to Congress in 2008, he has forged close bonds with local ethnic communities since Colorado's Sixth District was redrawn in 2012 to include fewer conservative white voters.

But as he runs for his sixth term, Mr. Coffman is one of the most vulnerable incumbent congressmen in the country, with a poll showing him trailing his opponent and national GOP organizations pulling advertising dollars.

His challenger is Democrat Jason Crow, an attorney and political novice who has gained traction from anti-Trump sentiment and his pro-gun-control message tied to his service as an Army Ranger in Afghanistan and Iraq.

Matthew Hitt, a political-science professor at Colorado State University, said the Sixth District is "by far the most competitive" in Colorado because of its changing demographics.

The district is 62% white, a decline from 82% in 2009, when Mr. Coffman first took office, and Hillary Clinton won here in 2016 with 50% of the vote, compared with President Trump's 41%.

A recent poll conducted by the New York Times and Siena College showed Mr. Crow leading 47% to 38%. The National Republican Congressional Committee and the National Congressional Leadership Fund redirected ad dollars to other districts where they believe they have a stronger shot of defending the GOP House majority.

Pro-gun-control groups including the Giffords PAC, meanwhile, are investing millions in support of Mr. Crow. The district includes part of Littleton, where the 1999 mas-



GOP Rep. Mike Coffman, above, has reached out to immigrant communities, but Democrat Jason Crow, below, is leading their race.

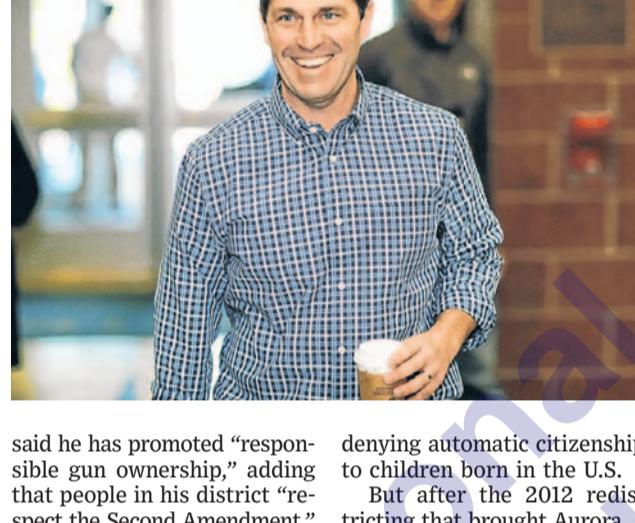
sacre at Columbine High School took place. In Aurora, a gunman killed 12 people at a movie theater in 2012.

At a gun-control town hall in his district following the Parkland, Fla., high school shooting this year, Mr. Coffman, also a veteran, was booed after he dodged questions about military-style assault weapons from the audience and refused to say he would stop taking campaign contributions from the NRA.

"I know those weapons well, I've used them at war," Mr. Crow, who supports reinstating the 1994 assault-weapons ban, told about 20 seniors at an Aurora retirement home last week. "They don't belong in our schools and our streets."

Jessica Price, who co-founded the Aurora chapter of Moms Demand Action for Gun Sense in America, believes that because of recent high-profile school shootings, Mr. Crow's stance on guns will drive his victory. "I don't think Mike Coffman truly understands the energy behind this issue," she said.

In an interview, Mr. Coffman



said he has promoted "responsible gun ownership," adding that people in his district "respect the Second Amendment."

The congressman also believes the deep support he has developed in the immigrant community will help him win. When he first went to Washington in 2009—having succeeded Republican Rep. Tom Tancredo, an outspoken opponent of illegal immigration—Mr. Coffman argued for English-only election ballots and

denying automatic citizenship to children born in the U.S.

But after the 2012 redistricting that brought Aurora, a destination for refugees and other immigrants, into the district, he began taking weekly Spanish lessons and attending services at mosques and gatherings at a local Chinese school. He recently went to the U.S.-Mexico border to denounce childhood separations.

"I have been able to do something that is pretty

unique in that I have been able to become part of these communities and break this narrative where they think Republicans are not just anti-illegal immigration, but they are anti-immigrant," Mr. Coffman said.

Girum Alemayehu, an Ethiopian immigrant who moved to Colorado in 1993, displays a "Mike Coffman for Congress" sign at his Aurora liquor store. Mr. Alemayehu credits a congressional resolution condemning Ethiopia for human rights violations—which Mr. Coffman pushed for—with helping pave the way for a new government there.

"In every Ethiopian home...the congressman is our hero," Mr. Alemayehu said.

But Mr. Coffman may face additional challenges simply by belonging to the same party as Mr. Trump.

Tom Klein, a businessman from Centennial, Colo., and a Democrat, said he would consider voting for Mr. Coffman if not for the fact that Mr. Trump was president. "I don't like Trump. My wife's an immigrant. I don't like the way he's treating immigrants."

Grassley Refers Avenatti For Probe

By NATALIE ANDREWS

WASHINGTON—Senate Judiciary Committee Chairman Chuck Grassley (R., Iowa) on Thursday referred attorney Michael Avenatti and one of his clients to the Justice Department for criminal investigation, alleging that they made false statements about Justice Brett Kavanaugh during his Supreme Court confirmation proceedings.

Justice Kavanaugh was confirmed this month after facing several allegations of sexual misconduct, which he denied. Last month, in a sworn declaration published on Twitter and sent to the committee by Mr. Avenatti, Julie Swetnick alleged that Justice Kavanaugh was at a party in the early 1980s when she was gang-raped and that he tried to get women drunk at several gatherings.

Ms. Swetnick's allegations weren't investigated by the Federal Bureau of Investigation in the subsequent background probe requested by senators. In his referral to the Justice Department, Mr. Grassley said committee staff interviewed 10 associates of

The senator accuses lawyer and his client of false statements about Kavanaugh.

Ms. Swetnick and sought to interview Ms. Swetnick, but that Mr. Avenatti turned down the request. The allegations haven't been independently confirmed.

"It is ironic that Senator Grassley now is interested in investigations. He didn't care when it came to putting a man on the SCOTUS for life," Mr. Avenatti tweeted on Thursday. "We welcome the investigation as now we can finally get to the bottom of Judge Kavanaugh's lies and conduct. Let the truth be known."

Mr. Avenatti has raised his profile this year as a frequent critic of President Trump. He also represents Stephanie Clifford, the former adult-film star known as Stormy Daniels, who was paid by a lawyer for Mr. Trump in October 2016 to keep quiet about an alleged affair with Mr. Trump.

The allegations from Ms. Swetnick and Mr. Avenatti came as the Senate was investigating two separate accusations of sexual misconduct against the Supreme Court nominee and preparing to hear from Christine Blasey Ford, who alleged Mr. Kavanaugh, now 53 years old, assaulted her when the two were both teenagers.

At the time, Justice Kavanaugh said he had never met Ms. Swetnick and told committee aides her allegations were a "smear campaign" against him. He was confirmed following the additional FBI investigation.

In news interviews, Ms. Swetnick contradicted her statements, saying in an interview with NBC News that she didn't have any knowledge of any gang rapes happening in rooms at parties, and didn't know if Justice Kavanaugh had spiked punch, but had assumed as much. Ms. Swetnick maintained that she was assaulted at a party.

It is a crime to make a false statement to committee investigators. Mr. Grassley referred the case to Justice investigators, saying Ms. Swetnick and Mr. Avenatti provided materially false statements to Congress and obstructed a congressional committee investigation.

This is the second and third referral to investigators that stemmed from the Kavanaugh confirmation process.

A man who told the staff of Sen. Sheldon Whitehouse (D., R.I.) that Justice Kavanaugh got into a fight on a boat was referred to the Justice Department when the man later retracted the allegations on social media.

—Rebecca Ballhaus contributed to this article.

Judge Orders Georgia to Ease Ballot Rules

By CAMERON MCWHIRTER

ATLANTA—A federal judge ordered Georgia election officials to take additional measures to give people a chance to fix problems with their absentee ballots.

U.S. District Judge Leigh Martin May on Thursday said if applicant or voter information is incomplete or a signature doesn't match one on file, people must be given a chance to

make changes so their votes will count in the Nov. 6 election.

The state provided written objections, arguing the order was "unworkable" because it required a lengthy appeals process, and filed an emergency motion to stop it.

The injunction comes in response to lawsuits filed this month by the American Civil Liberties Union and the Lawyers' Committee for Civil Rights Under Law on behalf of

several minority-rights and voting-rights groups.

Brian Kemp, who as Georgia secretary of state oversees elections and is also the Republican candidate for governor, was among those named as defendants. Mr. Kemp's opponent, Democrat Stacey Abrams, has made increased minority voting part of her campaign strategy.

Ms. Abrams accuses Mr. Kemp of working to suppress

the minority vote. Mr. Kemp accuses Ms. Abrams of advocating a loosening of election laws so that even noncitizens might vote.

Ms. Abrams, 44 years old, a former state House minority leader, is seeking to become the first black female governor in U.S. history. Mr. Kemp, 54, is seeking to continue GOP control of the governorship, which it has held since 2003. Polls show the race is close.

The suits argued the state's election boards needed to better notify people if their ballots or applications were about to be rejected and given time to correct them. They argued statutes weren't clear and allowed for problems.

It wasn't clear how many votes the injunction would affect. The judge cited the plaintiffs stating several hundred absentee ballots and applications were rejected this year.

Officials Find More Explosives

Continued from Page One
ages, Mr. Sweeney warned, and he called on the public to provide any information that may be helpful to the investigation. As of Thursday afternoon, no new packages had been discovered for eight hours, according to Philip Bartlett, a senior postal official.

President Trump was briefed several times Thursday on the suspected bombing attempts, tracking what one White House official called "a fluid situation."

At the White House, press secretary Sarah Sanders faced questions about Mr. Trump's campaign rhetoric and whether his attacks on political foes have inflamed voters ahead of the midterm elections.

"The president has condemned violence in all forms," Ms. Sanders said.

Mr. Trump lashed out at the news media, suggesting it played a part in fueling the vitriol that culminated in the attempting bombings.

"A very big part of the anger we see today in our society is caused by the purposely false and inaccurate reporting of the Mainstream Media that I refer to as Fake News," he

A Trove of Evidence

The FBI is analyzing the manila envelope packages, each containing a suspected explosive device, at its lab in Quantico, Va. Brad Galvan, a former ATF supervisory special agent, explains what clues to look for.

Return addresses list Rep. Debbie Wasserman Schultz and an address in Florida, both with misspellings.

U.S. Postal Service or other carrier markings are among the best clues, Mr. Galvan said.

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Especifically helpful for investigators is packaging tape, Mr. Galvan said, because if the bomber used tape to seal the packages there is a good chance there will be a fingerprint on it. The device itself will also provide clues. "Every single component will be analyzed, from the container to the wires to the circuitry," he said.

The first suspicious package was found Monday in the mailbox of the Westchester County, N.Y., home of George Soros, a billionaire who is a prominent liberal donor. Late Tuesday, one addressed to Hillary Clinton was intercepted at her home, also in Westchester County, and on Wednesday, several were found addressed to other prominent Democrats, including Barack Obama and Rep. Maxine Waters of California.

Early Thursday, a retired NYPD detective working at Mr. De Niro's property in Manhattan recognized that a package that had been received was similar to ones investigators alerted the public about, and he called the police bomb squad.

Mr. De Niro, who backed Mrs. Clinton in the 2016 presidential election, has been outspoken in his opposition to President Trump. At the Tony Awards earlier this year, he walked on stage and said, "I'm gonna say one thing: F--- Trump."

"Once that information is gleaned this will move forward quickly," the official said.

Brad Galvan, a former supervisory special agent at the Bureau of Alcohol, Tobacco, Firearms and Explosives, said that markings on the packages from the U.S. Postal Service or other carriers are among the best clues.

"It would give you the facility where it was shipped from and the date it was shipped," said Mr. Galvan. "You would go back to the facility and pull the video [of customers] and interview all the employees."

Surveillance footage from a FedEx store played a key role

in tracking down a serial bomber in Austin, Texas, earlier this year.

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U.S. NEWS

DEA Chief Vetted Candidates, Took Job

By MICHAEL C. BENDER

WASHINGTON—As one of President Trump's top compliance and ethics attorneys in the White House, Uttam Dhillon had urged several candidates for Drug Enforcement Administration chief to withdraw from consideration, citing concerns about their background checks. Then, he accepted the job himself.

Mr. Dhillon's rise to the top of the world's largest drug-fighting agency—after being closely involved in the selection process—has riled police groups that had pushed the White House to choose a DEA administrator with a law-enforcement background.

"We certainly would not support him being confirmed," Jonathan Thompson, chief executive of the National Sheriffs' Association, said about Mr. Dhillon. "It baffles me that he could sway the vetting process and help decide who wasn't qualified, while he floated to the top, because we

don't see a single qualification that makes him eligible to lead the agency."

The DEA, which enforces drug laws with a \$2 billion budget and 5,000 special agents, oversees the administration's response to the opioid epidemic. Mr. Trump on Wednesday marked the first anniversary of his decision to declare opioid addiction a national public-health emergency. Mr. Dhillon, who declined to comment for this article, sat in the front row of Mr. Trump's event in the East Room of the White House, where senior adviser Ivanka Trump, the president's daughter, walked up to shake his hand.

Mr. Dhillon has the support of the president's advisers. Kellyanne Conway, the president's counselor who coordinates the White House response to the opioid crisis, said Mr. Dhillon understands the president's agenda. John Kelly, the White House chief of staff, has described Mr.



Uttam Dhillon

uty attorney general. Five years after Mr. Dhillon was confirmed as head of the Office of Counterterrorism Enforcement under President George W. Bush, the inspector general in the Department of Homeland Security reported that the office "has had trouble fulfilling statutory responsibilities." It was closed under President Obama.

White House spokesman Raj Shah said that Mr. Dhillon's role as a lawyer there was to advise former White House counsel Don McGahn on personnel decisions within the Justice Department, and the White House was confident in his ability to run the DEA.

But the 57-year-old attorney wasn't the first choice of the White House, according to people familiar with the matter.

Mr. Dhillon discussed his interest in the job with other senior White House officials as early as January, while he was involved in the selection process for the position, ac-

cording to people involved in those conversations.

In the next several months, Mr. Dhillon called multiple candidates to inform them they were out of the running or to encourage them to withdraw, according to people familiar with the calls. Several administration officials said it was unusual for someone in Mr. Dhillon's role to initiate those calls.

The most serious contender before Mr. Dhillon's appointment was Michael A. Braun, a former DEA operations chief. Mr. Braun, who is currently president of an international security-consulting firm, had been interviewed by Attorney General Jeff Sessions, who told associates that he supported Mr. Braun's nomination, and he was backed by several law-enforcement groups.

He also completed a background check, according to people familiar with Mr. Braun's vetting.

That check is initiated at the request of the president.

After the check had been completed, Mr. Dhillon called Mr. Braun in March and encouraged him to withdraw, suggesting there was an issue in the background check, according to people briefed on the call. Mr. Braun disputed that possibility, the people said, and declined to remove his name from consideration.

Mr. Braun was named in a 2014 report by the Justice Department inspector general that investigated a Florida-based financial planner's Ponzi scheme, which Mr. Braun and some DEA employees had invested in. While the report didn't recommend any action against them, a White House official said that the report was a factor in eliminating Mr. Braun from contention.

A senior administration official said that Mr. Dhillon didn't undermine Mr. Braun's candidacy. This official said Mr. Dhillon considered Mr. Braun a friend and suggested him for the job. Mr. Braun declined to comment.

U.S. WATCH

TRUMP FOUNDATION

Judge Hits Pause on New York State Suit

A Manhattan judge on Thursday indicated she was sympathetic to claims President Trump used his family charity to benefit his campaign, but said she wouldn't decide whether a lawsuit on the matter would proceed until a higher court ruled if a sitting president could be sued in state court.

In June, the New York attorney general's office sued Mr. Trump, accusing him of using the Donald J. Trump Foundation to further his 2016 campaign, pay legal settlements and promote his businesses. The suit, which names Mr. Trump, his three older children and the charity itself, seeks restitution, to dissolve the foundation and ban Mr. Trump from serving on

charity boards in the state for 10 years. Mr. Trump called the lawsuit "ridiculous" and said he wouldn't settle the case.

—Corrine Ramey

ECONOMIC DATA

U.S. Jobless Claims Up Last Week

The number of Americans filing applications for new unemployment benefits rose during the first full week that workers affected by Hurricane Michael could seek jobless assistance.

Initial jobless claims, a proxy for layoffs across the U.S., increased by 5,000 to a seasonally adjusted 215,000 in the week ended Oct. 20, the Labor Department said Thursday.

Economists surveyed by The Wall Street Journal expected 214,000 new claims last week.

—Eric Morath

NORTHERN MARIANA ISLANDS

Woman Is Killed in Super Typhoon Yutu

The governor's office said a super typhoon killed at least one person when it slammed into the U.S. Commonwealth of the Northern Mariana Islands.

A post on the office's Facebook page said a 44-year-old woman died while taking shelter in an abandoned building that collapsed during the strongest storm to hit any part of the U.S. this year.

Super Typhoon Yutu left devastation when it passed over the Pacific U.S. territory early Thursday local time. Government officials couldn't be reached for additional details. The territory's delegate to Congress said Thursday that the islands will need significant help to recover.

—Associated Press



AFTERMATH: Damage is seen in Tinian after Super Typhoon Yutu hit the U.S. Commonwealth of the Northern Mariana Islands on Thursday. The governor's office said a 44-year-old woman was killed.

OFFICE OF THE MAYOR OF TINIAN AND AGUIGUAN/REUTERS

TEFAF NEW YORK FALL 2018

FINE & DECORATIVE ART
FROM ANTIQUITY TO 1920



Image courtesy of Sebastian Izzard LLC

PREVIEW DAY
OCTOBER 26 (INVITATION ONLY)
GENERAL ADMISSION
OCTOBER 27–31

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ARMORY

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TO BENEFIT THE SOCIETY OF
MEMORIAL SLOAN KETTERING
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5–8PM

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WORLD NEWS

Saudis Shift Again on Journalist's Death

Attorney general says evidence indicates 'prior intention' in Khashoggi's killing

By MARGHERITA STANCATI AND SUMMER SAID

Saudi Arabia said evidence suggests Jamal Khashoggi's killing was premeditated, shifting away from its assertion that the journalist died in a brawl in its latest attempt to defuse a crisis rattling the monarchy.

The kingdom's attorney general on Thursday said information shared by Turkey as part of an investigation of Mr. Khashoggi's killing "indicates that the suspects in that incident had done their act with a prior intention." He previously said 18 people had been detained in connection with the dissident journalist's death, pending the conclusion of the investigation.

Saudi Arabia also lifted travel restrictions on Mr. Khashoggi's eldest son, Salah, who was en route to the U.S. on Thursday, according to a State Department spokesman. The ban had been imposed to put pressure on the elder Mr. Khashoggi, a government critic, after he relocated to the U.S. last year. Days earlier, Salah had been summoned to a meeting with King Salman and Crown Prince Mohammed bin Salman where they publicly offered their condolences in front of TV cameras.

Mr. Khashoggi was killed inside the kingdom's consulate in Istanbul on Oct. 2. Since then, the kingdom has faced mounting international pressure to offer a credible narrative of what happened amid suspicions by Turkish and Western officials that the operation could only have been carried out with approval from the highest level of government.

U.S. Central Intelligence Agency Director Gina Haspel briefed President Trump on Thursday morning after traveling to Turkey to review evidence



Protesters gathered on Thursday outside the Saudi Arabian consulate in Istanbul, where dissident Jamal Khashoggi was killed on Oct. 2.

consulate, dismissing accusations of wrongdoing as baseless. Last week, it said Mr. Khashoggi was killed inside the consulate by "rogue operatives" but claimed his death was unintentional, the result of a heated argument that turned into a brawl. That explanation, like the earlier denials, drew widespread skepticism.

The Saudis' new determination that Mr. Khashoggi's death was most likely premeditated aligns the kingdom's narrative more closely with that of Turkish authorities, who say Mr. Khashoggi was drugged, killed and dismembered shortly after he entered the consulate. Turkish officials have identified 15 members of the alleged Saudi hit team and confirmed footage of a Khashoggi impersonator leaving the consulate.

Turkish President Recep Tayyip Erdogan this week publicly challenged the Saudi explanation that Mr. Khashoggi died in a brawl, and called for "all the responsible people, from the lowest rank to the highest" to be held accountable.

Prince Mohammed on Wednesday sought to strike a conciliatory tone, saying the Khashoggi affair wouldn't "drive a wedge" between the two countries, which compete for influence in the Middle East.

"There is no deal between Turkey and Saudi Arabia to hide what had happened in the consulate," said another Saudi government adviser. "This is Saudi Arabia realizing their previous stories did not stick."

Turkish investigators on Thursday were denied access to the Saudi consulate to conduct another search of the premises, this time focused on a well, in which they suspect body parts of Mr. Khashoggi may have been disposed, Turkish state media reported. Investigators have collected a water sample from the sewage system connected to the consulate.

—Sue Engel Rasmussen in Istanbul contributed to this article.

Oil Industry Leaders Stick With Riyadh

With its investment prospects rocked by the killing of dissident journalist Jamal Khashoggi, Saudi Arabia turned this week to its most trusted business ally—the oil industry.

Saudi officials said agreements totaling over \$55 billion were struck in the energy, transportation and petrochemicals sectors during a three-day

conference in Riyadh that ended Thursday. The mostly nonbinding pacts were striking for their focus on oil at a conference that is Crown Prince Mohammed bin Salman's main showcase for his efforts to diversify the kingdom's oil-dependent economy.

Most Western executives in those sectors canceled their appearances this year at the conference, known as the Future Investment Initiative, in the wake of the killing of Mr. Khashoggi on Oct. 2 inside the Saudi consulate in Istanbul. Saudi prosecutors

said Thursday the killing appeared to be premeditated, contradicting a prior statement that said he died after a brawl. Saudi Arabia initially said Mr. Khashoggi had left the consulate.

The uproar didn't faze oil-industry executives. The chief executives of Total SA, Baker Hughes, Schlumberger Ltd. and Trafigura Group Pte. Ltd. all attended. Total CEO Patrick Pouyanne was given a prominent speaking role at a panel with the Saudi oil minister, Khalid al-Falih, and offered a robust de-

fense of engaging with the Saudis. "We see what partnership means when you have difficult times," Mr. Pouyanne told the audience.

The emphasis on energy this week was a departure for the conference. Last year, Prince Mohammed unveiled plans to build a \$500 billion city populated by robots called Neom and spun a vision of Saudi Arabia as a technology and investment hub in the Middle East.

—Rory Jones and Nicolas Parasie

compiled by investigators in Istanbul, which Turkish officials have said includes audio recordings of Mr. Khashoggi's killing. Ms. Haspel spoke to Mr. Trump about her findings and discussions, a White House official said.

The latest developments show the monarchy's desire to move quickly to change tack once again on its response to Mr.

Khashoggi's death, which has escalated into the kingdom's most serious foreign-policy crisis in years, straining ties with the U.S. and Turkey, a regional rival.

"He knows he cannot remain as aggressive while the whole world wants credible answers," a senior adviser to the Saudi government said of Prince Mohammed, the country's day-to-day ruler. "It's his chance to turn

things around, but of course it may not work."

The shift is also a message to the kingdom's citizens, the official added. "While your average Saudi does not like the attack on the kingdom, they have lost some faith in their leadership and the regime knows they need to come across as more credible," he said.

Prince Mohammed publicly

addressed the issue for the first time on Wednesday, saying the perpetrators of the "hideous incident" would be brought to justice and pledging full cooperation with Turkish authorities.

Since Mr. Khashoggi first disappeared, the official Saudi version of events has changed several times. The Saudi government initially claimed the dissident journalist had left the

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WORLD NEWS

U.S. Mulls How to Hit Tehran's Banks

The Trump administration, days before imposing sanctions aimed at the heart of Iran's economy, is wrestling with a decision critical to its pressure campaign: How hard to push European allies to cut off the country from the global banking system.

By Ian Talley in Abu Dhabi and Laurence Norman in Brussels

Treasury Secretary Steven Mnuchin signaled that the U.S. may not force Belgium-based financial-messaging service Swift to disconnect Iranian banks from the global banking network. The secretary has told foreign governments the U.S. could take a less-confrontational approach, according to people who have been briefed on the matter by government officials.

But other powerful voices close to the president, including national security adviser John Bolton, are ready to sanction Swift should it ignore Washington's call to disconnect Iranian institutions, according to those people. The National Security Council didn't respond to a request for comment about Mr. Bolton's position and the administration's decision-making process.

Mr. Mnuchin suggested an openness to keeping some Iranian banks on Swift—while leaving room for a final decision that included forcing a Swift disconnect. "Our objective is to make sure that financial institutions do not process sanctioned transactions," he said.

His office is "having very specific discussions with Swift," he said.

Swift, a cooperative used by most banks for cross-border transfers, said it is seeking clarification from governments on both sides of the Atlantic.

Iran Shields Poor as Sanctions Bite

As Iran braces for U.S. sanctions that target its financial lifeline—oil sales—it is resorting to a series of extraordinary steps to try to insulate the country's increasingly restive working class from the likely economic fallout.

By Aresu Eqlabi in Tehran and Asa Fitch in Dubai

The Iranian government is moving ahead with plans to provide financial support to 20 million lower-income people, or about a quarter of the population, and extra relief to 11 million of the country's poorest.

As a second round of U.S. sanctions is set to come into effect on Nov. 5, Iran is standing over a precipice. With an unsteady economy, a sharp drop in the value of the currency and the prospect of more economic pain ahead, the cost of living in Iran has soared.

"Everything is expensive," said a 68-year-old man selling chewing gum and tissues on the street in Tehran. "At this age, I still have to do something to survive."

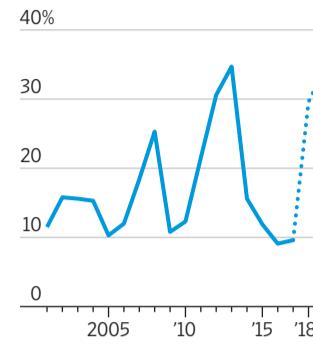
The U.S. measures come after President Trump withdrew the U.S. in May from a multinational accord that lifted sanctions in exchange for curbs on Iran's nuclear activity. A first round in August targeted Iran's

Prices Up, Economy Down

Projections for Iran's economy have soured as the U.S. prepares new sanctions.

Average consumer prices

Change from a year earlier



*Forecasts begin in 2018

Source: International Monetary Fund

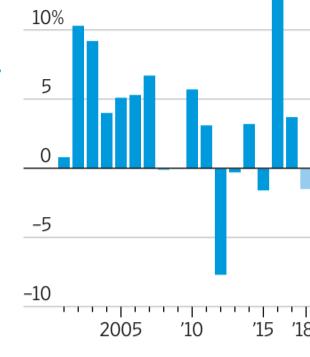
foreign-currency trade, auto industry and other sectors; the next round, targeting the energy and finance sectors, follows a 180-day wind-down period set by the Treasury Department.

But the sanctions plan has already had an impact. The International Monetary Fund now expects Iran's economy to shrink by 3.6% next year, in an Oct. 9 forecast that drastically reversed the prediction it made in April, before Mr. Trump pulled out of the accord, of more than 4% growth.

The economy had been shaky even before the sanctions,

Real gross domestic product

Change from a year earlier



THE WALL STREET JOURNAL.

mainly because of inflation, which the IMF forecasts will reach almost 30% this year. But the U.S. measures aggravated the fall of the Iranian currency against the dollar; it takes roughly 138,000 rials to buy a U.S. dollar today, compared with 42,000 in January.

Many Iranians have had to cut back as the cost of food, medicine and other staples rapidly rises. The strains have stoked discontent: Iran's widest street protests in nearly a decade broke out in December, centering initially on the government's economic manage-

ment before morphing into a criticism of the ruling system.

The unrest fizzled after a security crackdown in January, but with many of the economic pressures unaddressed, occasional protests still erupt.

Iran's leaders blame U.S. "economic warfare" for the state of the economy and currency. But President Hassan Rouhani's government has struggled to find an effective way to damp the impact.

Some of Iran's poorest are waiting for the government to expand the social safety net; the government has said it aims its relief packages to help those who earn less than 30 million rials (\$217) a month.

In 2010, the government slashed longstanding subsidies on energy and instead started giving most Iranians monthly cash payments—currently 455,000 rials a person; that was equal to about \$10 in January, but about \$3.30 today.

Subsidies, however, have been a drain on government finances, and Mr. Rouhani had led a charge to scale them back before the latest bout of economic turmoil.

Iranian authorities are looking for other ways to cushion the blow of U.S. sanctions, and have been huddling with European parties to the nuclear deal to keep the pact alive. Iran is deploying a \$5 billion state fund

for overseas investments and introduced enticements for foreign investors.

Authorities have also introduced tighter financial controls to give comfort to European partners who are setting up a special payments channel to continue trade with Iran.

In parallel, Tehran formed special courts for economic crimes in August.

"I don't think these measures will work out in the long term," said a money-changer in Tehran, pointing to the government's struggles to bolster the currency.

"The sanctions have 100% had an impact on my work," said Ali Ghaseemi, 32, a Tehran hardware merchant who has had to triple his prices. In one case, he said, a supplier withheld goods and demanded more money for goods he had already paid for, because the dollar rate had gone up.

Bread and cereal prices were up nearly 17% year-over-year in urban areas in August, while eggs and dairy climbed more than 28% and fruits were 85% more expensive, according to central bank figures.

Mehri Rezai, 50, a resident of Tehran who has suffered since childhood from rheumatoid arthritis, is in line for extra financial help from the government. "You have no idea what hardship I live with," she said.

WORLD WATCH

JORDAN

Floods Near Dead Sea Sweep Away Dozens

Flash floods unleashed by heavy rains swept away middle-school students and teachers visiting hot springs near the Dead Sea on Thursday, killing 18 and injuring 35 as the torrent carried some for several miles, a civil defense official said.

Thirteen people escaped without injuries, said Brig. Gen. Farid al-Sharaa. Some survived by clinging to rocks, he said.

A dramatic rescue operation involving helicopters and divers continued into the night. Israel's military said it dispatched a search and rescue team at the request of Jordan's government.

Gen. Al-Sharaa said 37 middle-school students, seven teachers and other visitors were at the hot springs near the Dead Sea on Thursday afternoon, some eating lunch, when they were taken by surprise by the flooding.

Prime Minister Omar Razzaz rushed to the scene and later visited the wounded in a hospital.

—Associated Press

TURKEY

Central Bank Holds Interest Rates Steady

As political and market pressure eases on Turkey, its central bank kept its main policy rate at 24%. The bank said it could further restrict monetary policy if inflation doesn't come down.

Turkey has come under heavy market pressure because of a global selloff in emerging markets and a geopolitical clash with the U.S.

—Yeliz Candemir



UPWARD: Ethiopian lawmakers elected their first female president, Sahle-Work Zewde, left, as reforms continue in the country.

EDUARDO SOTERAS/AGENCE FRANCE PRESSE/GETTY

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WORLD NEWS

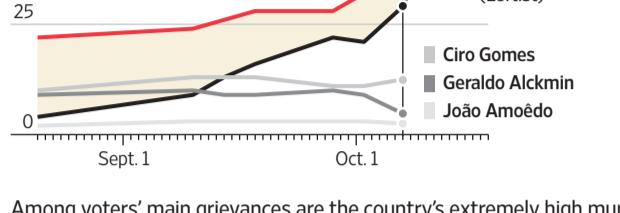
Disillusioned, Brazil Voters Face Sharp Turn

Brazil on Sunday is expected to join an expanding group of nations electing antiestablishment leaders as voters grow frustrated with the political elite amid economic crisis, graft scandals and crumbling public services.

The presidential race is down to far-right lawmaker and heavy favorite Jair Bolsonaro, versus leftist former mayor of São Paulo and university professor Fernando Haddad.

Brazilians supporting each candidate

In the first round of voting and in polls before and after



Among voters' main grievances are the country's extremely high murder rate and sluggish economy with nearly 13 million workers unemployed. The next president will be challenged to revive the golden years of 2004-10, which were fueled by a world-wide commodity boom that has since petered out.

Homicide rate

Note: Intentional homicides

Sources: Superior Electoral Tribunal (first-round results); Datafolha face-to-face interviews, most recent of 9,137 voters conducted Oct. 17-18, margin of error: +/- 2 p.c. pts. (candidate polls); Datafolha face-to-face interviews, most recent of 2,824 voters conducted June 6-7, margin of error: +/- 2 p.c. pts. (administration polls); U.N. Office on Drugs and Crime (homicides); Brazil's Institute of Geography and Statistics (GDP, unemployment)

Josh Ulick, Paulo Trevisani and Kara Dapena/THE WALL STREET JOURNAL

Brazilians who rate each administration as good/excellent**Referendum Is a Test for Mexico's New Government**

BY ANTHONY HARRUP

MEXICO CITY—President-elect Andrés Manuel López Obrador on Thursday launched a controversial referendum on the future of Mexico's busiest airport, a move that could put his incoming administration on a collision course with investors by canceling the country's top infrastructure project.

For the next four days, voters can opt to continue construction of a new \$13.3 billion airport northeast of Mexico City that would replace the capital's existing airport, or scrap it in favor of a less-ambitious option of converting a military base north of the city to complement the existing airport. The new airport is already about a third complete.

For business groups, the referendum represents an early test of Mr. López Obrador's incoming government, which takes power on Dec. 1. An outcome against the main infrastructure project of departing President Enrique Peña Nieto will signal a negative start for Mr. López Obrador's administration, some economists say.

"If we have a 'no,' I think markets are going to react negatively," said Marco Oviedo, head of Latin America research at Barclays. "Obviously, if we have a 'yes,' the airport bonds will rally, and we'll see a stabilization of other assets."

Discarding the new airport means writing off at least \$5 billion spent so far, and could lead to holders of around \$6 billion in bonds that were issued to finance the work demanding immediate payment.

The plan to put such a tech-

ical issue in the hands of people who know little or nothing about airports has also raised concerns about Mr. López Obrador's likely governing style. He has vowed a series of referendums during his coming administration, including one halfway through that will ask Mexicans if they want him to step down.

"Trying to make infrastructure a publicly decided issue I think is probably a mistake," said Jay Jacobs, head of re-

search at Global X, a New York-based sponsor of exchange-traded funds.

"Canceling the development of an airport that could help facilitate more business and tourism for Mexico is going to be negative over the long run."

Mr. López Obrador, who won the July 1 presidential election by a landslide, called the project designed by U.K. architect Norman Foster a waste of money for a country with Mexico's social needs. He campaigned in favor of keeping the existing airport and building an international terminal and two runways at Santa Lucía, a military base north of the city.

Business sectors from tourism to airlines say canceling the new airport will ruin a chance to improve Mexico's airport infrastructure. "This new airport is extremely important, not only for tourism activity but also for our country's economic growth," said Pablo Azcárraga, president of the Mexican tourism business council.

The referendum, for which 1,073 voting places have been set up across the country, isn't legally binding. But Mr. López Obrador has said he would follow the voters' decision.

reveal the items in each of the three categories other than to say 122 of the 142 items were considered negotiable, and they didn't say how individual items would be handled. U.S. officials want a detailed, concrete offer that addresses U.S. concerns.

"Show us your list," the senior White House official said, or no negotiations would take place before the G-20.

Beijing counters that an offer should follow talks. "We are not sure whether the U.S. side is really serious about all these so-called structural issues in greater detail because there's no meeting," said Mr. Cui, the ambassador.

Chinese negotiators didn't

U.S. Allies Pledge To Heed Concerns About the WTO

U.S. allies pledged to immediately address shortfalls at the World Trade Organization, warning that the status quo "is no longer sustainable" and the multilateral trading system is at risk.

While Thursday's meeting was prompted by the Trump administration's complaints about the WTO, the consensus among the 12 countries and the European Union—outlined in a communiqué after a two-day gathering in Ottawa—did nothing to acknowledge Washington's core complaint: the WTO's limitations in curtailing China's market-disrupting practices.

WTO members in attendance agreed to look at certain areas of concern, with officials offering proposed overhauls at a meeting in January.

—Paul Vieira

risks, individuals briefed by the Chinese said. First, it would reveal China's negotiating position. Second, Beijing fears Mr. Trump could make any offer public as a way to lock in any concessions by China.

There is history behind Beijing's concerns. During negotiations over China's entry to the World Trade Organization in 1999, then-President Clinton turned down an offer by China's premier at the time, Zhu Rongji, that included deep concessions and a reorganization of the Chinese economy. The Clinton administration made Mr. Zhu's offer public. Mr. Zhu was pilloried at home by hard-liners, and it

took months of negotiations to finally persuade China to accept a deal similar to the one it initially offered.

China's ambassador to the U.S., Cui Tiankai, said Beijing wanted more discussions before it would put forth a specific offer. "People have to sit down together," he said in an interview. "Then each side should make its own proposal."

He said Beijing is wary of negotiating with the Trump administration because Mr. Trump rejected several previous offers after other senior U.S. negotiators indicated they would be accepted.

Mr. Allen of the U.S.-China

Business Council said he recently met with senior Chinese officials and urged them to produce a written proposal. He said they weren't ready to do so yet and were seeking assurances that if they did so, the U.S. would reduce tariffs on Chinese imports. U.S. officials haven't indicated any willingness to do so.

The U.S. is concerned China will string out negotiations and try to get pledges from Mr. Trump in a one-on-one session with Mr. Xi. That would produce agreements that "sort of commit to things that will sound good but aren't meaningful," the senior White House official said.

During May talks in Beijing,

U.S. negotiators handed their Chinese counterparts an eight-point list of demands, ranging from halving the \$376 billion trade deficit to curtailing much of China's subsidies for high-tech industries.

Chinese officials divided the U.S. demands into 142 separate items, which they then placed into three categories, said individuals briefed on the Chinese discussions.

Of the demands, 30% to 40% could be done immediately; another 30% to 40% could be negotiated over time; and 20% were off limits because they involve national security or other sensitive issues, they said.

Chinese negotiators didn't



Cranes loaded and lifted containers at an automated cargo wharf in Qingdao in China's eastern Shandong province on Wednesday.

AGENCE FRANCE PRESSE/GETTY IMAGES

Cranes loaded and lifted containers at an automated cargo wharf in Qingdao in China's eastern Shandong province on Wednesday.

mented with adding coconut oil and resin to the wax to improve the wrap's texture and durability. Now she sells her homemade products online. "I've moved into my husband's office," she said. "All I'm ruining is the carpet."

Linda Kirkpatrick, an IT specialist from Jacksonville, Fla., had trouble getting her wax-covered-cloth wrap to cling to the sides of containers. She tried adding other ingredients, including sandlike pine resin granules into a liquid was a challenge. "I probably wasted around \$100 trying to get the pine resin to melt into the beeswax," said Mrs. Kirkpatrick. Eventually, she and her husband figured out a solution by treating the resin with isopropyl alcohol before adding it to the hot beeswax, she said.

The whole operation usually spans hours over several evenings. She lines her kitchen surfaces and floor with paper and sets up a portable hot plate. She melts the wax in her slow cooker.

"I haven't been able to have

a stew in months now," she said.

In London, Dedri Uys has shared her hard-won knowledge on how to make paper straws on her blog.

She starts by rolling strips of paper into tubes. To get the paper to stick together, she uses either homemade cornstarch paste or gelatin glue. She has tried sealing the paper with wax from soybean oil, but those straws were "barely us-

able," she said. "If you squished them, bits of soy wax would fall off from the inside."

Paraffin wax was better, though on her first try the wax didn't melt completely and coagulated within the straws. Other straws ended up too fat.

On her blog, she counsels readers to not get discouraged:

"If you mess up one or two (or five) straws, take heart. After

making about 60 of them I still

occasionally got the angle wrong or applied too much glue."

Lindsay Weirich's method for making paper straws—which she outlines in a YouTube video, with more than 96,000 views—Involves partially submerging a Mason jar of paraffin wax in a pot of boiling water until the wax is melted, for coating the paper tubes.

The painter and handcrafts enthusiast in Orrington, Maine, warns fellow crafters to be careful when heating the flammable wax that "you don't ignite it."

Gabriela Lerner found her inspiration for a natural alternative to straws while gardening in Dorset, England. She was pruning a patch of bamboo with her husband when she realized she could make straws from the more slender shoots after using sandpaper to smooth the rims.

"There were a few that were too thin and you couldn't suck up them, and some ended up being too short," she said. After a few months, the reusable straws are holding

up well, she said. Ms. Lerner carries her straw with her, along with a small brush to keep it clean.

Near Philadelphia, Rebekah Bussom figured she could reduce her plastic bag usage by coating a canvas tote bag in wax, making it water resistant for grocery shopping.

She melted some wax in an old tin can in a pan of water on a stove, and used a paint brush to coat the bag with wax. Then she needed a way to make the wax set evenly and keep it from flaking off.

She tried using her hair dryer, but had to keep it on for so long it got too hot. Ms. Bussom decided to put the waxed bag in a pillowcase and tossed it into her dryer to let it tumble around the drum. The pillowcase ended up with blobs of wax on it.

Ms. Bussom said she now presses and dries her wax bags by ironing them between a sheet of aluminum foil and the lid of a pizza box.

She hasn't completely given up plastic bags. "I always forget my reusable bag when I go to the market," she said.



Dedri Uys's handmade paper straws.

</

FROM PAGE ONE

Netflix Embraces Candor

Continued from Page One
into a cup, according to people who attended.

"When life gives you lemons," he said, taking a swig on stage, "you make lemonade."

Netflix takes its culture seriously, believing it a crucial ingredient in the success the company has enjoyed en route to becoming a behemoth with 137 million global subscribers. To many Netflixers, the culture, at its worst, can also be ruthless, demoralizing and transparent to the point of dysfunctional. The Wall Street Journal talked to more than 70 current and former employees for this article.

The Netflix way emphasizes "freedom and responsibility," trusting employees to use discretion—whether it is about taking vacation, flying business class or expensing an Uber ride home. Virtually every employee can access sensitive information, from how many subscribers sign up in each country to viewership of shows to contractual terms for Netflix's production deals. Executives at the director level and above—some 500 people—can see the salaries of every employee.

Employees are encouraged to give one another blunt feedback. Managers are all told to apply a "keeper test" to their staff—asking themselves whether they would fight to keep a given employee—a mantra for firing people who don't fit the culture and ensuring only the strongest survive.

Staying true to Mr. Hastings' vision, always difficult, is getting harder thanks to the breakneck pace of growth and change at the company. In little over a decade, Netflix has gone from a DVD-by-mail outfit to a globe-spanning Hollywood powerhouse with more than 6,000 full- and part-time employees, including nearly 2,000 added just this year.

"As you scale a company to become bigger and bigger how do you scale that kind of culture?" said Colin Estep, a former senior engineer who left voluntarily in 2016. "I don't know that we ever had a good answer."

Many employees say they see the keeper test as a guise for ordinary workplace politics while some managers say they feel pressure to fire people or risk looking soft. Postmortem emails and meetings explaining why people got fired are viewed by some employees as awkward and theatrical when the audiences can be dozens or even hundreds of people.

Richard Siklos, a Netflix spokesman, said the company only fires employees for performance reasons, not because managers don't like them, and said managers aren't judged by how many people they fire. "Far more" of the company's staffing announcements "are about hiring and promotions than about people leaving," he said.

'Olympic team'

"Being part of Netflix is like being part of an Olympic team," the company said in a written statement. "Getting cut, when it happens, is very disappointing but there is no shame at all. Our former employees get a generous severance and they generally get snapped up by another company."

Netflix's culture shares traits with other workplaces that encourage openness, such as hedge fund Bridgewater Associates. Many current and former employees credit it with keeping the company stocked with high performers capable of fast decision-making. This, they say, allows for a nimbleness that has helped it disrupt the global TV and movie industries.

"It's not that there haven't been hiccups, but that culture of openness and freedom seems to be doing quite well," said Skip Battle, a longtime Netflix board member who is retiring at the end of the year.

Employees whom Netflix put forward to speak to The Wall Street Journal on condition of anonymity said they embrace the culture and compare it favorably to other companies where they say there is more concern about corporate process and chain-of-command than there is about doing what is best.

Netflix also posted a YouTube video recently to address

the company's culture. "I think we're transparent to a fault in our culture and that can come across as cutthroat," said Walta Nemariam, an employee in talent acquisition at Netflix, in the video.

She said when she came to join Netflix, someone advised her to make sure she has a good savings plan in place, suggesting she could be fired. "I was like, 'wow,'" she said. She said in the video Netflix has been a good place for her and employees are "respectful" even while being candid.

People who speak highly of Netflix's culture say the company's critics include former employees who were fired for performance reasons and are disgruntled about their personal experiences.

Close friend

Several former colleagues describe Mr. Hastings, in complimentary terms, as "unencumbered by emotion." In just the past year and a half, Mr. Hastings has employed the keeper test a number of times.

Last year, he fired Neil Hunt, the longtime chief product officer who had helped create Netflix's famed algorithm that curates programming for viewers. He was one of Netflix's earliest employees and had been Mr. Hastings' close friend for decades.

Mr. Hastings told Mr. Hunt a lot had changed, as Netflix expanded in Hollywood and overseas, and one of Mr. Hunt's underlings, Greg Peters, was now more suited for the job. At his retirement party in July 2017, Mr. Hunt choked up.

"I would not have chosen to move on at that particular moment, but you have to separate the emotion from the logic," Mr. Hunt said in an interview. Now CEO of health tech startup Curai, he added that he had a monthslong, amicable transition.

When Andrew Parker, who has a doctorate in computer science, started at Netflix with a group of others a couple of years ago, he was filled with anxiety.

"It was very much on our minds: How do I know if I'm about to be fired?" He said his manager told him that "it should not be a surprise if you are let go," and that there would be a buildup over months of increasingly acute feedback. Mr. Parker said he left Netflix voluntarily in August.

The firings can be insensitive, several former employees

Managers are told to apply a 'keeper test' to their staff, so only the strongest survive.

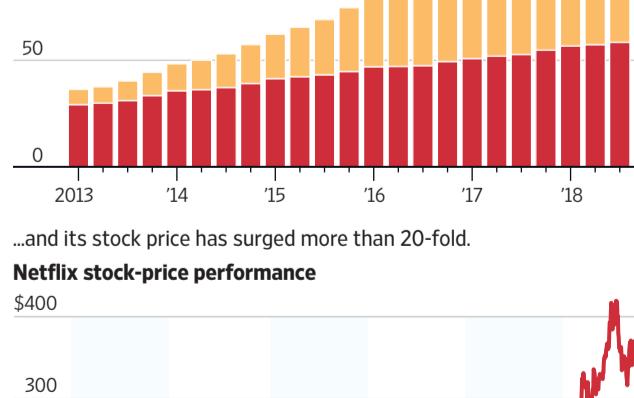
said. Ernie Tam, who had worked as a Netflix engineer for six years, was called into his manager's office on a Monday morning in 2015. "You're no longer a star performer," the manager said. An HR representative came in, discussed Mr. Tam's severance package and took his laptop. "I just left the office and never came back," Mr. Tam said. "For a period of six years, I was a star performer, then all of a sudden I

Rapid Growth

Netflix's subscribers have nearly quadrupled since 2013...

Subscribers

150 million subscribers

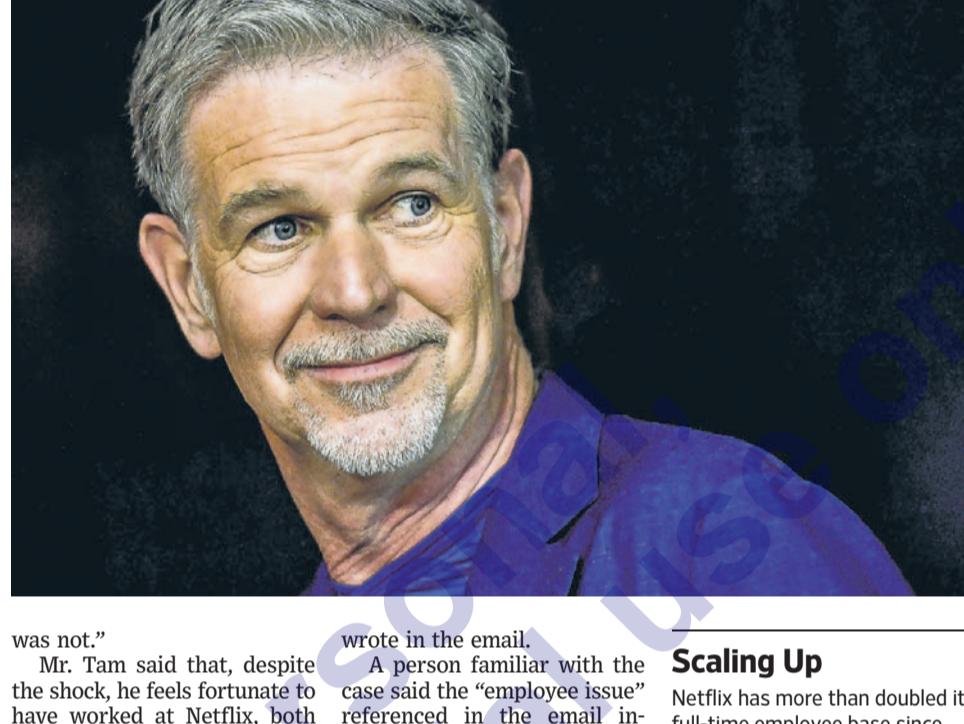


Netflix stock-price performance

\$400



Netflix's Reed Hastings, below, prizes a hard-driving culture. Above, staffers prepare to launch the second season of 'Daredevil.'



was not."

Mr. Tam said that, despite the shock, he feels fortunate to have worked at Netflix, both because of how much he learned and the generous salary. "It's difficult to find so many smart people working for one company."

One former employee remembers seeing a woman who was just fired crying, packing up her boxes, while the rest of her team shied away from the scene without offering any support. They feared that "helping her would put a target on their back," the employee said. "I just couldn't believe it."

Once people are fired, Netflix believes in explaining the reasons. The emails about firings can reach hundreds of employees across multiple divisions and can be painfully specific, calling out an employee's flaws, while inviting more questions and gossip, many employees say.

In one recent case, Chief Financial Officer David Wells sent an email in August to employees saying he "decided to exit" David Burt, a vice president.

"It is now clear that David was not forthright with us around a major employee issue that impacted the business even when directly asked," he

wrote in the email.

A person familiar with the case said the "employee issue" referenced in the email involved a sensitive medical condition and that Mr. Burt had acted to protect the person's privacy and confidentiality.

Sean Carey, a former Netflix vice president who was instrumental in helping build Netflix's streaming library, was in the room for his "you're fired" postmortem meeting in front of some 40 to 50 people on the content team.

Ted Sarandos, Netflix's chief content officer, explained to the team that the company's focus was shifting to original content and Mr. Carey wasn't suited for the increasingly creative role, according to people who attended.

Awkward

"It was certainly awkward for some, but was also consistent with the culture—there is sometimes a cost to transparency," said Mr. Carey, who said he asked to attend the meeting so his exit would be less jarring for his team. "In the end, I felt it was beneficial."

Theoretically, Netflixers shouldn't be caught off guard when they fail the keeper test, because of the voluminous feedback they get on anything from their work ethic to their tone of voice. Once a year, employees are expected to codify their feedback for one another through a software tool called "360." Anyone can review any other employee, from the administrative assistants all the way up to Mr. Hastings himself.

Netflix pushes back on the notion its culture is cutthroat, noting the company ranked second on Comparably's "Happiest Employees" list published in October 2018, which was based on anonymous feedback from employees over the prior year.

The company said the number of employees leaving voluntarily has remained steady at 4% annually, below the average of 13% for American companies cited in a 2017 report by the Society for Human Resource Management. Netflix's firing rate was slightly higher, at 8% last year compared with the 6% average. Netflix said its total turnover comes to 11% a year, which is below the 13% annual turnover for technology companies, according to a 2018 study by LinkedIn.

The streaming service appeals to people who want to work on the vanguard of media and technology. It pays rich salaries, sometimes offering to more than double pay for new

decision last year to let executives director-level and above see all employees' salaries led to awkwardness—several described a bizarre feeling of seeing dollar figures over colleagues' heads in the hallways.

At times, transparency has been met with skepticism when it comes after the fact. Several years ago, Mr. Hastings "sunshined" in an executive meeting that he had authorized the company to give unusual, significant cash sums to a couple of senior executives, including Tawni Nazario-Cranz, the chief talent officer, to help buy houses in the Bay Area, people familiar with the matter said.

Several top executives were angry at perceived favoritism and that he hadn't discussed the handouts in the first place. Mr. Hastings believed helping with house payments would allow "exceptional talents" to focus on work, one of the attendees said.

Ms. Nazario-Cranz soon found herself in the cultural crosshairs again. Mr. Hastings was dubious when he found that the executive had taken some of her team to get their hair done and bought makeup on the company's dime ahead of a launch event in Milan a few years ago. Mr. Hastings asked her to "sunshine" what she did in front of dozens of top executives.

Ms. Nazario-Cranz argued that if a manager took two men out for a round of golf and expense the outing, it wouldn't have been so controversial. "It spun into an issue of gender equity," an attendee said.

Ms. Nazario-Cranz confirmed the incident in an email and said such debates encouraged by Mr. Hastings helped improve "our collective judgment."

Ultimately, Mr. Hastings fired Ms. Nazario-Cranz last year, people familiar with the episode say. Ms. Nazario-Cranz depicted her departure as mutual, spurred in part by a heart condition and desire to spend more time with her children. "I love the culture; I helped develop it," she said.

Big test

The incident with Jonathan Friedland, Mr. Hastings' chief communications officer, was one of the culture's biggest tests.

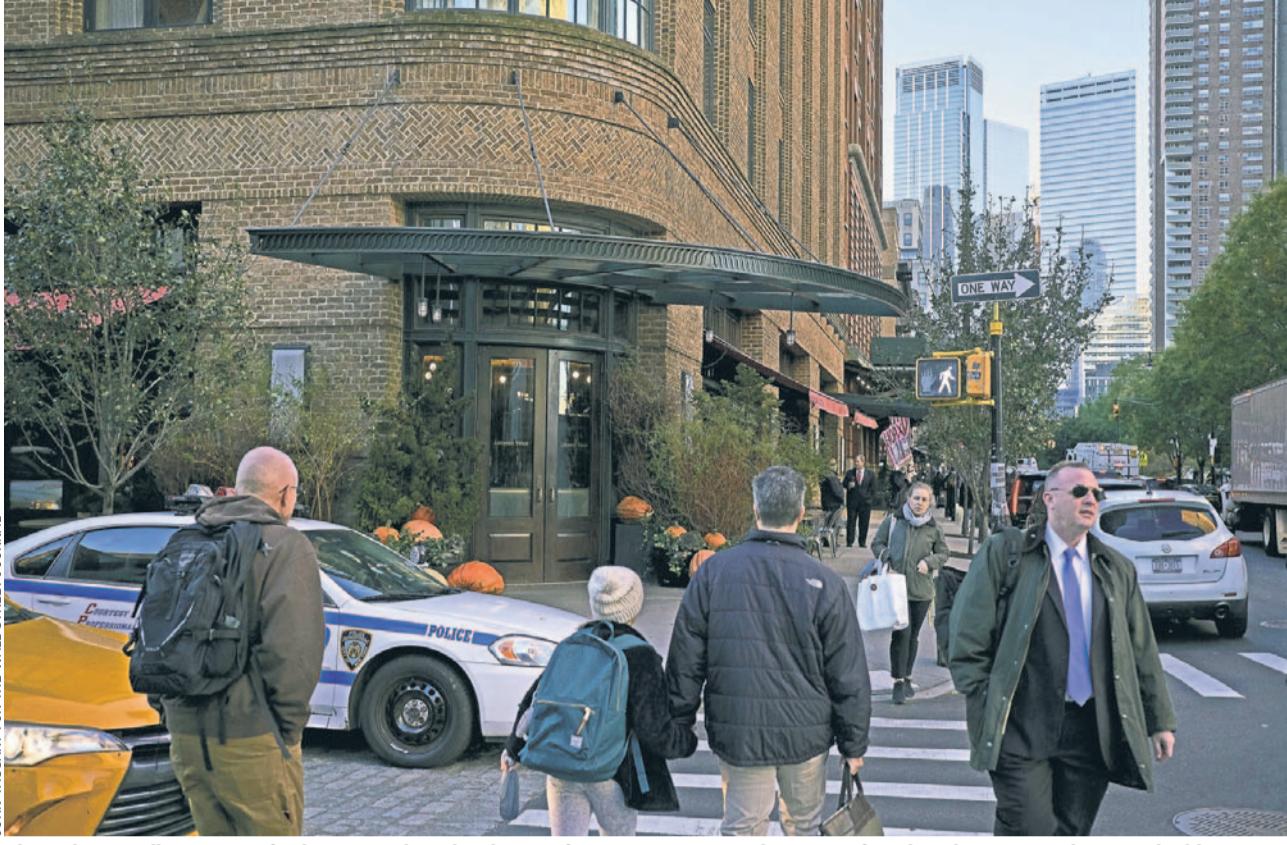
Mr. Friedland in February convened his roughly 60-person publicity staff to discuss a Tom Segura stand-up comedy special on Netflix in which Mr. Segura spoke of nostalgia for a time when using the word "retarded" was acceptable. That sparked anger from some viewers.

Mr. Friedland, who worked as a reporter and editor at The Wall Street Journal for a decade until 2004, believed a big part of his and his team's job was defending the company against such a backlash.

He felt some of his staff didn't appreciate how hurtful the word "retarded" could be. To drive his point home, Mr. Friedland said in a recent interview with the Journal, he told them the word would be a "gut punch" for parents of differently abled children, "as if an African-American person had heard the N-word."

"I definitely made a mistake and I did my best to address it in the immediate aftermath, but I also neglected to keep an eye on any lingering hurt it may have caused when I was moving at a million miles an hour," he said.

GREATER NEW YORK



The Tribeca Grill was open for business Thursday, hours after a suspicious package was found in the Greenwich Street building.

Tribeca Keeps Its Cool After De Niro Bomb Scare

BY KATIE HONAN AND LESLIE BRODY

Undeterred by a suspected bomb found in a lower Manhattan building that houses the Tribeca Grill, New Yorkers headed to the neighborhood institution partly owned by actor Robert De Niro on Thursday.

The name of Mr. De Niro, a vocal critic of President Trump, was on a suspicious package that law-enforcement officials said was removed safely by police responding to a predawn tip. The discovery followed a string of suspected mail bombs in manila envelopes found this week addressed to prominent Democrats, officials said.

Jsun Elliott Laliberté, a 41-year-old real-estate broker who works near the Tribeca Grill, said he came to the restaurant for a lemon bar and coffee to stand up for a business in his community. "My gut was just telling me to do something to show that what-

ever acts of terror will not scare us away," he said.

Mayor Bill de Blasio, a Democrat, said mailing the package was an act of terrorism because it aimed to use violence to make a political impact. "People in this city are full of resolve and don't let these things throw us off our game," he said.

The suspicious package wasn't found inside the restaurant, but in another part of the Greenwich Street building that houses Tribeca Enterprises, a media company launched by Mr. De Niro and his partners.

A retired New York Police Department detective was up late watching TV news when he saw a photo of packaging common to most of the suspected explosives found this week. He realized it looked like something he had seen Tuesday at the office of Mr. De Niro's company, where he works in security, police said. He alerted the city's bomb squad.

NYPD Commissioner James O'Neill thanked the retired de-

tective "for doing his job correctly." He said New Yorkers were heeding the call to report anything suspicious, and a tip hotline had received 139% more calls than usual. The bomb squad sent the package to the Federal Bureau of Investigation lab in Quantico, Va., for analysis, officials said.

Mr. De Niro's businesses issued a statement confirming the incident, saying further comment would come from police.

Tribeca neighbors woke up Thursday to a swarm of law-enforcement agents. When Henry Carmona showed up to work before 6 a.m. at the Benvenuto Cafe on Greenwich Street, he found police had closed it. When he learned why, he said he "kind of freaked out."

"People were afraid there might be bombs in other places," Mr. Carmona said. But his cafe reopened and he was working his shift by 7 a.m.

The Tribeca Grill opened in the late morning. Katie Milo, who ate at its bar with her hus-

band a few hours after dropping off their 5-year-old son at nearby P.S. 234, said they weren't scared off by the morning's news. After all, they said, lower Manhattan weathered a crisis that was far worse last year on Halloween. Eight people were killed that day. A man from Uzbekistan was charged with terrorism in their deaths after prosecutors say he drove a rented truck along a bike path. He has pleaded not guilty.

"We were scared last year but we all got our kids into their costumes and went trick-or-treating," Ms. Milo said. "We just keep plugging along and pray for the best."

Diners had to walk by throngs of reporters outside Tribeca Grill. Jane Rosenthal, chief executive officer of Tribeca Enterprises, whose office is upstairs from the restaurant, said the lunch crowd was quieter than usual. "It's a really sad day for our country," she said. "Everyone should go out and vote."

Gillibrand, Farley Spar Over Climate

BY JIMMY VIELKIND

Sen. Kirsten Gillibrand and her Republican challenger Chele Farley clashed Thursday over immigration, health care and climate change during the only scheduled debate of their campaign.

Ms. Farley, a private-equity executive making her first run for office, repeatedly questioned whether Ms. Gillibrand's focus was on her constituents in the Empire State or on a possible presidential run in 2020. Ms. Gillibrand answered that if re-elected, "I will serve my six-year term."

The debate moderator, WABC-TV host Bill Ritter, noted that Ms. Gillibrand hasn't spent much campaign cash on her re-election effort. Ms. Gillibrand said she had visited all 62 of New York's counties and was regularly holding town hall meetings. Ms. Farley was unconvinced.

"Honestly, I don't believe that," she said. "She's been in five other states, including New Hampshire, this month."

The debate was a chance for Ms. Farley—who trails in the most recent poll by 25 points and has a 10th of the campaign cash on hand as the incumbent—to make her case before a large audience. The women initially were set to debate Sunday evening on a forum televised by Spectrum News, but Ms. Gillibrand canceled because of a continuing labor dispute involving Spectrum's parent company, Charter Communications.

Their 30-minute exchange was cordial, as both women out-

lined competing proposals on various subjects. Ms. Gillibrand said she favors a "Medicare for All" plan that would guarantee people have "access to lifesaving care." Ms. Farley questioned the cost of such a measure, and said a single-payer health-insurance system might lead to long waits for specialists or surgical procedures.

A Quinnipiac University Poll showed a majority of New Yorkers disapprove of the way Republican President Trump does his job, and Ms. Gillibrand repeatedly tried to tie him to Ms. Farley. Mr. Trump endorsed Ms. Farley during a fundraiser in Utica, N.Y., in August.

Ms. Gillibrand invoked Mr. Trump in questions about climate change, immigration, political civility, taxes, and the nomination of Supreme Court Justice Brett Kavanaugh. (Ms. Gillibrand voted against him; Ms. Farley said she would have voted to confirm.)

Ms. Gillibrand said she would support "putting a price on carbon" and establishing a carbon exchange in the U.S. Ms. Farley said the country already is reducing emissions and more focus should be placed on polluters in India and China.

"We know the climate is changing, but we've got to balance it out with economic interests and keep America's interests at heart," Ms. Farley said.

"That's why New York needs a senator who will stand up to President Trump," Ms. Gillibrand said.

The debate was recorded Thursday, and will be aired at 11 a.m. on Sunday on WABC's "Up Close with Bill Ritter."



Sen. Kirsten Gillibrand, left, and her GOP rival Chele Farley debated immigration, health care and climate change on Thursday.

Advocates Seek Better Mental-Health Care for Asians

BY MELANIE GRAYCE WEST

The case last month of an allegedly mentally ill Asian woman charged with stabbing several people has highlighted what advocates say is a troubling deficiency in mental health-care services for New York City's growing Asian population.

The system is hampered by a shortage of culturally fluent providers, wait times that can stretch to weeks and a lack of adequate governmental funding, the advocates say.

Jo-Ann Yoo, executive director of the Asian American Federation, a New York-based nonprofit, said local organizations offering mental-health services to Asian New Yorkers are overwhelmed by demand.

The city's ThriveNYC program—a focus of Chirlane McCray, the wife of New York City Mayor Bill de Blasio—is important in raising awareness but lacks programs that meet the unique cultural needs of Asian New Yorkers, advocates say. The city's crisis helpline isn't something many Asian New Yorkers would use, Ms. Yoo said.

"Nobody is offering any so-

lutions," she said. "Very little investment in our community is being made."

The recent case of Yu Fen Wang, the nursery caregiver who is accused of stabbing several infants and two adults at a Flushing, Queens, birth center last month, has underscored what advocates say is a lack of services, Ms. Yoo said.

An attorney for Ms. Wang, Jean Wang, says that her client has suffered from mental illness for some time and had previously attempted suicide. A doctor saw her for what she described as insomnia, the attorney said, but "no one told her she had a mental illness and treated her for that."

Asian New Yorkers make up about 14% of the city's population. Suicide is a leading cause of death among Asians and Pacific Islanders, according to the most recent data from the New York City Department of Health and Mental Hygiene. Asian New Yorkers also have the highest rates of poverty, and about half have limited English proficiency, city data show.

Advocates and mental-health providers said numerous barriers hamper Asian



Members of the Korean Community Services Clinic met at their office in Queens on Thursday.

New Yorkers from receiving care, first among them cultural stigmas surrounding mental illness, which many see as a Western concept.

Preventive care for mental health is a practically unknown concept in the community, providers say. Those who seek care often don't want family members to know because "it's looked upon as being shameful to the family," said Joy Luangphaxay, assis-

tant executive director of behavioral health services at Hamilton-Madison House in Manhattan, a social-services organization.

"People tend not to reach out until it's a last resort," she said.

Mental-health providers say they often treat people who don't have insurance or those who are unable to pay even the minimum on a sliding-fee scale.

Further, there is no pipe-

line of people entering the profession who are linguistically and culturally suited to treat this population. There is a lack of specialists in the field who can treat people with substance abuse and gambling addictions, and those who identify as LGBTQ providers say.

The city's ThriveNYC program has worked closely with the Korean, Chinese and Bengali community, among others,

to host training sessions in mental-health first aid, said Ms. McCray.

"We don't have what we need to have, but there are resources to help people deal with the immediate challenges," Ms. McCray said of people needing acute care.

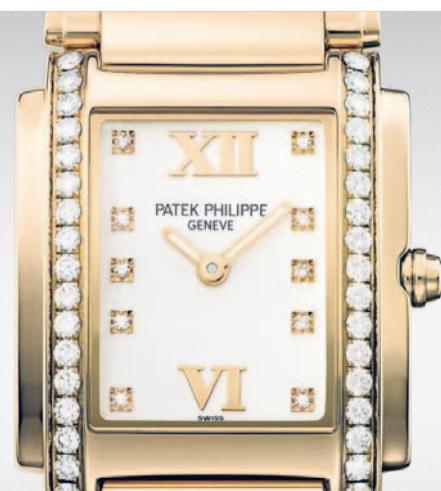
A spokeswoman for Ms. McCray said ThriveNYC is recruiting more native speakers and has trained more than 1,000 people in mental-health first aid in Mandarin, with at least six other training sessions scheduled citywide by year-end.

About 20% of the clinicians in the ThriveNYC mental-health service corps, which places clinicians in practices around the city, identify as Asian and speak an Asian language, said Gary Belkin, the city's executive deputy commissioner for mental health.

Joanne Park, clinical director of a mental-health clinic in Flushing operated by Korean Community Services of Metropolitan New York, said she has so many clients on waiting lists that she has had to stop further outreach. "I can only give my clinicians so many caseloads without them burning out," she said.

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GREATER NEW YORK

'Painting Doctors' Restore Keith Haring Art

A damaged mural created in 1986 by the late street artist in the lobby of a Brooklyn hospital is getting a little TLC

BY CHARLES PASSY

Helen Im and Suyeon Kim arrived for work Wednesday at Brooklyn's Woodhull hospital carrying the usual tools of their trade, including scalpels and syringes.

Just as important, they brought along plenty of touch-up paint.

Ms. Im and Ms. Kim aren't physicians. They're art conservators with the New York-based Fine Arts Conservation Group.

The women were at Woodhull to work on a section of a mural by the famed pop artist Keith Haring, who died in 1990 at the age of 31, that enlivens the lobby.

The firm was hired to do a complete restoration of the mural in 2002. By now, Ms. Im said, she feels "a sense of stewardship" about the piece.

The current project focuses on a small part of the mural recently damaged by water. As for the surgical tools, the scalpel is used to scrape the plaster, and the syringe to inject materials into it.

Mr. Haring painted the mural during a three-day stretch in 1986 at no charge to the institution. It depicts several of his familiar dancing men characters in a rainbow's worth of colors—in short, a welcome sight in a hospital, where smiles often are in short supply.

It is with that idea and the knowledge that Mr. Haring's mural is likely worth in the millions of dollars that Woodhull officials have taken pains to keep it looking sharp, along with two others the artist painted at the same time for the hospital. The current restoration projection is costing the hospital \$20,000, officials said.

Together, the murals offer "peace, tranquility and hope," said Gregory Calliste, chief executive officer at Woodhull, a 388-bed public facility that is part of the NYC



Artist Keith Haring, who died in 1990 at the age of 31, painted his dancing men in Brooklyn's Woodhull hospital during a three-day stretch in 1986 at no cost.

Below, Helen Im recently restored a damaged section of the mural, which Mr. Haring said 'should be positive, uplifting, unaggressive, imaginative, and comforting.'

Health+Hospitals system.

The message could have particular resonance for Woodhull's patients and visitors. The hospital's service area includes Bedford-Stuyvesant, Bushwick and Williamsburg, all Brooklyn neighborhoods that have undergone gentrification in recent years.

While hospital officials emphasize that their doors are open to everyone, they say they pay heed to the low-income and minority populations that remain in the community.

Mr. Haring built his career on making art as accessible as possible. Not long after the Reading, Pa., native came to New York City to study, he began making chalk drawings in spaces throughout the subways. Even after he became known in the art world, he pursued public projects of one kind or another.

Today, surviving examples of such work by Mr. Haring can be found throughout the city, such as the "Crack is Wack" mural in East Harlem and the swimming pool mural at the Tony Dapolito Recreation Center in Greenwich Village, both in Manhattan.

At Woodhull, Mr. Haring was conscious that he was working in a hospital setting, writing in a project proposal that "the work should be positive, uplifting, unaggressive, imaginative, and comforting." He indicated he didn't work from sketches; his "site-specific" murals often were of-the-moment creations.

Not that Mr. Haring was too busy to engage with hospital staff during his time at Woodhull. "He was very, very kind," said Lisa Scott-McKenzie, a Woodhull deputy executive director who has been with the hospital in



different roles for 33 years.

She remembered Mr. Haring signing T-shirts and other items for anyone who asked, though Ms. Scott-McKenzie said employees weren't quite aware of his burgeoning fame.

For that matter, many who come through Woodhull's

Queens resident who was starting a job Wednesday as a computer specialist at Woodhull. Mr. Matos was taken aback when he learned about Mr. Haring and the value of his work. Some of Mr. Haring's paintings have sold for well above \$2 million at auction.

On the job this week, the art conservators said one of the restoration's most difficult parts comes after the plaster is repaired and they fill in the missing patches of paint.

While Mr. Haring's original colors aren't difficult to replicate, the conservators aren't exactly matching the original. Rather, they are matching colors that have faded over the course of 32 years—that bright red is now less than bright. It is a job that requires a certain skill and technique, Ms. Kim said. "We are painting doctors, basically," she said.

GREATER NEW YORK WATCH

VIRAL OUTBREAK

Officials Confirm 19th Case at Center

New Jersey health officials said Thursday tests confirmed a 19th patient has been infected in a viral outbreak at a pediatric rehabilitation center that has killed seven people.

The unidentified person had been ill so the diagnosis doesn't necessarily mean the virus is still spreading, according to Health Department spokeswoman Donna Leusner.

The outbreak won't be declared over until the Wanakee Center for Nursing and Rehabilitation can go four weeks without any new cases of people being infected with a type of germ called adenovirus 7, Health Commissioner Shereef Elnahal said this week.

The seven people who died this month were children and at least one young adult, all in a respiratory unit where patients receive long-term help with breathing.

—Associated Press

QUEENS

Suspect Can Be Sent To U.S., Judge Says

An unregistered British beautician should be sent to the U.S. to face trial for allegedly killing a woman with a botched buttocks injection, a U.K. judge ruled Thursday.

Donna Francis has been charged with killing 34-year-old Kelly Mayhew, who died in 2015 after silicone was injected into her buttocks at a house in Queens.

The 38-year-old Ms. Francis, who left New York for the U.K. the day after Ms. Mayhew's death, was arrested last year on a U.S. warrant. She is charged with criminally negligent homicide and unauthorized practice of a profession.

Defense lawyers argued that she has depression and her mental health could worsen if she is incarcerated in the U.S. and separated from her 5-year-old daughter. But a judge ruled at London's Westminster Magistrates' Court that the severity of the allegations meant "the public interest in extradition is so high that it outweighs these factors."

—Associated Press

NEW JERSEY

Goodwill Workers Spot 1774 Newspaper

A quick eye by Goodwill workers in southern New Jersey turned up framed pages from an original 1774 Philadelphia newspaper with a "Unite or Die" snake design on the masthead.

The frayed Dec. 28, 1774, edition of the "Pennsylvania Journal and the Weekly Advertiser" boasts three items signed by John Hancock, then president of the Provincial Congress, who pleads for the Colonies to fight back "enemies" trying to divide them.

Bob Snyder of the New York auction house Cohasco estimates the newspaper's value at \$6,000 to \$16,000. Goodwill Industries hopes to sell it to help fund its educational and job-training services, said Heather Randall, e-commerce manager of the regional operation in Bellmawr, N.J.

The framed document was dropped off in Woodbury, N.J., and sent to her department. Employee Mike Storms did the detective work, guessing it was original given small keyholes at the inside edge of the pages that suggest they had once been bound by string.

—Associated Press

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LIFE & ARTS



FILM REVIEW | By Joe Morgenstern

A 'Border' to Cross, a 'Suspiria' to Shun

A small-scale feature about a customs agent with a nose for contraband; a remake of the classic about dancers and witches

Here's a scary thought about Halloween movies in particular, and horror flicks in general—how little it takes to scare us. There's dependably painful pleasure to be had, and loads of money to be made, from all the ritual slashing, stabbing, hacking, hanging, impaling and disemboweling that enlivens, or endebdens, the sequels and one-off shockers we seek out for ever more gore. Occasionally, though, a film will amplify the shock with elegant style—that's what "Carrie" did four decades ago—or new ideas like those that more recently made "Get Out" and "A Quiet Place" the beyond-genre hits they deserved to be. This week brings one example of each category: "Suspiria," an extravagantly stylish remake of the 1977 classic of the same name, and "Border," a small-scale Swedish feature that sneaks up on you but isn't scary so much as amusing; then intriguing; then, by degrees, unsettling, troubling, frightening, honest-to-badness horrifying and entralling. Which of the two works best? Let's start up north in Sweden.

At a Swedish border station, to be more specific, where a customs agent named Tina spends her days sniffing out contraband. That's not a figure of speech, and Tina isn't your stereotypical Swedish beauty. She looks like a troll, to be charitable about her plug-ugly features, and she has a preternatural sense of smell that enables her to nab suspects unerringly. Not only does she have a nose for controlled substances, but she can spot criminal behavior by sussing out emotions like shame, guilt or rage. (Eva Melander, the actress behind the face, is remarkable in the role.)

I smelled a fascinating movie



taking shape at the moment when Tina stops a traveler named Vore (Eero Milonoff) to search his belongings—she smelled him coming—and finds a soul mate, or so he would seem as they join forces to explore where they belong in the world of standard-issue men and women. The more we—and they—learn who they really are, the more the term "outsiders" seems inadequate. They're outside established borders of outsiderhood, and that's no surprise given the backgrounds of the filmmakers.

The Swedish-Iranian director, Ali Abbasi, has more than a casual interest in how Sweden regards its Others; it's no stretch to see his film as an oblique comment on Eu-

rope's immigration crisis. The screenplay, by John Ajvide Lindqvist, the director and Isabella Eklöf, is based on a short story by Mr. Lindqvist. He wrote "Let the Right One In" and the novel on which it was based, a superlatively creepy vampire film in which the genders are reversed—the teenage bloodsucker takes the form of Eli, a dark-eyed girl—and then effaced; Eli is less of a she or he than a non-identifiers-applicable.

The same goes for Tina and Vore; when they lose themselves in wild sex it should be grist for the Guinness Book of World Records, but under what category, in what world? That's the thing about this finely crafted movie—it defies definition while inviting it. A love story? Absolutely, with grand passions. A detective yarn? For sure: Tina gets promoted to detective and cracks a big case. A comedy? In fits and starts. A meditation on what it means to be less than, more than or other than human? Yes, with philosophical overtones. ("I don't see the point of evil," Tina says, almost offhandedly.)

"Border" may not be everyone's idea of a fun night out, but it takes you to places you won't forget, and that's nothing to sniff at.

* * *

An old joke has it that flamenco dancers stomp around the way

Eero Milonoff and Eva Melander in 'Border,' above; a scene from Luca Guadagnino's remake of Dario Argento's 'Suspiria,' left

they do because they hate the floor. The dancers in "Suspiria" don't do flamenco; it's Berlin in 1977 and they're part of an international female dance company that's close in spirit to the expressionist choreography of Pina Bausch, with lots of residual Weimar decadence. (The movie's keen, writhing climax isn't far from Hieronymus Bosch.) And the young American heroine, Susie—she's played with a marvelously eerie veneer of innocence by Dakota Johnson—doesn't hate the floor; she only wants to learn how to leap from it to superhuman heights, even if she must sell her soul to do it.

Still, there's plenty of hatefulness in Luca Guadagnino's remake of, and homage to, Dario Argento's bloodsoaked 1977 classic. It's a lurid combination of choreography and witchery that sustains itself for a while with visual panache (the camera itself is a swooping dancer); mysterious characters (more than one of them played by Tilda Swinton, who appears mainly as Madame Blanc, the company's malign director); tantalizing themes of female empowerment (what, exactly, is Susie after, and what does she get?); and spasms of ghastliness involving meat hooks and dancers' bodies (the genre being horror, after all). But the whole thing devolves into such highfalutin silliness that it's impossible to care what happens to whom. In Mr. Guadagnino's previous film, "Call Me By Your Name," the tone was romantic, and sustained to the very end. In "Suspiria," style stomps fun into submission.

TELEVISION REVIEW | By John Anderson

A MESSAGE THAT CAN'T BE IGNORED

THE OVERARCHING theme of "The Facebook Dilemma"—an aggressive, indignant, illuminating two-nighter presented by "Frontline"—is the blissfully amoral way a social-media site has morphed into a sociopolitical evil. But what viewers will also come away with is a sense of something else—something entirely relevant to the situation: That Mark Zuckerberg is the worst company spokesman in the history of corporate America. If he told you the sky was blue, you'd wonder what his agenda was.

And it's Mr. Zuckerberg's innate sense of shiftiness that perfectly reflects his company as profiled by a "Frontline" team that includes reporters Anya Bourg and Dana Priest, and James Jacoby, the film's director, writer, producer and on-air presence. Mr. Jacoby goes in

with all the hard questions and has enlisted a group of eight former senior Facebook staffers to address his concerns—ranging from hate speech to Russian election interference to Facebook's alleged complicity in the genocide of Rohingya Muslims in Myanmar to its weaponization by the likes of Philippine strongman Rodrigo Duterte.

He was also "given"—he makes this clear a couple of times—five members of Facebook's upper management to answer his questions. That they come off like deer in Mr. Jacoby's headlights is revealing in itself: Their answers are mealy-mouthed at best, and the defensive posture they assume, and their evident fear, indicates a company unable to cope with, or confront, the corruption that has accompanied its abso-

lute power in the social-media marketplace.

There's not a lot of TV that's genuinely "must see," but "The Facebook Dilemma" qualifies. Part 1, which airs Monday night, concerns itself with the warnings that arose, very early on, about the dangers Facebook posed to democratic institutions. Tuesday's Part 2 deals with the company's response, or lack thereof, to charges that it has enabled "fake news" and the disruption of electoral politics. It's no small thing that the program clarifies vital issues raised about Facebook—algorithms, for instance—so obscure to so many. Or that it so concisely tells its very disturbing story.

The Facebook Dilemma, Monday at 9 p.m., Tuesday at 10 p.m., PBS



Mark Zuckerberg testifying before a joint Senate Judiciary and Commerce Committees hearing in April.

LIFE & ARTS

THEATER REVIEW | By Terry Teachout

Harrowing, Yet Humorous, Group Portrait

New York

BROADWAY HAS CAUGHT up with Kenneth Lonergan, America's greatest living dramatist, who has now had three of his six full-length plays produced there in the past four seasons, all of them masterly and all satisfyingly well-mounted. "The Waverly Gallery," first performed in 1999, is an autobiographical memory play narrated by a young man whose grandmother suffers from dementia. It is a harrowingly honest group portrait of the havoc wrought by that disease, not only on those who have it but on those who love them, and this revival, directed with uncommon grace by Lila Neugebauer, is a close-to-ideal enactment of what might just be Mr. Lonergan's most gripping stage play to date—which is saying something.

The family portrayed in "The Waverly Gallery" is a gaggle of what one of its members tartly describes as "liberal Upper West Side atheistic Jewish intellectuals." Gladys (Elaine

May), the matriarch, runs an art gallery that went to seed when her memory started to crumble. By now she is keeping it open just to have something to do all day, with her daughter (Joan Allen), son-in-law (David Cromer) and grandson (Lucas Hedges) doing all that they can to look after her, a task well on the way to becoming impossible when a naive working-class artist from Boston (Michael Cera) shows up on Gladys's doorstep, hoping to find a place to show his paintings. What follows is a chronicle of mounting desperation, but one that Mr. Lonergan has leavened with wry comedy and a full appreciation of the Gladys who used to be. As her grandson-narrator says in a speech that rings agonizingly true to life, "Her mind was smashed to pieces, and the person she used to be hadn't really been around for a long time—but the pieces were still her pieces."

Ms. May is not, of course, a stage actor—my guess is that she's being



Lucas Hedges, Elaine May, Joan Allen, David Cromer and Michael Cera in 'The Waverly Gallery'

miked—but her lack of experience in that specialized capacity doesn't stop her from giving a performance that blends bewilderment with courage in a way that is beautifully, heartbreakingly right. Her four colleagues, Ms. Allen in particular, support her with the utmost sensitivity. While this is Ms. Neugebauer's Broadway debut, she has long since established herself as one of our best directors, and her staging of the play's dinner-table scenes is a textbook example of how to maintain clarity amid a cloud of overlapping dialogue. I wish that she and David Zinn, the scenic designer, had opted for a less naturalistic visual presentation—the frequent set

changes slow down the show right when it needs to charge ahead—but this is a minor cavil, and the play and production alike are so powerfully involving that I doubt you'll be bothered by the pauses.

It would be unfair not to warn you going in that if you have any firsthand experience with caregiving, you may find certain parts of "The Waverly Gallery" to be almost unendurably painful to watch. But Mr. Lonergan, as is his custom, has taken care to use sardonic comedy to make the cruel hurt easier to bear, and while the play's ending is as hard and unsparing as that of "King Lear," it is no less profoundly humane in its

implications. The family that he shows us in "The Waverly Gallery" is one that does not speak its love out loud till evening's end, yet we are never in doubt that the ties that bind it are made fast in a way that will survive the harshest of tests.

The Waverly Gallery

John Golden Theatre, 252 W. 45th St. (\$49-\$149), 212-239-6200/800-432-7250, closes Jan. 27, 2019

Mr. Teachout, the Journal's drama critic, is the author, most recently, of "Billy and Me." Write to him at tteachout@wsj.com.

FILM REVIEW | By Joe Morgenstern

PALPITATIONS IN THE HEARTLAND



A scene from Frederick Wiseman's new documentary, 'Monrovia, Indiana'

IN THE REALM of documentary films, as in the news media, polemicists are ascendant, but Frederick Wiseman isn't one of them. For the past half-century, since his first film, "Titicut Follies," he's been an observationist. Not an observer, which carries a passive connotation, but a filmmaker who's made a distinguished career of observing in a particular way—closely, calmly, shrewdly and systematically, with an eye to the institutions and social structures that shape and reveal people's lives. In "Monrovia, Indiana," his 42nd nonfiction feature—as always, there's no narration—the subject is life in a small rural town at a time when rural America, beset by sweeping change and financial woes, is struggling to retain its vitality and traditional values. What he finds is outwardly unsurprising, if you keep up with the news, yet anguishing, if you listen between the lines and feel beyond the stoic faces.

The film opens with a succession of silent exteriors in which Monrovia, population 1,063 at the last census in 2010, looks like a dream of tranquility and abundance. The skies are clear and vast. Fertile fields promise copious crops. The first voice we hear, though, is that of a pastor in a Bi-

ble study group discussing the inevitability of life's tribulations. Remember, he says, when God "started this whole thing, everything was perfect. We messed it up. We brought the tribulations on ourselves."

That's as far as anyone goes in referring to current problems, be they economic, social or political, though it sets an undertone for what follows. Most of the Monrovians we meet are serious and earnest—and, in an aging town, older or old. Friends and neighbors are still concerned for one another in the way that small-town residents

have always been, but if they're abundantly happy they keep it to themselves. Conversations often turn to illness and death. "I run out of gas," an old man recovering from surgery tells an overweight friend and contemporary, who, in his turn, says wryly that he eats lots of diet food in the form of carrots, but drinks lots of beer "to force it down."

The kids at the high school laugh and joke in the corridors and cafeteria, as kids everywhere do, and practice dance formations after school with high spirits and smiling faces. Still, there's enough

bleakness around town to make one wonder if Mr. Wiseman's documentary is tacitly polemic in what it has chosen to omit. That's never been his approach, however, and there's no sign here of him straying from his usual even-handedness, or falling back on party politics—the town is preponderantly Republican—as a substitute for nuanced reportage. What's tacit is a host of larger subjects represented, without being specified, by discussions, deliberations and encounters that the camera notes in passing. (The pace is slow over the course of 143 minutes, sometimes maddeningly so, even for a Wiseman documentary, but the film rewards patience.)

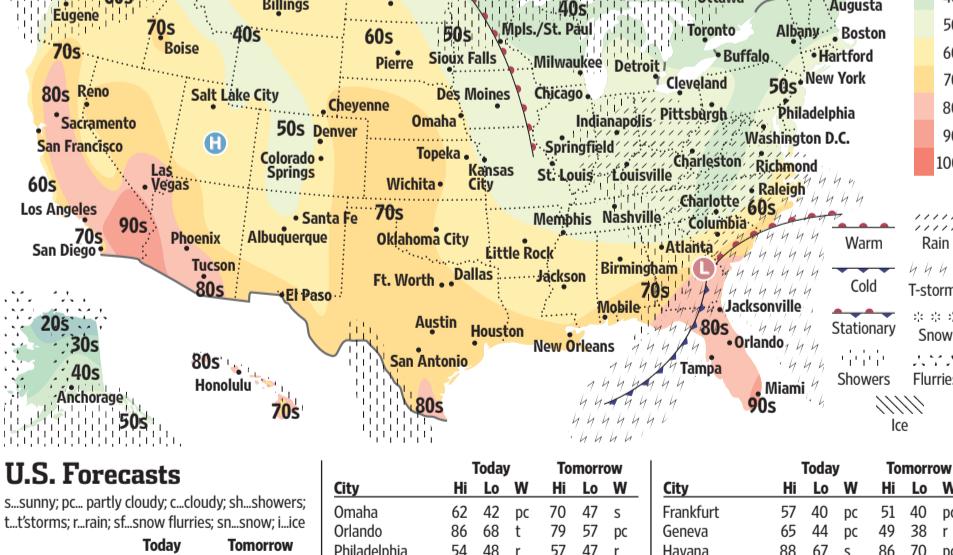
A town council meeting confronts the fraught question of growth. Monrovia needs to grow, and a developer wants to build 151 homes that will increase the population by some 400-500 people. Yet council members worry about changing the town's demographics—is that a euphemism for fear of minorities? No way to know—and about increasing population density without sufficient infrastructure to accommodate it. And the question of infrastructure connects to the shrinking tax base and a patchwork of jurisdictions that make it difficult for Monrovia, like

many small rural towns, to govern itself. County hydrants in outlying areas lack sufficient pressure to qualify as fire hydrants, so protection is limited by the fire department's dependence on tanker trucks. "There are tons of people in our community who are mad," a woman on the council says. Yet the problem won't be solved unless Monrovia can find the money and civic will to build a municipal water system of its own.

All over town people recall the good—or at least better—old days. At the high school, a teacher talks of a time when Monrovia was a basketball power in the state, where the game has inspired quasi-religious fervor. At a car show, a white-haired gent in a straw hat reminisces about growing up in an era free of regulation, when, at the age of 15, he could buy smokes and beer, and bought his first car, a 1963 Chevy Impala SS with Powerglide, for \$595. In a booth at a fair a woman selling new-age health and wellness nostrums claims that hemp oil helps insomnia, kidney and liver ailments, "men problems" and diminished vision. What ails Monrovia is hard to diagnose and harder to cure, but pain lurks beneath the placid surface, and the nation neglects places like this at its peril.

Weather

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

**U.S. Forecasts**

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

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 48 40 c 48 38 sh

Atlanta 60 51 r 62 46 pc

Austin 78 55 s 84 60 r

Baltimore 51 46 r 56 44 r

Boise 70 48 pc 69 51 pc

Boston 52 42 pc 52 50 r

Burlington 45 33 pc 43 37 sn

Charlotte 52 43 r 65 44 pc

Chicago 52 44 c 55 41 c

Cleveland 55 43 c 51 41 r

Dallas 71 56 s 80 59 s

Denver 68 45 pc 75 40 s

Detroit 55 43 c 50 38 sh

Honolulu 86 76 pc 86 76 c

Houston 74 55 s 80 60 s

Indianapolis 50 41 r 54 40 c

Kansas City 58 42 pc 69 47 s

Las Vegas 84 60 s 86 61 s

Little Rock 61 46 pc 71 51 s

Los Angeles 86 62 s 85 61 s

Miami 90 73 pc 89 69 s

Milwaukee 52 43 c 53 42 c

Minneapolis 53 48 s 57 43 c

Nashville 58 48 s 57 43 c

New Orleans 71 57 pc 75 62 s

New York City 53 47 pc 54 49 r

Oklahoma City 68 48 s 77 54 s

International

Today Hi Lo W Tomorrow Hi Lo W

City Amsterdam 54 41 r 52 39 sh

Athens 70 59 s 74 62 s

Bahrain 87 58 pc 74 54 s

Bangkok 92 76 t 92 78 s

Beijing 57 36 s 63 42 s

Berlin 54 42 pc 49 38 pc

Brussels 54 38 s 52 37 sh

Buenos Aires 67 51 p 70 55 s

Dubai 94 79 s 97 83 s

Dublin 48 33 pc 44 36 sh

Edinburgh 47 31 c 45 32 pc

Today Hi Lo W Tomorrow Hi Lo W

City Frankfurt 57 40 pc 51 40 pc

Geneva 65 44 pc 49 38 r

Havana 88 67 s 86 70 pc

Hong Kong 85 71 pc 79 69 pc

Istanbul 65 58 pc 69 60 s

Jakarta 93 78 sh 93 77 t

Jerusalem 63 53 pc 66 51 s

Johannesburg 87 57 s 87 59 s

London 52 36 pc 47 41 pc

Madrid 69 49 t 54 37 t

Manila 92 78 pc 91 76 pc

Melbourne 65 47 pc 66 45 c

Mexico City 75 57 pc 68 55 t

Milan 65 56 pc 63 58 t

Moscow 40 31 c 41 38 r

Mumbai 97 72 pc 98 73 pc

Paris 56 36 pc 51 39 pc

Rio de Janeiro 80 73 t 85 71 t

Riyadh 95 75 pc 93 67 pc

Rome 73 62 t 75 63 t

San Juan 87 73 pc 86 76 pc

Shanghai 63 46 r 55 41 pc

Singapore 87 77 c 87 77 pc

Sydney 70 59 s 76 59 pc

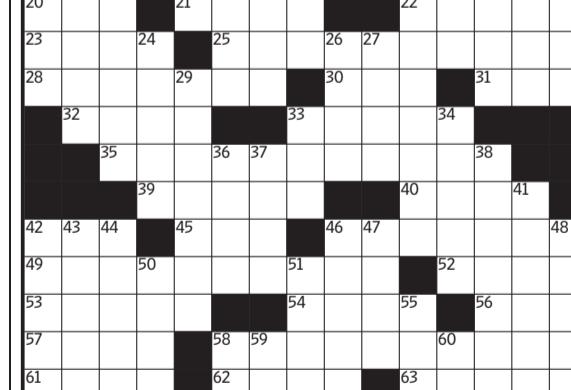
Taipei City 87 69 s 77 62 pc

Tokyo 69 60 pc 73 58 sh

Vancouver 57 43 pc 56 46 pc

Warsaw 51 41 pc 51 36 pc

Zurich 59 41 pc 45 36 r

The WSJ Daily Crossword | Edited by Mike Shenk

SPORTS

MLB

Our Insane Ideas to Save Baseball

Baseball has problems. There aren't enough hits. The games take too long. So we bullpenned our solutions.

BY THE WSJ SPORTS BULLPEN

WHEN I STARTED WRITING about baseball for the Journal, they handed me the keyboard and let me go as long as I could. Editors called me a workhorse—a real bulldog. But now comes the era of “bullpenning,” the strategy made famous this month by the Milwaukee Brewers, who

went through entire games using only short-stint relief pitchers. Suddenly, my editor is telling me it's time we do the same.

This is a story about how to save baseball, whose popularity is at risk thanks to long games and a growing lack of action. It started when Jason Gay wrote a column supporting a “catch-up rule” for baseball that would give teams that are ahead only two outs instead of three. Base-

ball lovers teed off on him and still haven't let up. His colleagues' response? First we sent him some hate mail of our own. And then we came up with ideas to save baseball that were even more outrageous than Jason's.

I was assigned to write the story. Only now, my editor says I'm just the “initial word typer.” The data shows my performance declines after the third paragraph, so I have to be brief. —*Brian Costa*



Brian, I know you're used to working deep into the story. But the Times set its lineup specifically to face you, so by pulling you after the lede—the way the Milwaukee Brewers yanked Wade Miley after one batter in the NLCS—we'll throw the competition off balance. Handing the ball to the versatile right-hander, Rachel Bachman. —Bruce Orwall, WSJ Sports Manager

1. Bring Back the Hustle ▲

For years, the Portland Trail Blazers' home arena has featured a Hustle Board. It looks like a regular scoreboard but tracks blocks, rebounds and steals—hustle plays. Baseball needs a hustle board, but with steals. It would award the team with the most triples, steals and bunts—which have been declining for decades—an extra run at game's end.

Data geeks say that steals and bunts aren't worth it anymore, and triples, with their risk of an out, probably aren't either. But steals are thrilling because they're risky and bunts have become so rare that they're game-changers. Manny Machado—a guy who brazenly admits he doesn't hustle—laid down a perfect one against Milwaukee in Game 7 of the NLCS to help give the Dodgers win.

Some ballparks might need to move back fences or create old-time crannies to foster more triples. Hustle Board ties could be settled by a footrace to first base between two chosen players. It's time to incentivize hustle plays—and bring back full-speed running to baseball.

—*Rachel Bachman*

I normally wouldn't call on my unhittable lefty closer, Jared Diamond, to pitch the third inning. But this is an elimination game, and I would kick myself if I saved him for the ninth and the story was already unsalvageable. Jared, just give me three good innings.

I normally wouldn't call on my unhittable lefty closer, Jared Diamond, to pitch the third inning. But this is an elimination game, and I would kick myself if I saved him for the ninth and the story was already unsalvageable. Jared, just give me three good innings.

2. Ban Mound Visits ▼

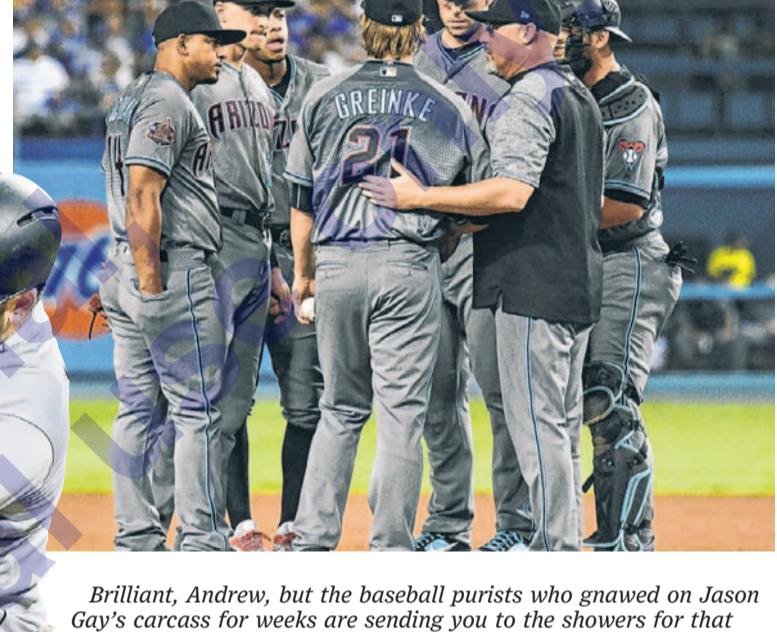
The image of an out-of-shape manager plodding onto the field to offer platitudes to his pitcher is ingrained in baseball's fabric. But these little chats are a giant waste of time.

Mound visits have two primary purposes. The first is for coaches to discuss strategy with players or

perhaps to give the pitcher a scouting report on the next hitter. In what other sport would we allow such a thing? Imagine Bill Belichick joining the Patriots' huddle to give Tom Brady some encouragement.

The other reason for mound visits is for managers to change pitchers. This involves trudging out to the pitcher, at the slowest pace in human history, to physically take the ball away from him and hand it to the next guy. Fans watch a bunch of men standing on a hill of dirt and doing absolutely nothing.

This season, MLB passed a rule limiting teams to six mound visits a game. So the sport knows they're stupid. Now eliminate them altogether. —*Jared Diamond*



3. Strike Four ►

The one way to fix baseball involves changing one of the most sacred aspects of the game. Are you ready for Strike Four?

Here's why baseball needs a fourth strike: Batters have never been worse at making contact. Sure, they hit tons of homers—but they're striking out more than ever, which means you can wait in line to get beer and never miss the ball even going in play. Three strikes just isn't enough anymore. Four strikes means fewer strikeouts.

This plan also will reduce pitching changes: four strikes only gets implemented when a team brings in a second pitcher during an inning. The pitcher who begins an inning gets the normal three strikes. Someone who comes in mid-inning, well, he has to deal with four. Is it worth bringing in a reliever to get one out midway through the fifth inning if he has to deal with four strikes?

One flaw: “Take Me Out to the Ball Game” doesn't have the same ring if it becomes “three but sometimes four strikes you're out at the old ball game.” —*Andrew Beaton*

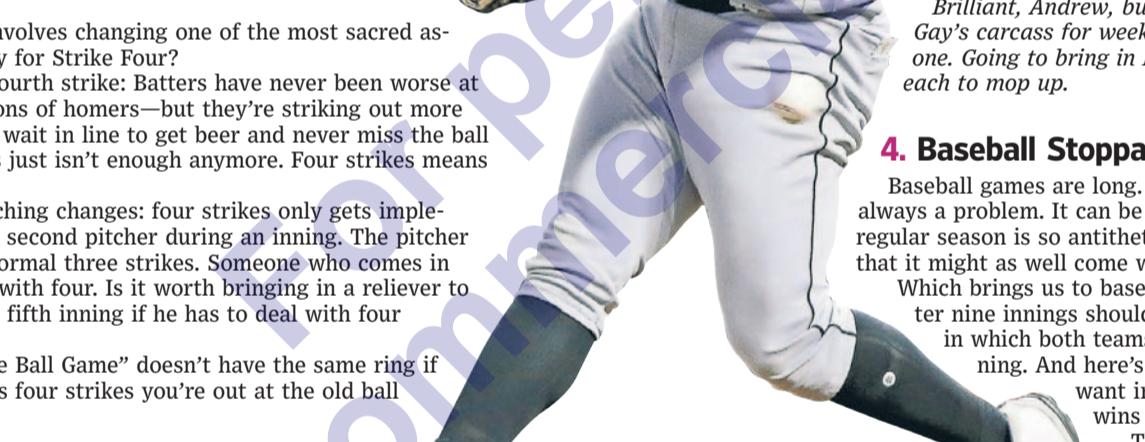
Brilliant, Andrew, but the baseball purists who gnawed on Jason Gay's carcass for weeks are sending you to the showers for that one. Going to bring in Ben Cohen and Jim Chairusmi for a batter each to mop up.

4. Baseball Stoppage Time ▼

Baseball games are long. A long baseball game in the playoffs is not always a problem. It can be awesome. But a long baseball game in the regular season is so antithetical to how entertainment works in 2018 that it might as well come with a VCR giveaway.

Which brings us to baseball stoppage time. Any game that's tied after nine innings should automatically enter baseball stoppage time in which both teams should get one last chance in the 10th inning. And here's the real catch: They can bat anyone they want in whatever order they want. If neither team wins after 10, everyone goes home.

The 10th inning would have everything you could want in a sporting event: high stakes, interesting strategy and star players. It might even make a regular-season baseball game interesting enough to watch. —*Ben Cohen*



5. The ‘Wheel of Fortune’ Rule ▲

Late in an episode of “Wheel of Fortune,” a bell signals that time is running out. Host Pat Sajak spins the wheel one final time before contestants aim to solve the last puzzle.

Baseball needs a “Wheel of Fortune” rule.

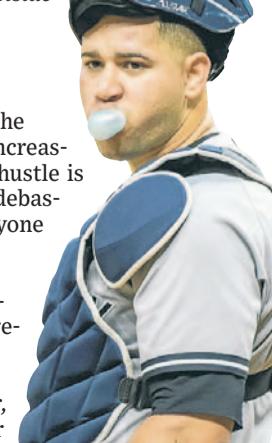
At the three-hour mark of games—the league average was 3:01 this season according to Stats LLC—a bell would indicate that the next full inning is the last. If the Yankees and Red Sox take three hours to complete four innings, then the game would become a five-inning affair. You wouldn't even need Vanna White. —*Jim Chairusmi*

Jason Gay wrote a column this summer in which he proposed letting fans pitch in lopsided games to liven things up. In that spirit, I'm bringing in WSJ banking reporter Rachel Louise Ensign for an inning. She's a superfan fixture in Section 104 at Yankee Stadium and has a nasty inside fastball ready for players who dog it.

6. The Hustle (Part II) ►

I don't follow baseball for my job like these other reporters. I'm the rare female under 55 who actually forks over money to watch this increasingly unbearable sport. The endemic—and even celebrated—lack of hustle is seriously offensive to me as a ticket-buying fan. It's part of a crass debasement of the sport that now values guys who hit big homers over everyone else.

Baseball is a leisure activity for me, the fan, not for the players. I propose that every time a player loafes on his way to first base; completely stops moving to admire what he thinks is a home run (but frequently is not); or flips his bat, he should be penalized for the time he is not working. If Yankees catcher Gary Sanchez takes a leisurely jog on a game-ending ground out, as he infamously did this summer, his jersey and bobblehead are removed from merchandise stands for a week. —*Rachel Louise Ensign*



My staff is now such a mess from all this bullpenned that I need to reach across the Atlantic and tap my European soccer reporter, Josh Robinson, to close—kind of the way teams this year called on backup catchers to pitch when they were getting shellacked.

7. Learn From Europe ▼

The most troubling numbers for America's most numbers-driven game surfaced in a Gallup Poll earlier this year. Baseball's popularity had slipped so far that it could soon be overtaken by soccer. Only people aged 55 and above fell soundly in the baseball camp.

So there is only one solution to keep soccer at bay: be more like soccer. Start by demoting uncompetitive teams. European soccer leagues boot out their worst clubs by relegating them to a lower division. Sorry Baltimore Orioles, you and your 115 losses will be playing in Triple-A next year.

One other note from abroad: it's time to do away with the sight of overweight baseball managers in sagging uniforms and ugly sweatshirts. Just as they do in chic European dugouts, make the managers wear suits. —*Joshua Robinson*

So these are our ideas. You might hate them. If so, please let us know. You can reach us at bruce.orwall@wsj.com.



OPINION

Where the GOP Might Win



POTOMAC WATCH
By Kimberley A. Strassel

Alaska isn't normally much on the national political radar, but by the end of Nov. 6 it could hold some notable distinctions. It may be the only state in which Republicans pick up a governor's seat. It may also serve as this election year's most powerful reminder of the political and economic perils of wayward government spending.

That will be the outcome if, as polls predict, the Last Frontier puts Republican Mike Dunleavy in the governor's mansion. The 57-year-old former state senator is rarely noted in the lower 48, though he's hard to miss in Alaska. And not just because he's 6-foot-7. His signs paper lawns, barns and fields. He's drawing crowds in rallies stretching from Barrow to Fairbanks to Juneau. His prospects are all the more impressive given that his Democratic competitor, Mark Begich, is a former U.S. senator and hails from one of Alaska's many political dynasties.

What's resonating is Mr. Dunleavy's promise to expand Alaska's economy rather than its government—the opposite of the current approach. Four years ago, Alaska got side-swiped by twin debacles. One was a plunge in oil prices that sent its economy into a tailspin. The other was the

election of Gov. Bill Walker, who did everything wrong in response. Unable to win a Republican primary, Mr. Walker was elected as an independent and proceeded to govern like a Democrat.

Facing a more than \$3 billion budget hole from lost oil revenue, Mr. Walker kept spending—cutting nowhere near enough to respond adequately to a crisis in which the state lost about half its usual revenue. He embarked on a protracted fight for new fees and an income tax (the latter failed). He signed up Alaska for ObamaCare's Medicaid expansion, piling yet more costs on the state. He refused to pay out oil and gas tax credits, further imperiling the industry that provides 85% of state revenue.

These were all economic mistakes, and Alaska has paid the price. While its economy has certainly suffered from the oil hit, the government response has also contributed to what is today the highest unemployment rate in the nation—6.5% in September. State economic growth is almost nonexistent, foreclosures have soared, and CNBC this year ranked the state dead last as a place to do business.

But Mr. Walker's biggest political mistake was slashing Alaska's Permanent Fund Dividend—the annual check to every resident from state oil wealth. Three times now the Walker government has cut the usual payment—at times by more than half—bringing

the average check closer to \$1,000. It has been a regressive tax hit that sent lower-income families and businesses reeling even at a time of soaring unemployment.

It didn't help that Mr. Walker lectured that he was "saving" the PFD for the future—even as he used some money to pay for state services. Nor did it help that he made clear going into his re-

Alaska is the reverse of the lower 48 this year, as voters look to revive a bad economy.

election that he viewed the reduced PFD as a new normal. By last week Mr. Walker's campaign was polling so poorly that he dropped out and endorsed Mr. Begich.

It's unpopular enough when legislators raise taxes. See what happens when you deny families a payout that they expect and depend on annually. It has had the useful effect of turning the PFD into a unique tool for imposing spending accountability, and that's been Mr. Dunleavy's opening.

The central plank of his campaign is a point-blank promise to restore the full PFD payout. This sounds a lot better to most Alaskans than Mr. Begich's crafty claim that he would push for a "constitutional amendment" that would "maintain a sus-

tainable dividend." Alaskans read "sustainable" as more cuts.

Mr. Dunleavy's critics have accused him of buying off the public, and they claim his math for spending cuts and PFD payouts doesn't add up. But Mr. Dunleavy has credibility on the fiscal front. First elected to the state Senate in 2012 on a message of budget discipline, he has broken with his own party on spending questions. His focus is on embracing new private-sector opportunities now that the Trump administration is reversing the effective Obama moratorium on oil and gas development. The ultimate goal is relieve the state's financial difficulties through economic growth. That, and to develop longer-term planning that allows Alaska to weather its boom-bust cycles better.

The Walker withdrawal buoyed Mr. Begich, and the race has tightened. Then again, Mr. Walker's name remains on the ballot, absentee ballots had already started coming in, and Libertarian candidate Billy Toien is also pulling votes. A plurality is enough to win, and a public poll taken after the Walker withdrawal still showed Mr. Dunleavy in the lead.

Alaskans have been painfully made to understand that joining in the lower 48's new prosperity will require first getting their state's own fiscal house in order. Those are the stakes come Nov. 6. Write to kim@wsj.com.

Boko Haram Put a Bounty on My Head

HOUSES OF WORSHIP
By Hassan John

Jos, Nigeria I received a phone call several years ago saying that someone had found my wallet, and I could pick it up at an abandoned racetrack. I don't carry a wallet. Shortly thereafter, while investigating a story about a massacre of Christians in the Middle Belt of Nigeria, I saw a charcoal message emblazoned on a wall: "Hassan, we know about you and will meet you one day." A Muslim friend confirmed that Boko Haram had put a bounty of \$700 on my head. Such is life for a pastor in modern Nigeria.

Nigerian Christianity is under siege from radical Islam. The country's importance to Africa, and to Christianity as a whole, makes this siege particularly noteworthy. With a population of nearly 200 million—about 50% Christian, 40% Muslim and 10% animist—by 2050 Nigeria will become the third most populous country in the world, the United Nations estimates. No wonder Nigeria has been a strategic target for radical Islamists for several decades.

Boko Haram, a radical Islamic movement whose name roughly translates to "Western education is forbidden," has ramped up attacks on

Christians this year. Since 2009 when Boko Haram began its rampage, about 20,000 Nigerians have been hacked with machetes or shot. Two million have been displaced. Pastors and their families have been specifically targeted for death.

The government's response has deepened Christian frustrations. President Muhammadu Buhari, a Muslim, describes the violence as "clashes" between Fulani tribesmen and farmers, who are mostly Christian. But many Christians, who often become refugees, believe the government is telling the world what it wants to hear, that this has nothing to do with religion. Yet why are all the attackers Boko Haram? And why do they target Christians? We sense that Muslims generally are killed as collateral damage, not as primary targets.

In 2010 I started reporting about these attacks for a popular radio show in Nigeria and then for CNN. By 2012 people started calling me whenever there was an attack around Jos, a city in the Middle Belt, the region where the majority of attacks were occurring. I am often the first reporter on the scene of an attack. I have come to the scene of over 100 massacres, one time finding 500 mutilated bodies.

Pastors in northern and central Nigeria face daunting pressures. Some conduct funerals almost every week for victims, often in mass burials. They struggle to answer their parishioners' questions about God's love and justice. They hear powerful voices dismiss this as an ethnic clash, but they understand it is a strategic scorched-earth war, a jihad against Christianity.

Nigeria's president plays down the jihad against Christians as an ethnic 'clash.'

we explain that God made us free to love or hate him. Without that freedom there would be no love. Second, life does not end on this earth. Third, God is just. Someday there will be judgment, and no evildoer will get away with the evil he has done. Fourth, God is love. That can be hard to believe in this evil time unless we look at Jesus' cross. There God himself suffered at the hands of evil men, and because of it love was released for the whole world. Fifth, we listen to testimonies of pastors and other Christians who saw the manifest presence of God in the midst of suffering and were transformed.

Our seminars have gone well, energizing those who attend and giving many the confidence to die for their faith. But they shouldn't have to. The Nigerian government should better use its military and police to protect the lives of all citizens. It should see that Nigeria's courts give speedy justice to the victims of these massacres. And they should be guaranteed safe return to their ruined homes to rebuild their lives. Americans can help by asking Congress and President Trump to pressure President Buhari to do better.

Mr. John is an Anglican priest and journalist.

Thus Faked Zarathustra

By Robert P. Crease

You are going to women? Do not forget the whip."

This is one of several excerpts from the 19th-century philosopher Friedrich Nietzsche that, in his book "Enlightenment Now," Steven Pinker cites as examples of Nietzsche's "genocidal ravings." But it's deceptive to pluck this remark—and the others on Mr. Pinker's list—out of context. To understand what Nietzsche means, one must read his books.

I'll stick with this "whip" remark because it seems inflammatory, yet its context tells a different story. Those words come from "Thus Spoke Zarathustra," which is a novel. It can't be assumed those words reflect Nietzsche's view of women any more than Petruchio's remark in "The Taming of the Shrew"—"Women are made to bear"—reflects Shakespeare's.

In Nietzsche's story, the words are spoken by an old woman who symbolizes life. Is

she advising Zarathustra to whip women? Or warning him that the women he'll encounter have suffered under the lash of men? If you read the book, the answer is clear.

As readers of "Zarathustra" know, its protagonist changes throughout the book. The change is highlighted in a follow-up encounter, in which

Steven Pinker isn't very enlightened in misreading Nietzsche.

Zarathustra, invoking the woman's previous remark, threatens to whip her. She bitterly reprimands him, saying that's not how one treats equals. Zarathustra understands and relents. This indicates a different meaning than Mr. Pinker assumes. As the philosopher Alexander Nehamas put it in an article on Zarathustra, it's that "trying to whip life into shape, formulating a model to which all lives are to con-

form, like whipping women into shape, trying to make them one's followers and not acknowledge them as one's peers, leads to inevitable failure."

The danger is not Mr. Pinker's silly interpretation.

It's the confident assumption that one can cull a sentence out of context, take it literally, and know its meaning. That may be fine for scientific papers, but most language does not work like that. In everyday life, humans often find they express themselves more effectively by speaking allusively, evocatively, breezily, playfully, impressionistically, satirically, provocatively, impertinently or even wickedly than by speaking with scientific literalness. They also need to know the full story behind which the words are spoken.

Mr. Pinker's certainty about his take on Nietzsche's words—as well as the pass that reviewers have given him concerning his remarks about philosophers—reflects the urge to cram language into a

single, scientific model to which all language should conform. That's antithetical to the humanities as a discipline, one of whose ambitions is to cultivate fluency in the full sweep of human expression.

Interpreting intellectual remarks out of context threatens not only the humanities but the climate in which culture, to say nothing of good scholarship, thrives. The humanities need some equivalent of Carl Sagan or Richard Dawkins, speaking for the rest of our knowledge and practices the way they did for the sciences, to take on the mission of blasting away degradations of intellectual discourse.

So there is one thing you should be sure not to forget when you encounter a literal mind who promotes the idea that the humanities deal with lesser forms of speech and knowledge.

The whip.

Mr. Crease is chairman of the Department of Philosophy at Stony Brook University.

BOOKSHELF | By Tom Nolan

All the Sleaze Fit to Print

Confidential Confidential

By Samantha Barbas
(Chicago Review, 360 pages, \$27.99)

We all read it," Marlene Dietrich said, "not because it was any good . . . but to find out if we were in

"Our stomachs began to turn" whenever a new issue came out, recalled the actor George Nader.

"Everybody reads it," Humphrey Bogart admitted, "but they say the cook brought it into the house."

"It" was Confidential, the notorious celebrity-scandal magazine. Chock-full of lurid stories, it pierced the veneer of respectability that protected public figures until the mid-1950s. Dietrich, Marilyn Monroe, Gary Cooper, Robert Mitchum, Liberace, Errol Flynn and Frank Sinatra were among the many stars memorably caught in Confidential's leering klieg lights. The 25-cent newsprint-periodical at its peak had a circulation close to five million, and its newsstand sales exceeded those of Life, Time and the Saturday Evening Post. Racist, homophobic and downright sleazy, the magazine changed the way the public thought about celebrities.

And now it can be told: In "Confidential Confidential," law professor Samantha Barbas recounts the inside story of the "little magazine that could" with drama, humor and verve.

The gossip sheet that rocked the nation was the brainchild of Robert Harrison, the son of Russian-Jewish immigrants. Born in Manhattan in 1904, Harrison first rose to fortune if not fame in the late 1940s and early '50s as the purveyor of a string of "pinup mags" whose success earned him the soubriquet of "cheesecake king." A frequent presence at New York's most exclusive night spots, Harrison would often make his entrance with models like Bettie Page on his arm. "It made him feel," said a friend, "like the Duke of Broadway."

Harrison launched Confidential in 1952. He set up a Hollywood base and put together a diverse network of sources paid to produce tips for the magazine's stories. The gossip derived, Ms. Barbas writes, from "directors, producers, cameramen, former studio publicists . . . room clerks, bellboys, waiters, cigarette girls . . . wives and husbands, ex-wives and ex-husbands, prostitutes, paramours, and even brothers, sisters, sons, daughters, and parents." Lawyers checked the veracity of the articles before publication, though Harrison and crew sometimes embroidered the truth to make a piece more juicy. "Once we establish the star in the hay and that's documented," Harrison explained, "we can say anything we want. . . . What's a guy gonna do, sue us and admit he was in the hay with the dame, but claim he didn't do all the other things we dress the story with?"

In some cases, the "threat that the whole story would come out in court was enough to deter most libel suits," Ms. Barbas writes. Such was meant to be the case with a Confidential story about Robert Mitchum's outrageous behavior at a 1955 party thrown by Charles Laughton. But Mitchum sued anyway, citing family concerns: "I've got kids in school. What about them? What am I supposed to do? Just sit still and let these guys kick me in the face?"

Confidential, the notorious celebrity-scandal magazine founded in 1952, put terror into the hearts of Hollywood types who feared exposure.

A few cooler heads at the studios thought it best to ignore Confidential. Actor Tab Hunter feared that his career would be ruined after the magazine wrote about his arrest during a 1950 police raid of what the magazine called a "pajama party . . . strictly for boys." ("It all started," the article recounted, "with a vice cop who was drifting in and out of Hollywood's queer bars on the afternoon of October 14th, looking and listening for tips on the newest notions of the limp-wristed lads.") Studio boss Jack Warner took a longer view, as Ms. Barbas writes: "Warner put his arm around [Hunter] and said, 'Remember this: today's headlines, tomorrow's toilet paper.'"

Over time many in the film industry began to urge California's attorney general, Edmund G. "Pat" Brown, to press charges against Confidential in hopes of shutting it down. In 1957, Brown did just that, securing indictments against the magazine's producers for malicious libel and other offenses. But then the concerned parties realized that the publication, in order to defend itself, was willing to force the public testimony of all those whom Confidential had written about. That would spread the gossip to even wider audiences, through mainstream news coverage.

"Dozens fled Hollywood to avoid the process servers," writes Ms. Barbas. She quotes Tab Hunter saying: "Most of my colleagues decided that [it] was the perfect time to take that long delayed Mexican vacation." Actor and dancer Dan Dailey was performing at the Hollywood Bowl when private detectives with subpoenas surrounded the stage-door exits. "At the end of the concert, Dailey took a bow, then 'vaunted over the footlights when the curtain fell.' He wound his way through the aisles, got into a friend's car, and sped away." In the end, though the legal saga ended in a mistrial, it convinced Harrison to stop publishing star exposés.

Ms. Barbas paces her terrific story well, and the book ends with her cogent analysis of Confidential's larger significance. The magazine, which shuttered in 1978, "precipitated a historic shift in American life fostering the jadedness, skepticism, and loss of innocence that would increasingly define the world in the 1960s and beyond." "You couldn't put out a magazine like *Confidential* again," Harrison told young journalist Tom Wolfe as early as 1964. "You know why? Because all the movie stars have started writing books about *themselves!* . . . They tell all! No magazine can compete with that." Perhaps. But as today's #MeToo movement shows, the powerful in Hollywood (and elsewhere) still like to keep their secrets.

Mr. Nolan reviews crime fiction for the Journal.

Coming in BOOKS this weekend

Trekking to the South Pole • MacArthur, Yamashita and the Battle of Manila • The fight for Emily Dickinson's legacy • Jamestown: America's origin story • The fathers of Wilde, Yeats and Joyce • Sam Sacks on fiction & more

OPINION

REVIEW & OUTLOOK

Peak Embarrassment in War on Oil

Before resigning this year amid allegations of sexual abuse, former New York Attorney General Eric Schneiderman spent nearly three years trying to harpoon his great white political whale—Exxon Mobil. His hunt failed to uncover malfeasance, but the AG's office is suing Exxon anyway in a case that should be laughed out of court.

Acting Attorney General Barbara Underwood alleged in a civil suit this week that Exxon defrauded shareholders, including those in the state workers' pension fund, by failing to incorporate the projected costs of future climate regulation in its planning and investment decisions. The lawsuit says Exxon essentially kept two sets of books—one for public disclosures and another for internal purposes.

Mr. Schneiderman initiated the roving investigation of Exxon's business practices in November 2015. Exxon has since produced millions of pages of documents, but none have corroborated the political conspiracy theory that the oil and gas giant publicly downplayed the risks of climate change while preparing for them internally. No matter. The state AG's office is now floating an alternative theory that is even more far-fetched.

Lo, the AG says Exxon's public disclosures projected a "proxy cost" of climate regulation of \$80 per ton of carbon in 2040 in developed countries and between \$20 to \$40 per ton in developing countries. Yet Exxon allegedly applied internally a "much lower price per ton to a small percentage of its GHG emissions, based on then-current regulations." In other words, the AG claims Exxon was telling the truth to the public but lying to itself.

But as Exxon explained in a July motion challenging an AG subpoena, the two cost projections are used for distinct purposes. The "proxy costs" are used to forecast global energy demand while "greenhouse gas costs" projections are used internally to make particular investment decisions. Exxon has proprietary reasons for not publicly disclosing these internal estimates. And it must be accurate in cost projections if it wants its enormous and multiyear projects to earn a profit.

Each cost "is employed differently in Cash Flows," Exxon added. "While Proxy Costs are

New York's AG claims that Exxon Mobil has been lying to itself.

indirectly reflected in line items associated with a commodity price, GHG Costs are incorporated, where appropriate, in various project economic metrics, including, but not limited to, operating expenses."

Exxon says it has submitted no fewer than seven letters identifying more than three dozen documents "that show beyond legitimate dispute that the Company applies each cost in accordance with its statements" to investors. The charitable explanation is that this nuance eludes prosecutors who have no experience in business.

The lawsuit cites Exxon's projects in the Alberta oil sands, which the AG says could lose billions of dollars due to future government climate regulation. Alberta this year imposed a \$30 per ton tax on greenhouse gas emissions. Yet Alberta's conservatives have pledged to repeal the unpopular tax if they win next year's election, as they're widely expected to do.

* * *

The reality is that nobody knows the future cost of carbon, and it will hinge as much on politics as on the evolving science and facts of climate change. President Trump sharply reduced the regulatory cost of carbon in the U.S. by rescinding Barack Obama's Clean Power Rule, fuel-economy (Cafe) standards and methane regulations.

Liberals claim oil will become obsolete as electric cars replace vehicles that run on fossil fuels. But these are the same people who said in 2006 that cellulosic ethanol would soon be an economic alternative to fossil fuels.

The International Energy Agency reported this year that *more* oil investment is needed to keep up with increasing global demand: "Each year the world needs to replace 3 mb/d of supply lost from mature fields while also meeting robust demand growth. That is the equivalent of replacing one North Sea each year."

Ms. Underwood is charging Exxon under New York's notorious Martin Act, which doesn't require evidence of intent to prove fraud in civil cases. She may be hoping that Exxon agrees to settle and pay a fine so she can declare victory. Yet in this case there's not even evidence of fraudulent conduct, much less intent. The only party guilty of misrepresentation in this lawsuit is the New York AG.

The Avenatti Referral

The aftermath of the Brett Kavanaugh hearings continues. Chuck Grassley has referred Michael Avenatti to the Justice Department for a criminal investigation. He is right to do so.

As Judiciary Chairman, Senator Grassley's burden was to preside over the extraordinary chaos that engulfed the committee after its Democratic members brought forth accusations of sexual misconduct against then Judge, now Justice, Kavanaugh.

Amid high political tension, Mr. Avenatti, famous only for representing porn star

Stormy Daniels, produced another accuser who claimed to have been gang-raped at a party attended by Mr. Kavanaugh in the early 1980s. Senator Grassley's criminal referral alleges that Mr. Avenatti and his client, Julie Swetnick, made false statements to the committee's investigators, which is a crime.

"I don't take lightly making a referral of this nature," Senator Grassley said, "but ignoring this behavior will just invite more of it in the future." Deterring the politics of personal destruction sounds like an excellent idea.

A Connecticut Rescue Plan

For Connecticut taxpayers, the eight years of Democratic Gov. Dannel Malloy may feel like Groundhog Day. High taxes have repressed economic growth, swelling budget deficits that Democrats have "solved" by raising taxes again and again. This year voters face a choice of whether they want to relive this misery for four more years or take a risk on a growth remedy.

Once upon a time Connecticut had no income tax and attracted high earners from all over the Northeast. From 1976 to 1991, Connecticut led the country in GDP growth. But its fairy tale economy began to end in 1991 with its enactment of a flat 4.5% income tax. That soon became a "progressive" tax, and rates have since climbed while taxpayers have fled.

After the financial crisis, former GOP Gov. Jodi Rell raised the top rate on individuals earning more than \$500,000 to 6.5% from 5%. Mr. Malloy pushed the top rate to 6.7% in 2011 and 6.99% in 2015, notwithstanding his re-election promise not to raise taxes. He also imposed a 10% surtax on corporate income over \$100 million. Connecticut's 8.25% top corporate rate exceeds that of all of its neighbors.

The result has been a lost decade of growth. Connecticut's GDP has shrunk an incredible 9.3% since 2007 and declined by 0.5% on average annually during Mr. Malloy's governorship. Revenue growth for the government has been sluggish as businesses and high-earners have decamped to lower-tax states. Over the last five years \$8.8 billion in income has left the state, mostly to Florida.

Had Connecticut grown at the same rate as the U.S. over the last eight years, its economy would be nearly \$50 billion larger and annual revenues would be \$3.9 billion higher—equal to all of the state's corporate tax revenues and nearly one third of income tax collections.

Meantime, spending on public worker benefits has grown without restraint. Mr. Malloy re-amortized state pension payments to reduce costs in the short-term while sticking taxpayers with a larger tab over the long haul. Yet pensions are still only 50% funded, and the state is looking at a \$2 billion deficit next year. Mr. Malloy leaves office as the second most unpopular Governor in Amer-

ica after Oklahoma's Mary Fallin.

Enter Democratic candidate Ned Lamont, a former telecom executive who professes to be different but is alas promising more of the same. Mr. Lamont blames inadequate transportation and corporate welfare for the recent exodus of businesses and taxpayers. His solution: a bonanza of government spending, er, "support."

He wants to establish a state infrastructure bank to finance public works as well as provide more government "support for projects that improve livability" and the state's venture capital fund. The Democrat also hopes to boost tourism by creating a fund that "supports construction projects at cultural facilities."

It's true that Connecticut roads are lousy, and Hartford doesn't have the cultural milieu of New York or Boston. But that's not why tens of thousands of taxpayers are leaving each year. The way to make Connecticut more livable for more people is to reduce its crushing tax burden and provide more jobs and opportunity.

* * *

Enter Republican candidate Bob Stefanowski, a former executive at UBS and GE, who is offering an economic rescue plan. He wants to eliminate the state estate tax so fewer retirees flee to Florida; repeal its corporate tax over two years to attract more businesses; and phase out the individual income tax over eight years to retain the young and successful.

Mr. Stefanowski's plan is undeniably ambitious and it may not be entirely achievable. But there's no doubt about the direction he wants to go, and at least he's offering a clear choice of renewal compared to more decline. Mr. Lamont's main response is to say that cutting taxes would mean sharp reductions in spending, and to claim that Mr. Stefanowski is another Donald Trump. Mr. Lamont knows better but shows no sign he will challenge Hartford's union-dominated political machine.

This may be a Democratic year, but perhaps Connecticut will buck the trend. Mr. Stefanowski is trailing by 3.4 points in the latest Sacred Heart University poll. Maybe voters will give him credit for telling the truth that economic growth is the only cure for Connecticut's tax, spending and debt addictions.

LETTERS TO THE EDITOR

Debating the Social Cost of CO₂ Emissions

Prof. Cass Sunstein is correct that the systematic use of benefit-cost analysis has improved federal regulation ("A Quiet Revolution Has Given the U.S. Smarter Regulations," op-ed Oct. 22). He commends the bipartisan commitment to this tool that spans the presidencies from Reagan to Trump. But then he quietly defends the Obama administration's extraordinary violation of this commitment, which ironically occurred when he had the authority to prevent it.

Objectivity and fairness require that the benefits and costs of federal regulation be estimated at the "water's edge." Thus, only benefits and costs realized in the U.S. are counted. Office of Management and Budget Circular A-4 goes further, stating that wealth transfers from Americans to foreigners should be counted as costs. But Prof. Sunstein advocates counting these costs as benefits. Why? Because it's about climate change, and benefits won't exceed costs if analysis is performed objectively and fairly.

Prof. Sunstein is correct that politicization "in deference to interest groups and political dogmas" undermines the bipartisan commitment to benefit-cost analysis. But that's true regardless of which interest groups and political dogmas are involved.

RICHARD B. BELZER
Mount Vernon, Va.

Mr. Sunstein laments that "political predilections appear to be running the show" in the Trump administration when it comes to things like the "social cost of carbon" (SCC). He couldn't get that one more backward. Political predilections were dominant when the Obama administration inserted the SCC into its regulatory agenda. Note, for instance, that successive estimates for the SCC were initially introduced via trivial regulations that allowed them to avoid the scrutiny they were unlikely to survive. The first case was the regulation of beverage vending-machine compressors. A few years later the Obama administration introduced a juicier SCC via a rule to regulate the efficiency of digital displays on microwave ovens, supposedly to rectify a 50-cent-a-year market inefficiency. In addition, the regulators used intellectual gymnastics to pretend investing in

environmental capital isn't investment, which allowed them to ignore guidance on discount rates. My former colleague Kevin Dayaratna and I demonstrated that employing this intentionally ignored discount rate so reduces the SCC that the answer could well be negative, implying the need for subsidizing CO₂ emissions. William Nordhaus and Richard Tol (among others) are excellent economists and do interesting work. However, their models are far from settled and were dangerous weapons in the highly politicized regulatory agencies of the Obama administration.

DAVID KREUTZER, PH.D.
Falls Church, Va.

According to Mr. Sunstein, civil servants determine costs and benefits by looking at science and economics, not opinion polls or party platforms. He's concerned, however, that the Trump administration is now letting political predilections override analytics when it comes to climate change and the environment.

Mr. Sunstein wants us to believe that civil servants in our regulatory state are completely unbiased and professional when preparing cost-benefit numbers for new regulations. If the FBI and the Justice Department had professionals who wanted to keep Donald Trump out of the White House, it is more than a bit naive to think that civil servants in, say, the EPA have no personal, political or philosophical reasons for wanting to skew analytics in a way that is good for the EPA, their own careers and the planet. Amorphous "co-benefits" and "social costs" can be fudge factors that can turn a proposed regulation's substantial net cost into a massive net benefit. See the 2010 ObamaCare projections of costs and benefits for a refresher on how civil servants either manipulate numbers with fudge factors or fail miserably at forecasting.

Mr. Sunstein doesn't want civil servants inhibited by interest groups and political dogma. Our federal bureaucracy is one of the most powerful interest groups in the country, and it is disingenuous to suggest that regulatory agencies are free and clear of political dogma.

PHIL CAMPBELL
Columbia, Md.

A Backlash to Digital-Tipping Intimidation

Regarding "Sorry, You Don't Get a 20% Tip Just for Handing Me a Muffin" (page-one, Oct. 18): Beginning with credit-card machines in New York City taxis, the tipping troll is wielding a heavy bat. I resent the intrusion into my freedom and privacy to choose. There should always be a 15% option, and the ability to set one's own tip amount should be legally required on all machines. There is no shame in not tipping. It is meant to be a show of gratitude, not a replacement for fair wages.

REV. YVONNE LOGAN
New York

As retirees who live on Social Security plus our savings, we find it rude

RICK AND RANDI THEOBALD
Scottsdale, Ariz.

Acheson, My Father, Was a True Anglophile

In his review of Derek Leebaert's "Grand Improvisation" (Bookshelf, Oct. 17), Wm. Robert Louis comments that my father, Dean Acheson, is "often portrayed as an Anglophile. . . [but] in fact had an abiding scorn for all things English." Hard to know if he is paraphrasing the book or voicing his own opinion. Either way, this was news to me. My father has been portrayed as an Anglophile because he was an Anglophile: A first-generation American, his father was English, his mother Canadian and he was brought up celebrating the Queen's birthday.

In post-Dunkirk and pre-lend-lease 1940, FDR wanted to send Britain 50 destroyers but could not find a legal way to do it. Acheson, then a lawyer practicing in Washington, proposed a solution in a letter to the New York Times that he got many prominent

lawyers to sign. From this came the Destroyers for Bases Agreement of September 1940. Throughout his career in the State Department from 1941-52, my father worked very closely with all the British and Canadian ambassadors in Washington, especially Oliver Franks. These were friendships that lasted long beyond his time in office and despite his very realistic assessment of Britain's postwar role in the world.

Mr. Louis also quotes Mr. Leebaert paraphrasing Acheson as saying he "believed that the world was run for idiots by idiots." This was a throwaway line, said not to be taken seriously but to reinforce a bond with those who most definitely were not idiots and who strove to find intelligent solutions to intractable problems despite the odds.

Finally, a minor point: My father did not wax his mustache!

MARY A. BUNDY
Lexington, Mass.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Do we want to just flip a coin, or hire consultants to flip a coin?"

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KARL F. STEPHENS
Barrington, R.I.

OPINION

How to Win a Cold War With Beijing

By Seth Cropsey

Vice President Mike Pence announced a turning point in Washington's relations with Beijing. In a speech Oct. 4 at the Hudson Institute, he acknowledged that four decades of attempts by the U.S. to make China a "stakeholder" in global norms and institutions had failed. The White House now promises to shift relations accordingly.

Mr. Pence didn't offer specifics, but there's no shortage of steps the administration could take to assert U.S. interests against China's hegemonic goals. It should recommit to defending American allies in East Asia and improving U.S. forces' ability to deter Chinese expansion.

Unlike with the Soviets, the key is controlling the seas—so bolster the Navy and work with allies.

Deterrent measures fall into two categories: actions the U.S. can take unilaterally, and steps that must be taken together with regional allies. East Asian countries increasingly are joining the U.S. in believing that a triumphant China will "treat us like dogs," as one Asian diplomat remarked to me recently.

For starters, the U.S. Navy needs to expand its fleet. The Trump administration has committed to increasing the number of active ships to 355 from about 280 today. But this expansion must be carried out by 2030, rather than along the 30-year timeline the White House proposed. An accelerated naval buildup would give China proof of U.S. intent to resist its regional ambitions, speaking to President Xi Jinping in a language that needs no translation.

The U.S. could begin by commissioning an additional carrier strike group to be forward deployed in the Indo-Pacific region. The one U.S. aircraft carrier now based in Japan cannot cover the vast Indo-Pacific single-handed, nor can it provide the striking force the U.S. would need in a war. An additional carrier strike group would also allow the U.S. to increase patrols of the South China Sea, including the Taiwan Strait's international waters. Involving U.S. allies in these patrols would advance like-minded nations' interest in protecting freedom of navigation.

U.S. forces must also be prepared to respond in kind



to Chinese provocation. China's challenge of a U.S. destroyer near the Spratly Islands last month was an example of passive aggression. China recently has conducted cyber-attacks against corporations, including defense contractors. The U.S. government also is a frequent target; China launched a cyberattack on the Naval War College as early as 2006. The White House published a new National Cyber Strategy last month, declaring that the U.S. will retaliate against all confirmed cyberattacks. This is sound deterrence. The administration will discourage China's provocations by meting out commensurate punishments.

America's advantage in artificial intelligence could enhance its edge in both cyber and kinetic warfare in coming years. AI will soon allow unmanned military platforms to operate against an enemy without immediate human direction. Picture a school of small submersibles that can communicate with each other and sink an enemy ship. Heightened emphasis on AI will assure continued U.S. military and naval

dominance despite the quickening pace of Chinese militarization. This dominance could be compounded by removing bureaucratic obstacles within the Defense Department that slow the deployment of new technologies.

When it comes to regional alliances, no partner is more vital than Taiwan, the boldest active resister of China's territorial claims. The Trump administration has approved two arms sales to Taipei since June and should expand cooperation with Taiwanese forces. The U.S. and Taiwan should build familiarity by arranging meetings between senior diplomats and military officers, and welcoming naval ships in each other's ports. The U.S. also should provide assistance for Taiwan's nascent submarine program. A more robust defense of Taiwan—especially against a blockade or amphibious assault—would raise the cost to China of seizing the island by force.

Another priority is greater attention to Japanese security. President Trump's strong relationship with Prime Minister Shinzo Abe should lead to closer collaboration on the

seas. Tokyo has begun significantly improving its defensive capability, and the U.S. should aid its development with expanded arms transfers. Along with Taiwan, Japanese forces could be integrated into a joint command-and-control center that would monitor both nations' coastal waters.

Finally, the U.S. should bolster its naval and Marine presence on Australia's northern coast. Beijing must understand that U.S. allies will vigorously contest any attempt to control the archipelagic straits between the Indian and Pacific oceans.

The maritime focus of the U.S. clash with China reverses the dynamic of the Cold War, which was a mainly land-based standoff. In the Cold War, the U.S. called on naval forces to harry the Soviets on their naval flanks and distract them from Germany's heartland. A key objective today should be to distract China from its naval ambitions by pressing Beijing at its continental vulnerabilities.

Russia is the most obvious. The U.S. should encourage Moscow and Beijing's many existing conflicts,

such as dominance of Central Asia and the extraction of Arctic resources.

China's large and restive Uighur population is another problem, promising to become a greater irritant to Beijing. Its dispute over Tibetan sovereignty dates to the 13th century, with no resolution in sight. These are complications in China's inconsistent effort to consolidate its empire, and the U.S. should renew its links with these oppressed minorities in keeping with the commitment in Vice President Pence's speech.

The U.S. should also back India in its effort to compete with China's Belt and Road initiative, a plan to integrate and dominate Asian commerce with Europe. American industry can form partnerships with India to modernize its ports and land-transportation systems.

Mr. Pence pledged that the U.S. would remain the Pacific's dominant power. He identified China as the greatest challenger. He correctly observed that China has a "whole of government" approach to advancing its hegemonic ambitions. To protect American security, assist allies, defend U.S. economic interests, and demonstrate that Washington is not disengaging from the world, the Trump administration should call on all the tools at its disposal as well. The objective in this strategic competition, as Ronald Reagan once put it: "We win, they lose."

Mr. Cropsey is director of the Hudson Institute's Center for American Seapower. He served as a naval officer and as deputy undersecretary of the Navy in the Reagan and George H.W. Bush administrations and is author of "Seablindness" (Encounter, 2017).

Germany's Green Party Emerges as the Center-Left Opposition



Here's a sentence this columnist never expected to write: Two cheers for Germany's Green Party. It may have a lesson for the rest of Europe.

The Greens were the big winner in state elections in Bavaria earlier this month, more than doubling their vote tally from five years ago to finish second. The party is expected to match that result in this Sunday's state election in Hesse, where it's currently polling around 20%. That's nearly twice its 2013 finish and tied for second with the center-left Social Democratic Party.

This sudden surge on the left comes as a shock to pundits who assumed German politics was shifting rightward. Instead the far-right, anti-immigrant Alternative for Germany, or AfD, is fizzling. It won around 10% in Bavaria and may hit 13% in Hesse—distant fourth-place finishes. Reports of its demise are premature, but the AfD has struggled to build momentum after its

record 12.6% vote share in last year's national election.

The rise of fringe nationalist parties—such as the AfD, France's National Front, Britain's UK Independence Party and Geert Wilders's Freedom Party in the Netherlands—created an impression that voters wanted national borders, distinct cultural identities and an end to large-scale immigration.

German voters instead are rewarding the country's most avidly pro-immigration party, a hyper-European band of urban cultural leftists. And they're not alone. Relief at a Mr. Wilders's 2017 drubbing overshadowed the performance of D66, an urban moderate-leftist party, which boosted its vote share by four points to more than 12%, a close fourth in a crowded field. Emmanuel Macron—the ultimate quasisocialist conflicted partial supply-sider—is president of France.

The story of the German Greens shows how this happens. Once a peace-and-trees party of hippie scolds, over the past 20 years the party has absorbed a new tranche of more-realistic voters and leaders.

The secret to the party's newfound success is an improbable combination of vague otherworldliness in some policy areas, hard-nosed realism in others, and a paradoxical ability to maintain its outsider status while also being mainstream enough to earn voter trust.

Its impressive showings in state elections suggest reports of the far right's rise were exaggerated.

On economics, that means making peace with the labor reforms of 2003-05, which the Greens helped pass in coalition with SPD Chancellor Gerhard Schröder. Those overhauls still induce fits of neuralgia among SPD leaders who believe the reform costs the party votes and ought to be scrapped.

But the Greens speak to voters who know Germany's labor market needed to change but also think there's scope to improve on the law with better protections for low-

wage work, for instance. That's not as classically liberal as this columnist might prefer, but it's respectfully centrist in Germany.

And if you're talking about classical liberalism, the Greens offer a surprising dose of it to entice voters away from Chancellor Angela Merkel's center-right Christian Democratic Union. They decry the crony capitalism that produced, and has been exposed by, the Dieselgate scandal in the auto industry.

That yearslong business and political fiasco, set in motion by revelations that car makers faked emissions tests, has reminded voters of the close ties between both the CDU and SPD and German industry. Center-right voters can respect the Greens' arm's-length attitude toward business whether or not they like specific Green antiauto policy fixations.

So too, in a way, on foreign policy. The party is a disaster on military spending and the North Atlantic Treaty Organization, neither of which the Greens like. But that's par for the course in self-consciously pacifist Germany. The Green innovation is to be tough on

Russia when it comes to human rights and sanctions—arguably tougher than any other mainstream party.

The key point is that the Greens offer a certain outsider independence, especially in contrast to an SPD whose nine years in a left-right coalition with Mrs. Merkel have cost the party its identity and possibly its mind.

Which raises the prospect that outsidership, not nationalism or xenophobia, has been the main factor drawing voters to the AfD. The Greens' story tends to support a theory that fringe politics is more about the politics than about the fringe—that voters care more about taking a sledgehammer to ossified political systems than about the particular views of the politicians swinging the hammer.

That's dismaying for mainstream parties, which may find there's nothing they can do to recover their lost credibility, no policy pander they can deploy to woo back disaffected voters. But it's a very comforting thought for voters fretful about an otherwise unaccountable recent drift to the edges.

Pause Interest-Rate Hikes to Help the Labor Force Grow

By Neel Kashkari

The Federal Reserve formally set its annual inflation target at 2% in 2012. Then in 2016 it made a subtle but important clarification. It stated that the target is "symmetric"—rather than a "ceiling" as the European Central Bank has adopted. This means inflation can deviate modestly above or below the target in the short run without causing alarm.

The Fed has raised the federal funds rate eight times in the past three years, and inflation now

stands right at the 2% goal. A hard inflation ceiling would justify preemptive rate increases to ensure inflation doesn't climb any higher. But the symmetric objective gives the Federal Open Market Committee the flexibility to see how the economy evolves before determining if further rate increases are necessary.

The FOMC should seize this opportunity for a pause. With the federal-funds rate at 2% to 2.25%, monetary policy is now close to neutral, neither stimulating nor restricting the economy. Prematurely tapping the brakes could re-

strain wage growth and keep many Americans from participating in the economic recovery.

The Fed has consistently undershot its 2% inflation target. Core inflation averaged 1.6% over the past six years and hit the target only in March of this year. If inflation were to climb modestly above the target in the short run, there would be little need for the Fed to respond. If the 2% goal is truly symmetric, the Fed should be as tolerant of core inflation of 2.4% over six years as it has been with its downside misses over the last six.

Notable & Quotable

From an Aug. 3 job posting from Williams College in Williamstown, Mass.:

Williams College invites applications for the position of Assistant Coach of Nordic Skiing for the academic year 2018-2019. . . .

Our expectation is that the successful candidate will excel at working in a community that is broadly diverse with regard to race, ethnicity, socioeconomic status, gender, nationality, sexual orientation, and religion. We are especially interested in individuals who have experience with diverse populations who can contribute to the diversity and excellence of athletic opportunities at Williams. Candidates from underrepresented groups are strongly encouraged to apply.

A pause on rate increases would allow the FOMC to gain important insights. Crucially, it would help determine how much slack remains

The Fed can tolerate inflation slightly above its 2% target. It should take its foot off the brakes.

in the labor market. For the past few years, policy makers have repeatedly thought the U.S. was at full employment, only to be surprised as Americans continued to enter the labor force in large numbers. In 2015 the FOMC estimated unemployment could not go below 5.1% without triggering inflation.

Its current estimate is 4.5%; the actual unemployment rate is down to 3.7%, and wage growth and inflation are still muted.

And the formal unemployment rate only counts people actively looking for work. By another measure—the percentage of prime-age Americans who are employed—nearly a million adults are still missing from the job market relative to 2006, and more than 2.5 million fewer are working relative to 1999. How many more of those missing workers would re-enter the labor force if wages picked up? We don't know.

There is also considerable uncertainty surrounding the long-run impact of the 2017 tax cut. Advocates

argued it would boost private-sector investment, which would increase the capacity and productivity of the U.S. economy. If that turns out to be true, the tax cuts shouldn't lead to higher inflation in the long run. Critics argue the tax cut is delivering a Keynesian sugar high, that modest growth rates will return once the high has worn off, and that taxpayers will be left holding \$1.8 trillion in additional outstanding debt. Who's right? It will take time to find out.

If consumers and investors believe the economy is overheating and that additional debt from the tax cut will lead to greater price increases in the future, that should show up in inflation expectations. Yet expectations for inflation five to 10 years from now show little sign of increasing.

If inflation or inflation expectations climb meaningfully above the Fed's 2% target, the Fed should do whatever it takes to keep them in check. It was wrong to allow inflation to accelerate dramatically in the 1970s, and the American people paid a steep price in the form of high unemployment and very high interest rates. But until inflation or inflation expectations get meaningfully higher, the Fed should allow the economy to continue to strengthen, so as to allow as many Americans as possible to participate in the recovery.

Mr. Kashkari is president of the Federal Reserve Bank of Minneapolis and a participant in the Federal Open Market Committee.

WHEN DISASTER STRIKES, IT'S TIME TO PULL TOGETHER.

It doesn't matter who we root for on Saturday. Whether we're locals or tourists. Liberals or conservatives. There are no customers or non-customers. Just people who need to connect. In the aftermath of Hurricane Michael, our network is up and running, so we've opened it up for other carriers to use. Because no matter whose service you're using, we work best when we work together.

Text "MICHAEL" to 90999 to donate \$10* to the Red Cross recovery effort.



TECHNOLOGY: TWITTER AND SNAP LOSE USERS BUT GAIN REVENUE B4

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, October 26, 2018 | B1

S&P 2705.57 ▲ 1.86% **S&P FIN** ▲ 1.64% **S&PIT** ▲ 3.32% **DJ TRANS** ▲ 1.88% **WSJ\$IDX** ▲ 0.08% **LIBOR3M** 2.509 **NIKKEI** (Midday) 21221.50 ▼ 0.22% See more at [WSJMarkets.com](#)

Stocks Roar Back, Sparked by Earnings

Dow, S&P are in the black again for 2018; Nasdaq advances 3% as 'wild ride' continues

BY JESSICA MENTON

U.S. stocks rebounded sharply Thursday after a bruising start to the week, pushing the S&P 500 and Dow Jones Industrial Average back into the black for the year.

The Nasdaq Composite ral-

lied 3% following the worst day for U.S. tech stocks since 2011. A handful of upbeat corporate reports helped calm investors' nerves, with shares of Microsoft, Twitter, Tesla, Ford and Visa climbing after releasing stronger-than-expected results.

Volatility has returned in force to the stock market this month, with bigger-than-normal intraday price swings. The Nasdaq's surge was the tech-heavy index's sixth move of at least 2%—higher or lower—

this month, the most since January 2016, according to Dow Jones Market Data.

"It's been a wild ride this week," said Paul Brigandt, managing director and head of trading at Direxion. "It's positive that the market bounced back today, but we need to see some follow-through."

The Dow industrials surged 401.13 points, or 1.6%, to 24984.55, after tumbling more than 600 points Wednesday. The S&P 500 rose 49.47, or 1.9%, to 2705.57. The indexes

briefly gave up their 2018 gains in Wednesday's sell-off.

Thursday seemed more like a relief rally, traders said. The bounceback was led by the consumer-discretionary and technology sectors in the S&P 500, with each climbing more than 3%.

In earnings-related moves, Twitter shares jumped 15% after the social-media company said it swung to a quarterly profit, while Microsoft's stock added 5.8% after the software giant topped Wall Street ex-

pectations for the most recent period. Tesla shares rallied 9.1% after the electric-car maker ended a seven-quarter stretch of red ink.

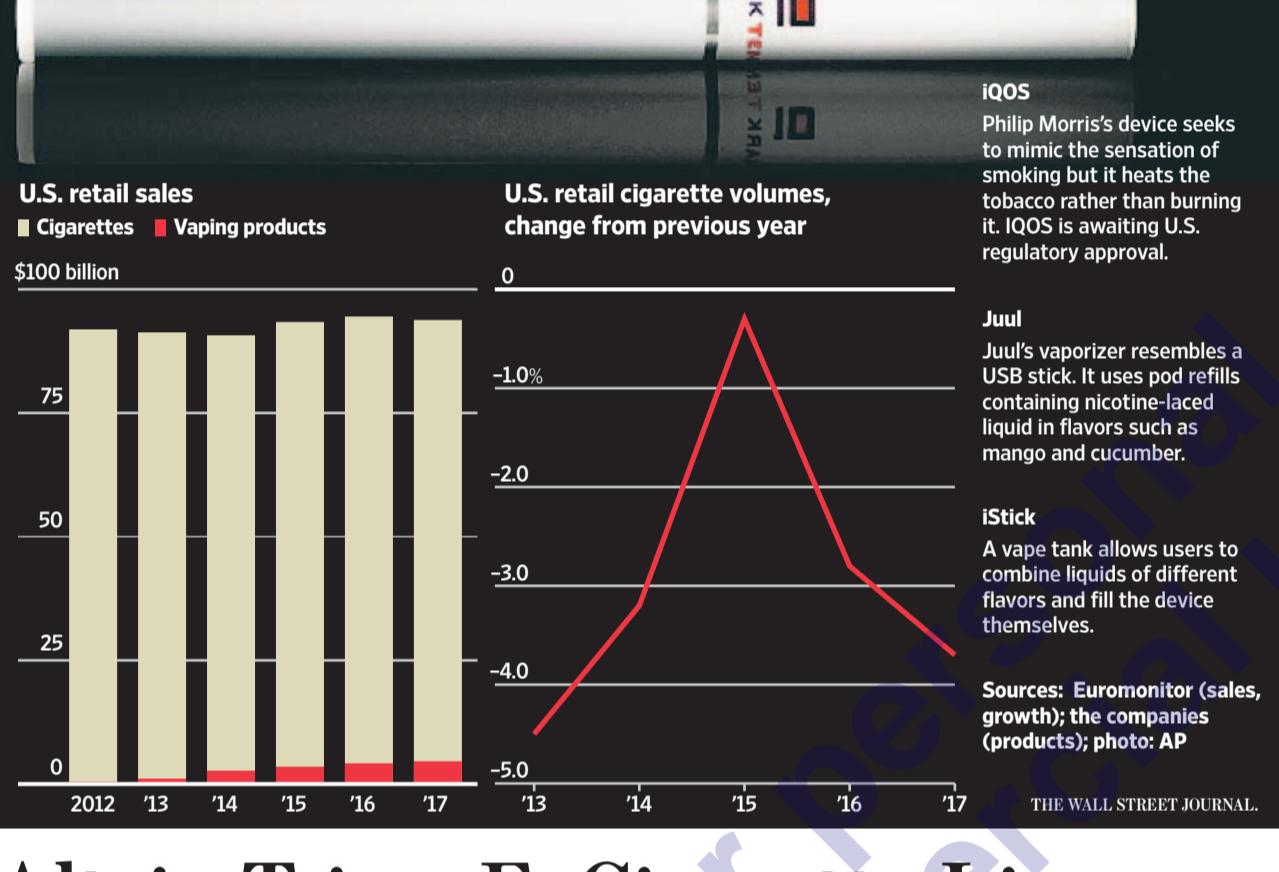
Of the 11 sectors in the broad market index, utilities were the only group in the red, sliding 1.5%. Those shares are still the best performers this month, though, as investors have piled into traditionally defensive sectors. The utilities are considered bondlike because of their hefty dividends.

Investors have been grapping with a range of uncertainties that have unsettled markets, including rising interest rates, concerns that earnings might have peaked and the possibility that trade tensions have weakened Chinese and global economic growth.

More volatility could be on the horizon. Alphabet and Amazon.com shares tumbled after hours following the release of their latest quarterly results, sparking another slide in other tech stocks like Facebook and Please turn to page B11

Cutting Back

Altria said it would continue to sell e-cigarette products that resemble traditional cigarettes but limit them to tobacco, menthol and mint flavors.



Altria Trims E-Cigarette Line

BY JENNIFER MALONEY

Tobacco giant Altria Group Inc. is pulling its pod-style e-cigarette devices from the market and discontinuing the sale of many e-cigarette flavors to combat underage use—a move that puts pressure on upstart Juul Labs Inc., which has grown rapidly by selling such products.

The Food and Drug Administration has warned of a public-

health crisis from widespread use of e-cigarettes by children, and threatened to ban a broad swath of flavored products.

Altria's e-cigarettes, sold under the MarkTen and Green Smoke brands, are just a small slice of the U.S. market. Juul is the dominant player, with devices resembling USB sticks and pods in mango, cucumber and other flavors.

In a letter to the FDA, Altria Chief Executive Howard Wil-

lard said underage use of e-cigarettes is "compounded by flavors that go beyond" traditional tobacco and menthol flavors.

Altria, whose traditional cigarette brands include Marlboro, said it would continue to sell most of its e-cigarettes and that the drop in sales would be immaterial to its overall business. In contrast, most of Juul's growth has come from flavored pods, and its expansion has

threatened Altria's lucrative, but shrinking, cigarette franchise.

Juul declined to comment on Altria's move.

Altria represented 5.6% of the U.S. e-cigarette market for the four weeks ended Oct. 6, according to a Wells Fargo analysis of Nielsen data. That doesn't include online sales. Juul, whose products are sold online and in convenience

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Megyn Kelly, NBC Discuss Terms Of Her Departure

BY JOE FLINT

Megyn Kelly and NBC News have begun exit negotiations, signaling that the star anchor's brief tenure at the network is likely coming to an end, people familiar with the matter said.

Ms. Kelly, host of the hour-long show "Megyn Kelly Today," which airs weekdays in the 9 a.m. hour, came under fire

for remarks this week that were viewed inside and outside the network as racially insensitive.

On the Tuesday edition of Ms. Kelly's morning show, a discussion about Halloween turned controversial when she suggested putting on a "black-face" as part of a costume isn't necessarily racist.

"Back when I was a kid that was OK, as long as you were dressing up as, like, a character," the 47-year-old Ms. Kelly said on the show.

There was an immediate backlash from within NBC News as several prominent black on-air figures, including "Today" personality Al Roker, expressed concern about the remarks. Ms. Kelly issued an apology Tuesday afternoon and again during the opening of Wednesday's show.

NBC said it was keeping Ms. Kelly off the air for the rest of the week. While the network has made no official announcement on the fate of her morning show, people within the network indicated she won't return.

Tensions between Ms. Kelly and NBC News escalated fur-

ther Wednesday when NBC News Chairman Andrew Lack criticized Ms. Kelly in front of a "town hall" meeting of staffers. Mr. Lack told staffers her remarks have "no place on our air or in this workplace for them," according to a person at the meeting.

The relationship between Ms. Kelly and NBC News brass has been rocky for some time. NBC News wooed Ms. Kelly away from Fox News with a three-year, \$69 million deal in 2017. The morning show has a smaller audience than the previous occupant of the period and is much more costly.

Ms. Kelly also has pulled no punches in covering stories about NBC News talent that have found themselves caught up in the #MeToo movement including former "Today" anchor Matt Lauer and Tom Brokaw.

In addition, Ms. Kelly said on her show that NBC should hire an outside lawyer to investigate why Mr. Lack and other senior NBC officials passed on a story from then-contributor Ronan Farrow about allegations of sexual harassment by movie producer Harvey Weinstein. Mr. Farrow took his story to the New Yorker where it won a Pulitzer prize. Mr. Weinstein has denied ever forcing himself on anyone.

A senior NBC News official disputed the idea that NBC News was in anyway retaliating against Ms. Kelly for her #MeToo coverage.

Asset-Manager Shares Lead Decline, an Omen for Market

BY JUSTIN BAER

The shares of many publicly traded asset managers and banks with related businesses have tumbled in October as firms from BlackRock Inc. to State Street Corp. reported lackluster third-quarter results. Franklin Resources Inc., parent of Franklin Templeton Investments, joined those firms Thursday in reporting revenue that fell short of Wall Street expectations.

These declines represent an ominous signal that money managers are sending to their

fellow investors, suggesting recent hiccups in the stock market could be early symptoms of a deeper ailment.

The broader market has also tumbled. Even with a bounce Thursday, the S&P 500 index has dropped more than 7.2% in October, putting the benchmark on pace for its worst month since September 2011.

The declines in asset-management stocks have been greater than the market's, but they have a common culprit: cautious investors.

Some money-management shareholders worry that inves-

tors will continue to shift away from stocks. These asset managers' performance will suffer when they cease to be buoyed by a market rally closing in on its 10th anniversary.

"What's the incentive for people to buy stock in an asset manager?" said Loren Starr, finance chief at money manager Invesco Ltd.

"It has a lot to do with your expectations—or fears—on the market going forward, and if we're going to see a further decline."

U.S. stocks rose Thursday, rebounding somewhat from a

Please turn to page B2

HEARD ON THE STREET | By Stephen Wilmot

Bud's Brewer Can Blame Fed

Anheuser-Busch InBev's dividend cut is about the Fed, not the Bud.

The world's largest brewer halved its dividend Thursday. The Federal Reserve's interest-rate increases are roiling the emerging-market currencies in which it makes roughly two-thirds of its sales. In the third quarter, adjusted earnings before interest, taxes, depreciation and amortization rose 7.5% year over year in local currency but fell 6.5% in dollars. The meager harvest has prompted AB InBev to redirect profit toward

lightening the debt burden it shouldered in the \$100 billion-plus acquisition of Anglo-South African brewer SABMiller in 2016. Budweiser, and beer in general, continues to decline in the U.S., but this isn't as big a problem for AB InBev as it was before the mega-deal. In the first nine months, the U.S. and Canada contributed under 30% of the group's total normalized Ebitda. In fact, Budweiser at a global level is a bright spot in the company's portfolio following a huge marketing push in the soccer World Cup. Budweiser revenue

Deal Hangover

Forward price/earnings ratios

30 times



grew 6.4% overall and 9.3% outside the U.S.

A bigger problem in the foreseeable future is the group's big businesses in Brazil, Argentina and South Africa, all of which have been hit hard as capital has flowed back to the U.S. Heineken, the other big global brewer, currently is performing much better, thanks to its skew toward Europe, which enjoyed a hot, thirsty summer. Heineken sold 4.6% more beer in the third quarter, AB InBev just 0.2% more.

The dividend cut is sensible, but it makes clear the risk associated with AB InBev's unusual combination of high leverage with emerging-

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BUSINESS & FINANCE

Hershey to Raise Prices as Costs Hit Profit Margins



ANGUS MORDANT/BLOOMBERG NEWS

Hershey Co. said it plans to charge more for chocolate and other candy next year to offset costs that ate away at its profit margin again in the latest quarter.

Higher freight prices inflated the cost of getting Kisses and Reese's peanut-butter cups to stores in the third quarter and look likely to persist into 2019, Chief Executive Michele Buck said

Many consumer-product companies have raised prices lately because of freight costs, Ms. Buck said. "Based on what we know from our experience and what we've heard, it seems to be going okay. Retailers understand that when costs go up, something has to give," she said.

Shares fell 4.9% as sales and adjusted gross profit margin

came in below analysts' forecasts.

Hershey and other food makers have faced record-high shipping costs this year because of a shortage of trucking capacity and rising prices for some ingredients. Grocery stores also insisted on holding down prices. Hershey's wholesale pricing was 1.2% lower on average than a year ago.

—Annie Gasparro

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Downturn For Asset Managers

Continued from page B1
day-earlier selloff that had wiped out this year's gains in both the S&P 500 and Dow Jones Industrial Average. Those benchmarks are still down by more than 2% for the week.

Shares of BlackRock, the world's largest asset manager, are down nearly 17% in October, while State Street, a custody bank that caters to investment firms, has dropped about 19%. **T. Rowe Price Group** Inc. has fallen 13%.

"On the back of a nine-year bull run, we're starting to see investors take risk off the table," said Joseph Hooley,

chairman and chief executive of State Street. "When investors do that, they move to lower-risk assets."

Such assets include cash and short-term bond funds. Notably, U.S. money-market funds had their biggest net inflow during the third quarter since the last three months of 2014, according to Morningstar.

This rotation is particularly bad for most asset managers and the custody banks charged with keeping those firms' books.

Managers tend to charge higher fees on funds that focus on riskier assets, like emerging-market stocks.

When investors push more of their money into safer—and lower-cost—investments, it cuts into the fees they pay managers.

BlackRock, Invesco, State Street, **Bank of New York Mellon** Corp. and Franklin were among the asset man-

gers and custodians to post quarterly revenue that missed analysts' average estimates, according to S&P Global Market Intelligence.

The current swoon for asset managers isn't limited to stock pickers and other active funds. Those firms were already under pressure from the surging popularity of exchange-traded funds and other low-cost, index-linked investments.

But BlackRock, the top ETF seller, reported last week that client withdrawals in the third quarter had exceeded new money for the first time in three years.

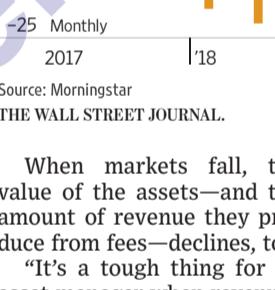
"We're seeing more and more clients just pausing," BlackRock Chief Executive Officer Laurence Fink said in an interview.

The end of a market's bull run will lead to even harder days ahead for many asset managers, which derive their fees from the amount of assets they manage.

Trickle

The flow of investor money into U.S. mutual funds and ETFs has slowed.

\$150 billion



Source: Morningstar
THE WALL STREET JOURNAL

When markets fall, the value of the assets—and the amount of revenue they produce from fees—declines, too.

"It's a tough thing for an asset manager when revenues are going down with the mar-

ket and expenses just don't move as quickly," Mr. Starr said.

Lazard Ltd. reported a 4% decline in quarterly revenue from the investment bank's asset-management arm on Thursday.

The division's assets under management had fallen by \$10 billion to about \$230 billion in less than three weeks since the start of October, said finance chief Evan Russo.

Some managers are preparing for worse, according to analysts.

When Invesco unveiled its \$5.7 billion acquisition of rival OppenheimerFunds Inc. last week, the firm's executives said they expected to slash annual expenses by \$475 million as a result of the deal.

The figure seemed high to analysts, and several pressed Invesco investors on the matter during a conference call.

"To me, what they were saying was, 'We're going to

Campbell Faces Suit By Investor

BY CARA LOMBARDI

Third Point LLC sued **Campbell Soup** Co. and its board Thursday, alleging the food maker distributed misleading and incomplete information to win shareholders' support in a heated proxy fight over control of the company.

Daniel Loeb's Third Point aims to replace Campbell's entire 12-person board, but it faces an uphill battle. Three descendants of the creator of condensed soup, who collectively control about 37% of the company's shares and sit on its board, pledged last week to support Campbell. Third Point is allied with another descendant, George Strawbridge Jr., and together they own a roughly 10% stake.

With its suit, filed Thursday in the Superior Court of New Jersey, Third Point seeks to stop the company from holding a Nov. 29 shareholder vote without releasing more information. The firm alleges Campbell has failed to disclose or has misstated facts about the qualifications of two descendants on the board, Bennett Dorrance and Mary Alice Malone.

Third Point's suit also presses Campbell to provide more details about the strategic review it recently completed and the abrupt departure of former Chief Executive Denise Morrison in May, among other things.

"We are vigorously contesting the Third Point lawsuit," Campbell said in a statement.

use this as an opportunity to clean house" before conditions worsen, said UBS Group AG analyst Brennan Hawken.

Mr. Starr said that wasn't the case, noting the number includes some cost cuts Oppenheimer had already planned to make before its deal with Invesco.

He said investment firms—and the market itself—may have hit a rough patch.

But more volatile markets should make it easier for active managers to outperform major indexes—and the passive funds that track them. If they do, they might win back some of the client money that defected to index funds and ETFs during the rally.

"The dynamic is negative in the short term, but in the long term it has a positive, silver lining," said Mr. Starr, whose firm has both active and passive businesses.

"It really does feel like a transition is setting up."



MIKE BLAKE/REUTERS

The company said it plans to keep selling e-cigarette products, but intends to limit them to tobacco, menthol and mint flavors.

Given Altria's small share of the vaping business, some analysts have worried that rising sales of Juul devices could steal market share from Altria and also cannibalize the traditional cigarette business, where Marlboro still dominates the market.

On Thursday, Altria reported that its third-quarter revenue rose 1.6% from a year earlier, but that sales for the first nine months of the year fell 1.2% to \$19.3 billion.

Shipments of Marlboro cigarettes were down 5.8% in the nine months, though Altria off-

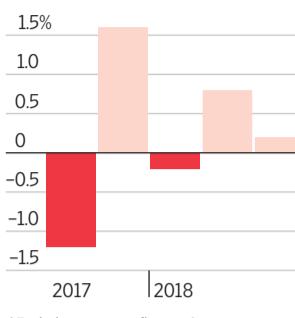
set those declines with higher prices.

Altria said Thursday it would support federal legislation requiring a minimum age of 21 to purchase all tobacco products, including e-cigarettes.

BUSINESS NEWS

Going Flat

AB InBev is struggling with lower beer consumption in several key markets.

Organic* volume, change from a year earlier

*Excludes currency fluctuations, divestments and acquisitions
Source: the company

THE WALL STREET JOURNAL.

Dividend Cut Sinks AB InBev Shares

BY SAABIRA CHAUDHURI

Anheuser-Busch InBev SA slashed its dividend Thursday as it reported weaker profit and lower volumes in several key markets, underscoring the Budweiser maker's struggle with declining beer consumption.

The Belgian company, which also offers Stella Artois globally and Corona outside the U.S., said it is focusing on paying down debt over returning cash to shareholders. The dividend cut, which halves its payment for the year, will save about \$4 billion in cash.

AB InBev shares fell more than 10% on Thursday.

"We can't remember a more disappointing set of figures from AB InBev," said RBC analyst James Edwardes Jones, noting that most regions missed analysts' estimates for volume growth.

For the third quarter, the world's largest brewer reported a profit of \$956 million, down from \$2.06 billion in the year-earlier period. Results were dragged down by one-time items and losses tied to some hedges. Adjusting for these, profit was \$2.23 billion, compared with \$2.34 billion a year earlier.

Revenue declined to \$13.28 billion from \$14.74 billion, but rose 4.5% on an organic basis, which strips out currency moves as well as acquisitions and divestitures. AB InBev attributed the rise in part to higher sales of its pricier brands. Volumes on an organic basis grew 0.2% reflecting growth in Europe, Mexico and many African markets, partly offset by Brazil and Argentina, which is suffering through a period of hyperinflation.

In the U.S., AB InBev's big brands continued to bleed market share. Chief Executive Carlos Brito said U.S. revenue has fallen short of the company's expectations for the past 10 years. "Our portfolio in the U.S. is still heavily weighted to segments in the industry that are under pressure," he said Thursday on a call with analysts. He said trends like premiumization, a shift to healthier products and demographic changes that have shifted consumers away from mainstream lager.

One consistent tailwind for AB InBev is Michelob Ultra; its sales again grew in the third quarter. Overall, the company's North America volumes dropped 0.5% on an organic basis in the quarter, while U.S. market share declined by 0.5 percentage point.

To stanch losses, AB InBev has snapped up craft beer brands in the U.S. On Thursday it said that despite the dividend cut it remains open to making more additions. The company has also expanded internationally; and it has launched premium versions of its beer in many markets while simultaneously bringing out more-affordable lines in an attempt to woo consumers up and down the income ladder.

AB InBev said it will propose a final dividend payment of €1 for 2018, meaning a total payment for the year of €1.80, down from €3.60 last year.

"Clearly, dividend cuts are not positive signs," said Liberum analyst Nico von Stackelberg. But he said the move would help the company's balance sheet, positioning AB InBev for another big acquisition.

Maryam Cockar contributed to this article.

Union Pacific Defends Strategy

Railroad's phased rollout of turnaround plan has drawn criticism from analysts

BY PAUL ZIOBRO

Union Pacific Corp. executives defended the phased rollout of the railroad's turnaround plan, saying they are seeking to avoid disruptions that marked similar overhauls at some of its rivals.

The railroad this month began implementing its version of precision-scheduled railroading, a strategy pioneered by deceased railroad executive Hunter Harrison, on the eastern portion of a network that spans the Western U.S. Analysts have said that a slower introduction indicates that Union Pacific isn't fully committed to the changes necessary to improve results.

"I can assure you that is not the case," said Tom Lischer, Union Pacific executive vice president of operations.

So far, Union Pacific is following the early stages of the playbook. It has idled 625 locomotives, with plans for another 150 by year's end, and has removed 6,000 cars from its network with plans to cut another 10,000 over the near term. It also announced it would lay off nearly 500 employees and eliminate 200 contractors, as well as other organizational restructuring to support the new plan.

The company plans to make about 150 changes on the portion of its network that it is overhauling first. "I want to point out that in all these cases, we work closely with the customers to end up with a win-win solution," Mr. Lischer said.



Union Pacific has so far idled 625 locomotives and removed 6,000 cars from its network. It plans to cut more over the near term.

Union Pacific's changes do require customers to alter to their operations, like having shippers assemble railcars themselves, which Chief Executive Lance Fritz said does cause some anxiety.

"We certainly are having some difficult conversations, but our customers trust us when we say the endgame is consistent: more reliable service," Mr. Fritz said in an interview.

Union Pacific last month said that it would execute a turnaround plan modeled by the one Mr. Harrison used to overhaul two major Canadian railroads and, more recently, the U.S. railroad CSX Corp.,

which operates east of the Mississippi River. Mr. Harrison died last year after quickly implementing his ideas at CSX, which proved disruptive to the network with extensive delays.

CSX's performance has improved significantly since, with trains moving faster and profit surging.

That has put pressure on other railroads to consider overhauling their operations as well. On Wednesday, Norfolk Southern Corp. said it would go down the same path while trying to minimize disruption to shippers.

"We will implement PSR principles where they lead to a better result for customers

and shareholders," Norfolk Southern Chief Executive Jim Squires said.

Union Pacific said it hopes the plan can improve lingering service issues that trace back to Hurricane Harvey last year and improve stalled financial performance.

In the latest quarter, Union Pacific reported a surge in earnings to \$1.59 billion, or \$2.15 a share, up from \$1.19 billion, or \$1.50 a share, last year. The increase was led by a lower tax rate.

Revenue rose 10% to \$5.9 billion on a 6% increase in volume.

The company warned of risks to its profit targets for

the full year from higher expenses needed to improve its service. The expected seasonal increase in its grain export business also isn't materializing as fast as normal because of tariffs and foreign competition.

Mr. Fritz said on an earlier earnings call that there are some signs of risk of a global slowdown, including the impact from tariffs and a slowdown in some economies in Europe, but that overall he expects growth.

"I don't think it's all rosy on the horizon, but we just don't see any specific markers that tell us growth isn't going to happen," Mr. Fritz said.

American Stumbles on Rising Fuel Expenses

BY ANDREW TANGEL AND ALISON SIDER

increases come as U.S. consumers pay more for a range of goods and services.

American Airlines Group Inc. is struggling to recoup surging fuel costs, setting the world's largest carrier apart from competitors that have raised ticket prices and fees to boost profit.

An additional \$750 million in fuel costs pulled American's profit down 48% in the third quarter, the carrier based in Fort Worth, Texas, said Thursday.

Hurricanes that battered the Southern U.S. also hurt American's business.

Other airlines, by contrast, have stayed ahead of the rising fuel costs. Some are earning more from high-paying business travelers, while most carriers have raised baggage or change fees. Those in-

unprofitable international flights. "We know what we need to do," he said.

Shares in American rose 6.7% Thursday amid the airline's forecast for unit revenue to rise as much as 3.5% in the

Rival carriers, meanwhile, have raised ticket prices and fees to boost profit.

was counting on, so we're going to have to work that much harder to do that," Southwest Chief Executive Gary Kelly said.

Southwest's fuel hedges helped insulate it from higher prices. Southwest and **Spirit Airlines** Inc. also said they have curtailed off-peak flying.

Other airlines have found ways to offset a 40% increase in jet-fuel prices over the past year. Delta said it was able to recoup 85% of its fuel-bill increase, while United said it offset about 100% of its higher costs. American said it recovered 40% of the fuel-price increase through higher fares and fees in the third quarter.

Investors and analysts have scrutinized American's debt load, profit margins and sluggish revenue growth. They also point to increased compe-

tition as United expands, and American's heavy exposure to economically troubled regions such as Latin America.

Mr. Parker has said American should earn an average of \$5 billion in pretax income each year. As of Sept. 30, the carrier had earned about \$1.5 billion before taxes in 2018.

A difficult peak travel season didn't help. In a record summer for U.S. air travel, American's on-time departure rates slipped and cancellation rates increased as of July, according to government data.

American reported profit of \$341 million, or 74 cents a share, down from \$661 million, or \$1.36 a share, in the same period a year earlier. Excluding special items, earnings per share were \$1.13. Revenue rose 5% to a record \$11.6 billion.



American Airlines said it faced an additional \$750 million in fuel costs during the third quarter.

Battle Against Fuel Costs

American's profit has tumbled as the carrier struggles with surging fuel expenses.

Airline net income, quarterly

Sources: FactSet; the companies (Southwest, American 3Q 2018)

THE WALL STREET JOURNAL.

WPP's Shares Tumble After Downbeat Quarter

BY NICK KOSTOV AND LARA O'REILLY

WPP PLC shares fell sharply Thursday after the world's largest advertising group reported disappointing quarterly results and cut its full-year guidance, underscoring the challenge facing new Chief Executive Mark Read.

Like much of the advertising world, WPP is wrestling with a shift to digital ads from print and TV, as well as tighter spending by clients with ad agencies and demand for new services such as data analytics.

However, WPP appears to be struggling to meet those challenges more than its rivals.

The British company, which owns agencies including J.

Walter Thompson and Group M, said like-for-like net sales—a key measure of its operating performance—fell 1.5% for the quarter ended Sept. 30. That was far worse than the 0.4% rise expected by analysts and well below recent figures from rivals Omnicom Group Inc. and Interpublic Group of Cos.

"Clearly we've underperformed our competition in Q3. I can't sugarcoat the reality," Mr. Read said on a call with analysts. "I think there are issues in our sector, but the reasons we've underperformed are clearly related to WPP."

Investors took fright from the downbeat quarter. Mr. Read had nudged up full-year net sales guidance last month only to lower it again Thurs-

day, saying the measure would fall as much as 1%, rather than rise modestly.

WPP also said its profit margin would decline more than expected and warned of a tough 2019.

WPP shares, down about one-third over the past 12 months, dropped more than 20% in early trading in London before closing down 14%. That was the stock's worst daily fall since 1998, according to FactSet data.

The downbeat update adds to pressure on Mr. Read, who took the helm in September after the departure of long-time CEO and founder Martin Sorrell in April. Some analysts now fear Mr. Read's turnaround plan could take longer

than expected.

"A turnaround which could take at least three years is looking increasingly likely," Conor O'Shea, an analyst at broker Kepler Cheuvreux, said in a note.

Mr. Read said Thursday he still thought WPP could return to growth.

First, he will need to stop the drumroll of account losses in recent weeks. Ford Motor Co., one of the firm's largest clients, switched its creative duties to rival Omnicom this month, and companies including American Express Co., PepsiCo Inc. and Daimler AG's Mercedes-Benz have moved business away from WPP recently.

Mr. Read has sought to

have greater oversight over some of that work, telling the network's media agencies to report to corporate HQ any pitches that could generate a minimum of \$20 million in revenue. He is also seeking to refine WPP's sprawling portfolio of assets, selling some to reduce debt and simplify its operations.

On Thursday, WPP confirmed it plans to unload a stake in its underperforming market-research unit Kantar Group. A sale of even part of the unit—valued by analysts at between €3 billion and €4 billion (\$3.4 billion and \$4.6 billion)—would be the largest sale since Mr. Read became CEO.

Adria Calatayud contributed to this article.

Maryam Cockar contributed to this article.

TECHNOLOGY

Twitter, Snap Continue to Shed Users

Although people leave, social-media sites report improvement in quarterly revenue

BY SARAH E. NEEDLEMAN
AND GEORGIA WELLS

Twitter Inc. and **Snap Inc.** continued to bleed users but managed to wring more revenue from those that remained, a sign that the social-media companies are improving their execution on the business side.

Twitter reported its first consecutive quarterly drop in users, losing more than it had expected and signaling further declines to come as it continues to purge fake accounts.

Yet it also boosted revenue and swung to a profit in the third quarter, sending its shares soaring about 15% to \$31.80.

Investors are starting to separate Twitter's growth in users from its ability to make money, said Brian Wieser, an analyst at Pivotal Research Group.

"There's an acceptance

that maybe users don't grow, and that's OK," he said. If Twitter continues to improve the quality of its service and develop better ad products, "then it can grow its business pretty rapidly."

Snap's results weren't as well received. The parent company of messaging app Snapchat lost two million daily users and said it expected the trend to continue next quarter as it continues to recover from a widely-panned redesign of its core platform.

The \$297.70 million in revenue that Snap recorded exceeded the forecast of \$283 million from analysts polled by FactSet, and marked the most money the company has ever brought in during a quarter.

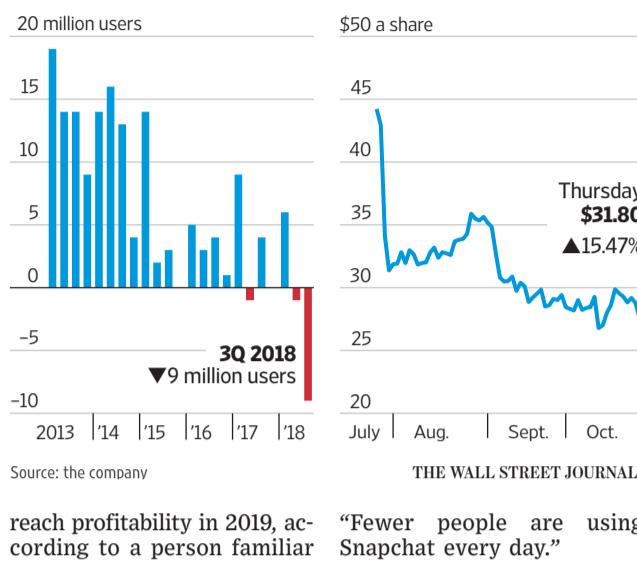
Unlike Twitter, which posted net profit of \$789.15 million that was inflated by a \$683 million tax benefit, Snap isn't yet profitable.

Snap said its loss shrank in the third quarter to \$325.15 million, or 25 cents a share, from \$443.16 million, or 36 cents a share, a year earlier.

Chief Executive Evan Spiegel has set a goal for Snap to

Tweet Storm

Twitter users fell again but shares rose on Thursday as revenue continues to climb.



reach profitability in 2019, according to a person familiar with the matter.

Snap dropped sharply, at one point down around 9%, after its financial results were released following the close of trading.

"I think it's really scary," said BTIG tech and media analyst Richard Greenfield.

Daily active users at Twitter grew by 9% from a year ago, breaking a seven-quarter streak of gains between 10% and 14%.

Twitter, which doesn't disclose an actual number for daily users, attributed the deceleration to a decline in people who use the service only via web browsers—people who tend to be less valuable than those who also access Twitter via mobile devices. Growth in those users rose by a double-digit percentage, the company said.

For the fourth quarter, Twitter projected adjusted earnings before interest, taxes, depreciation and amortization of between \$320 million and \$340 million.

Twitter Chief Executive Jack Dorsey told analysts Thursday that cleaning up the platform ultimately helps drive user growth.

"We continue to make really steady progress against some of the health initiatives that we're seeing, most notably this quarter around suspicous sign-ups," he said.

Snap's Mr. Spiegel said the decline in users was primarily among Android users. The

Android version of Snap's redesigned app was prone to glitches, users have said.

Mr. Spiegel said Snap is developing a new version of its Android app and will roll it out when it's ready.

Snap this year has focused on transitioning its ad sales to a programmatic model, from relationship-based transactions.

The increase in revenue speaks to the success of that shift.

In the third quarter, more than 85% of Snap's advertising revenue came in through the programmatic, self-service tool, compared with 35% a year ago, Mr. Spiegel said.

The company is also adjusting to new leadership. On Wednesday, Mr. Spiegel told employees that Snap had lured the head of global advertising sales at **Amazon.com Inc.**, Jeremi Gorman, to be its new business chief, and Jared Grusd, chief executive of HuffPost, to be the company's new strategy chief.

Snap also added a new director of product design for its Snap Lab innovation team in October.

Chinese Auto Maker Lands \$146 Billion in Financing



WINDFALL: Chinese auto maker FAW Group Co., which mainly builds vehicles in partnership with Toyota and Volkswagen, said that it has secured credit lines worth \$146 billion to fund 'future undertakings.' A concept car at an auto show in Beijing this year.

Broadband Growth Boosts Comcast

BY BENJAMIN MULLIN

Comcast Corp. on Thursday said profit rose 9.3% in the third quarter, as growth in the content-and-distribution giant's broadband business more than offset a continued decline in cable-TV subscriber numbers.

The Philadelphia-based company last month secured control of European pay-TV giant **Sky PLC** for \$38.8 billion, in a deal that Comcast said would help it diversify its rev-

ence base beyond the U.S., where cable cord-cutting is taking a toll on the traditional TV business.

On an earnings conference call Thursday, Chief Executive Brian Roberts said that the acquisition of Sky supports Comcast's existing business and increases its value.

"We think Sky is an incredible and unique stand-alone business that fits perfectly with Comcast," Mr. Roberts said.

Comcast reported a profit of

\$2.89 billion, or 62 cents a share, up from \$2.64 billion, or 55 cents a share, in the year-earlier quarter. Revenue increased 5% to \$22.14 billion.

Comcast added 363,000 internet consumers in the period, up 70% from a year earlier, but lost 106,000 cable-TV subscribers for its sixth straight quarter in decline. Broadband revenue grew 9.6%, while video declined 2.9%.

Revenue at Comcast's NBCUniversal unit rose 8.1% to

\$8.63 billion, propelled by growth from its cable networks and broadcast television businesses. Those increases helped offset a revenue decline in the company's theme-park division, which it said was affected by bad weather at Universal Studios Japan. The profitability of its filmed-entertainment division was down compared with the year-earlier period, which the company said had benefited from the success of "Despicable Me 3."

The industry has been waiting for years for cellular carriers to roll out 5G—a superfast generation of wireless networks—and Nokia said adoption in the U.S. was already helping it boost sales.

However, the Finnish company said it still needed to cut costs to boost profitability and launched a restructuring program. Nokia didn't give much detail on the layoffs, indicating only that it would cut thousands of jobs to prepare itself for the new era.

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Nokia Corp. in 2014 and then focused on manufacturing electronics for cellular towers and related infrastructure, buying rival Alcatel-Lucent for €15.6 billion in 2016 to help the transition.

Nokia's hopes hinge on 5G, which U.S. carriers are rolling out in coming months. Along with Swedish rival **Ericsson AB**, Nokia has already slashed jobs and suffered major losses

Facebook Draws U.K. Fine Over Sharing Data

BY SAM SCHECHNER

The U.K.'s privacy watchdog on Thursday fined **Facebook Inc.** £500,000 (\$645,000) for allowing illicit access to users' data by the political-data firm **Cambridge Analytica**—and said it would have handed the social network a bigger fine if it could have.

The fine is a pittance for Facebook, just over 1% of its daily profit in the second quarter. But it is the first legal slap at Facebook in a case that led to government hearings on both sides of the Atlantic and became emblematic of the ways in which personal information can be collected and abused on the internet.

Thursday's action also serves as warning to what tech companies like Facebook might face for future violations.

The U.K. fine is the maximum allowed under the country's old privacy law. Under the European Union's new GDPR privacy law, which has been implemented by the U.K., Britain's Information Commissioner's Office can now issue fines up to 4% of a company's annual global revenue, or \$1.6 billion in Facebook's case.

"The fine would inevitably have been significantly higher under the GDPR," said Elizabeth Denham, the country's information commissioner. "A company of its size and expertise should have known better and it should have done better."

Facebook said it was reviewing the U.K. decision.

now-defunct Cambridge Analytica got access to data on tens of millions of Facebook users from the developer of a third-party app that plugged into the social network. That includes data on roughly a million U.K. residents, the regulator said.

The regulator said that even after the breach was disclosed to Facebook in 2015, the social network didn't do enough to make sure the problem was fixed, noting that Cambridge Analytica wasn't suspended from Facebook until earlier this year.

The case has become a rallying cry for privacy activists who say that companies are doing too little to safeguard user data.

Nokia to Cut Jobs Amid Rollout of 5G

By STU WOO

Nokia Corp. is starting to benefit from the shift to 5G technology, the telecom-equipment giant said Thursday, but added that it would cut thousands of jobs to prepare itself for the new era.

The industry has been waiting for years for cellular carriers to roll out 5G—a superfast generation of wireless networks—and Nokia said adoption in the U.S. was already helping it boost sales.

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savior. Chief Executive Rajeev Suri confirmed Thursday the company's full-year guidance, saying third-quarter results validated his view that conditions would improve in the second half of 2018.

Nokia said third-quarter sales came in at €5.5 billion, down 1% from the same period in 2017. Its losses narrowed to €79 million, from €181 million a year earlier.

The company said it expects over the next two years to outperform the overall telecom-equipment market, which itself is expected to grow.

Verizon Communications Inc. and AT&T Inc. are racing to launch 5G in some cities this year, while T-Mobile US Inc. signed a deal in July to buy \$3.5 billion worth of 5G equipment and services from Nokia.

Citi analyst Amit Harchandani said Nokia's third-quarter revenue beat expectations, but the new restructuring program validated his skepticism of the company. "We view this as a relatively underwhelming update," Mr. Harchandani said.



The telecom-equipment maker posted a narrower third-quarter loss.

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BUSINESS WATCH

TECHNOLOGY

BRISTOL-MYERS SQUIBB

Drugmaker Lifts Forecast for Year

Bristol-Myers Squibb Co. raised its profit forecast for the year after exceeding earnings expectations in the third quarter, even though revenue came in shy of Wall Street targets.

The drugmaker now expects to earn \$3.05 to \$3.15 a share this year. In February, it said it expected to earn \$3 to \$3.15 a share for the year, though it subsequently lowered the range to \$2.68 to \$2.78. It expects revenue to increase by a high single-digit percentage.

The earnings report comes just days after the company disclosed regulatory review delays in the U.S. and Europe for its proposed Opdivo-Yervoy combination, allowing **Merck** & Co.'s Keytruda to solidify its first-line lung-cancer market share.

Third-quarter profit more than doubled to \$1.90 billion, or \$1.16 a share, while revenue rose 8% to \$5.69 billion. Analysts surveyed by FactSet expected a profit of 85 cents a share on \$5.72 billion in revenue.

—*Maria Armenta*

ZTE

Telecom in Recovery From U.S. Ban

ZTE Corp., the Chinese telecom giant rescued from collapse by the Trump administration, eked out a profit and said business is "rapidly recovering" after the end of a ban that prohibited it from making purchases from U.S. suppliers.

The Shenzhen company reported a net income of 564 million yuan (\$81 million) for the third quarter, down 65% from the period a year ago.

ZTE said business was bouncing back following a three-month ban on purchasing parts from U.S. suppliers. The U.S. Commerce Department ordered the ban in April after finding the company had broken a deal resolving ZTE's violations of sanctions on Iran and North Korea.

After President Trump offered ZTE an olive branch in a tweet, the Commerce Department ordered a reversal of the ban in June—a move that turned



A Bristol-Myers Squibb unit's production line in France. The drugmaker expects to earn \$3.05 to \$3.15 a share this year.

ZTE into a bargaining chip in the wider U.S.-China trade dispute. In return, ZTE paid more than \$1 billion in fresh penalties.

—*Dan Strumpf*

FORD MOTOR

Car Maker Recalls Focus Models

Ford Motor Co. said it is recalling most of the Ford Focus cars built at a Michigan factory over a roughly seven-year period.

The recall covers almost 1.5 million Focus vehicles in North America, warning that a valve in their engines could malfunction.

The recall covers Focus compact cars between the 2012 and 2018 model years that are equipped with 2-liter gas-direct injection engines.

The recall covers vehicles produced before April 2017 at the Michigan Assembly Plant near Detroit and cars that have 2-liter gasoline turbocharged direct injection engines produced before February 2018, the company said.

—*Micah Maidenber*

DAIMLER

Earnings Tumble Over Diesel Issues

Daimler AG said Thursday that net profit slumped in the third quarter, following a profit warning last week.

Net profit fell to €1.69 billion (\$1.92 billion) from €2.15 billion a year ago. Revenue fell to €40.2 billion from €40.7 billion the same period a year ago. Analysts had expected revenue of €39.08 billion, according to an estimate provided by FactSet.

Earnings before interest and taxes dropped 27% to €2.49 billion from €3.41 the prior year. EBIT at Daimler's core Mercedes-Benz Cars unit was significantly lower than last year.

The auto maker said last week that earnings would be lower than expected as a result of costs from "governmental proceedings and measures in various regions with regard to Mercedes-Benz diesel vehicles." Daimler's warning followed a backlash against diesel-engine vehicles in Germany, where the

government has asked car makers to provide costly hardware updates to lower the emissions of older diesel cars.

—*Max Bernhard*

WHIRLPOOL

Tariffs Put Company Into Spin Cycle

Whirlpool Corp. said it is raising prices again to stay ahead of material costs, as the appliance maker benefits from one set of tariffs and gets hit by another.

The Trump administration imposed tariffs on imported washing machines after Whirlpool lobbied for protection. But separate tariffs on steel and aluminum have raised costs. In all, the company saw adjusted earnings rise in the quarter as it benefited from a lower tax rate and higher prices.

Whirlpool expects \$350 million in increased costs related to tariffs and expenses this year. The bankruptcy of **Sears Holdings** Corp., whose Kenmore brand is made by manufacturers including Whirlpool, also dented business. In all, revenue fell 1.7% to \$5.33 billion. Profit

was \$210 million, or \$3.22 a share, compared with \$276 million, or \$3.72 a share, a year before. Adjusted earnings were \$4.55 a share, up from \$3.83.

—*Austen Hufford*

EXPEDIA GROUP

Travel Website Acquires Startups

Expedia Group Inc. has bought two startups that help multifamily property owners manage short-term rentals as the online travel company looks to expand accommodation options and capture share from firms like **Airbnb** Inc.

Bellevue, Wash.-based Expedia said Thursday it acquired San Francisco-based **Pillow**, a software company that helps building owners and managers work with long-term tenants to rent their residences for short stays. It also bought Chicago-based **ApartmentJet**, a software company and short-term rental platform. Expedia didn't disclose the price of the acquisitions.

—*Aisha Al-Muslim*

Trump Creates Spectrum Task Force

By DREW FITZGERALD

President Trump has ordered federal agencies to open up broad swaths of the wireless spectrum for public use, answering pleas from cellphone carriers and other companies seeking to build faster fifth-generation, or 5G, networks.

A presidential memorandum released Thursday launched a new White House spectrum strategy task force that will study ways to make more airwave licenses available. The memo also ordered federal agencies to report their future spectrum needs to the Commerce Department, which will use the data to decide which types of radio waves could be used by the public sector.

Telecom companies often urge the federal government, especially the Defense Department, to set aside some airwaves reserved for satellites and radar and repurpose them for broader commercial use. Wireless carriers like AT&T Inc. and Verizon Communications Inc. spend billions of dollars on airwave auctions to support their users' rising data use. The federal government is slated to kick off another big auction in a few weeks.

The promise of new technologies, including 5G wireless standards, has made the field even more crowded. Cable companies like Charter Communications Inc. are experimenting with more ways to serve customers.

Thursday's directive ordered the Commerce Department's National Telecommunications and Information Administration to send a report to the president within 180 days, coordinating its effort with other federal agencies including the FCC.



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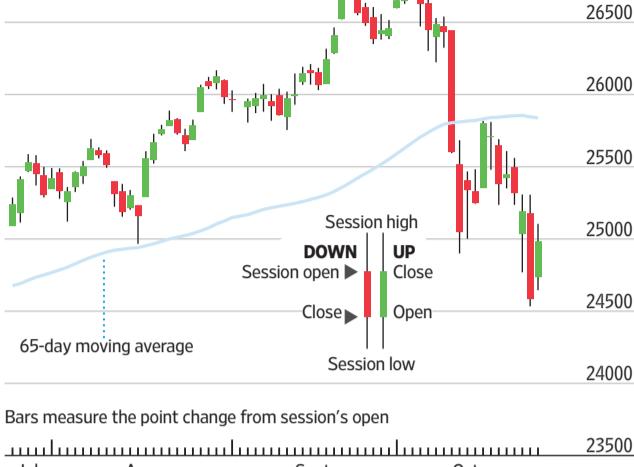
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July Aug. Sept. Oct. 7050

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Transportation Avg	10169.69	9928.54	10091.81	186.68	+1.88	11570.84	9440.87	2.1	-4.9	6.8
Utility Average	751.04	739.50	742.37	-11.28	-1.50	774.47	647.90	-0.6	2.6	7.7
Total Stock Market	27999.05	27448.35	27829.19	513.11	+1.88	30390.61	26521.20	4.9	0.6	9.0
Barron's 400	678.11	666.04	674.21	12.30	+1.86	786.73	661.92	-2.0	-5.2	7.9

Nasdaq Stock Market

Nasdaq Composite	7364.82	7178.54	7318.34	209.93	+2.95	8109.69	6556.77	11.6	6.0	13.3
Nasdaq 100	7063.92	6866.75	7016.39	227.24	+3.35	7660.18	6037.87	16.2	9.7	14.9

S&P

500 Index	2722.70	2667.84	2705.57	49.47	+1.86	2930.75	2560.40	5.7	1.2	9.2
MidCap 400	1824.79	1796.78	1814.40	25.38	+1.42	2050.23	1789.02	-0.8	-4.5	8.0
SmallCap 600	945.42	925.92	941.26	20.27	+2.20	1098.36	889.94	3.3	0.5	10.9

Other Indexes

Russell 2000	1506.78	1470.53	1500.40	31.70	+2.16	1740.75	1463.79	0.2	-2.3	8.8
NYSE Composite	12187.85	11993.20	12118.85	149.11	+1.25	13637.02	11969.74	-1.9	-5.4	4.9
Value Line	527.51	517.16	524.92	7.76	+1.50	593.57	517.16	-3.2	-6.6	3.9
NYSE Arca Biotech	4639.77	4440.94	4586.18	153.43	+3.46	5400.34	4045.25	12.4	8.6	10.1
NYSE Arca Pharma	572.40	554.55	568.81	6.45	+1.15	598.21	516.32	5.3	4.4	2.0
KWB Bank	96.92	94.34	96.02	2.15	+2.29	116.52	93.87	-5.8	-10.0	9.5
PHLX® Gold/Silver	68.58	64.66	64.72	-3.32	-4.88	92.08	61.92	-20.2	-24.1	4.8
PHLX® Oil Service	126.18	123.35	124.04	0.38	+0.31	170.18	123.66	-2.8	-17.1	-11.6
PHLX® Semiconductor	1182.11	1151.22	1173.21	26.80	+2.34	1449.90	1146.41	-5.2	-6.4	19.7
Cboe Volatility	24.78	22.06	24.22	-1.01	-4.00	37.32	9.14	114.3	119.4	18.8

\$ 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	After Hours % chg	High	Low
SPDR S&P 500	SPY	15,036.1	266.90	-3.18	-1.18	271.00	265.14
Snap	SNAP	8,602.1	6.38	-0.61	-8.73	7.71	6.13
Invesco QQQ Trust I	QQQ	8,286.7	167.05	-4.01	-2.34	171.06	166.46
Intel	INTC	4,741.8	44.75	0.44	0.99	47.19	44.00
Conagra Brands	CAG	4,629.3	36.00	-0.37	-1.02	37.15	35.32
iShares MSCI Emg Markets	EEM	4,404.5	38.70	-0.42	-1.07	39.22	38.70
Extraction Oil Gas	XOG	4,149.7	8.03	0.06	0.73	8.03	7.93
Van Eck Vectors Gold Miner	GDX	4,092.7	19.09	0.09	0.47	19.14	18.97

...And losers

Flex Ltd	FLEX	626.2	8.80	-2.11	-19.34	10.98	8.70
Mohawk Industries	MHK	72.8	124.00	-27.07	-17.92	151.09	121.00
Seattle Genetics	SGEN	78.2	55.00	-10.35	-15.84	65.53	52.05
AK Steel	AKS	3,965.3	3.62	-0.60	-14.22	4.33	3.52
ELLIE MAE	ELLI	130.7	69.00	-10.60	-13.32	79.75	68.00

Primary market NYSE, NYSE American, NYSE Arca only. (TRIN) comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

Trading Diary

Volume, Advancers, Decliners

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract Open	High hi lo	Low	Settle	Chg	Open interest	
	Open	High	lo	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,7200	2,7640	2,7200	2,7485	0.020	183	
Oct	2,7200	2,7640	2,7200	2,7485	0.020	183	
Dec	2,7470	2,7735	2,7155	2,7545	-0.030	118,262	
Gold (CMX) -100 troy oz.; \$ per troy oz.	1238.60	1238.60	1229.60	1229.10	1.30	54	
Oct	1238.60	1238.60	1229.60	1229.10	1.30	54	
Dec	1236.60	1242.00	1232.10	1232.40	1.30	371,988	
Feb'19	1243.00	1248.00	1236.80	1238.60	1.40	56,432	
June	1257.50	1258.80	1250.70	1250.70	1.30	15,514	
Aug	1265.30	1265.30	1256.80	1256.60	1.30	2,817	
Dec	1276.50	1277.50	1267.70	1269.00	1.40	5,490	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	1112.30	1112.40	1086.00	1087.60	-24.70	24,428	
March'19	1102.40	1102.40	1079.10	1080.00	-24.10	4,319	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	887.20	887.20	827.90	828.90	0.10	48	
Nov	887.20	887.20	825.90	831.90	0.40	67,943	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	14,460	14,725	14,565	14,578	-0.048	1,296	
Dec	14,720	14,800	14,610	14,630	-0.046	158,703	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	66.47	67.65	65.99	67.33	0.51	472,374	
Jan'19	66.60	67.76	66.15	67.44	0.48	214,642	
Feb	66.65	67.82	66.26	67.51	0.45	114,394	
March	66.82	67.84	66.40	67.58	0.42	162,505	
June	66.84	67.88	66.56	67.72	0.43	175,681	
Dec	66.03	67.08	65.78	66.80	0.41	218,068	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	2,239	2,2845	2,2326	2,2781	0.026	42,902	
Dec	2,2407	2,2848	2,2335	2,2784	0.025	133,028	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1,8042	1,8295	1,7948	1,8129	-0.094	38,830	
Dec	1,8011	1,8267	1,7926	1,8104	-0.089	134,169	
Natural Gas (NYM) -10,000 MMBtu's; \$ per MMBtu.	3.185	3.233	3.153	3.202	0.036	26,400	
Dec	3.244	3.286	3.202	3.256	0.029	254,724	
Jan'19	3.307	3.343	3.264	3.317	0.027	245,356	
Feb	3.217	3.249	3.184	3.226	0.025	111,589	
March	3.002	3.014	2.967	2,989	.001	227,478	

Cash Prices | WSJ.com/commodities

Thursday, October 25, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Thursday

Energy	Platinum,Engelhard industrial	835.0	Thursday	Wheat,No.2 soft red,St.Louis-bp,u	5,1700
Propane,tet,Mont Belvieu-g	0.8679			Wheat - Hard - KC (USDA)	\$ per bu-bu
Butane,normal,Mont Belvieu-g	0.9328			Wheat, No.1 soft white,Portlnd,OR-u	6,1100
Coal,CAPlc,1,250,000Btu,1,2502-r,w	76,600				
Coal,PwdrRvrBsn,8800Btu,0.8502-r,w	12,050				

Metals

Gold, per troy oz	1234.24	Thursday	Food	Beef,carcass equiv.index	choice 1-3,600-900 lbs.-u
Engelhard industrial	1236.81			choice 1-3,600-900 lbs.-u	184.15
Engelhard fabricated	1230.80			select 1-3,600-900 lbs.-u	170.41
Handy & Harman base	1230.80			Broilers, National comp wghtd-u,w	0.8400
Handy & Harman fabricated	1231.65			Butter,AA Chicago	2,2400
LBMA Gold Price AM	1231.65			Cheddar cheese,bbl,Chicago	125.50
LBMA Gold Price PM	1230.55			Cheddar cheese,blk,Chicago	149.75
Krugerrand,wholesale-e	1278.99			Milk,Nonfat dry,Chicago lb.	86.75
Maple Leaf-e	1291.29			Coffee,Brazilian,Comp	1,2120
American Eagle-e	1291.29			Coffee,Colombian,NY	1,4632
Mexican peso-e	1490.77			Eggs,large white,Chicago-u	0.9650
Austria crown-e	1208.45			Flour,hard winter KC	15.15
Austria phil-e	1291.29			Hams,17-20 lbs,Mid-US,fob-u	0.54
Silver, troy oz.	14,7000			Hogs,Iowa-So,Minnesota-u	62.39
Engelhard industrial	17,6400			Pork bellies,12-14 lb Mid-US-u	n.a.
Engelhard fabricated	14,6350			Pork loins,12-19 lb Mid-US-u	0.8771
Handy & Harman base	18,2940			Steers,Tex-Oklahoma,Choice-u	n.a.
Handy & Harman fabricated	111,4200			Steers,feeder,Oklahoma,city-u,w	164.19
U.S. spot price	14,7450				
(U.S. equivalent)	10,880				
Coins,wholesale \$1,000 face-a					
Other metals					
LBMA Platinum Price PM	*827.0				

Thursday

Fibers and Textiles	Burlap,10-oz,40-inch NY yd-n,w	0.5550	Thursday	Fats and Oils	Corn oil,crude wet/dry mill-u,w
Cotton,1/16 std lw-mdMphs-u	0.7643			Greece,choice white,Chicago-h	0.2300
Cotlook 'A' Index-t	*88.25			Lard,Chicago-u	0.3300
Hides,hvy native steers piece fob-u	n.a.			Soybean oil,crude,Cent IL-u	0.2822
Wool,645,staple,Terr del-u,w	n.a.			Tallow,bleach,Chicago-h	0.2425

Thursday

Grains and Feeds	Barley,top-quality Mnpls-u	n.a.	Thursday	Oils and Fats	Corn oil,crude wet/dry mill-u,w
Bran,wheat middlings,KC-u,w	85			Greece,choice white,Chicago-h	0.2300
Corn,No.2 yellow,Cent IL-bp,u	3,2600			Lard,Chicago-u	0.3300
Corn gluten feed,Midwest-u,w	110.9			Soybean oil,crude,Cent IL-u	0.2822
Corn gluten meal,Midwest-u,w	440.2			Tallow,bleach,Chicago-h	0.2425
Cottonseed meal,u,w	253			Tallow,edible,Chicago-u	0.3200
Hominy feed,Cent IL-u,w	92				
Meat-bonemeal,50% pro Mnpls-u,w	240				
Oats,No.2 milling,Mnpls-u	3,1475				
Rice,Long Grain Milled, No.2 AR-u,w	24.00				
Sorghum,(Milo) No.2 Galf-u	7,0725				
Soybean Meal,Cent IL,rail,ton48%-u	307.30				
Soybeans,No.1 llvB,lb-bp,u	7,7450				
Soybeans,Protein,Mnpls-u	6,5950				
Wheat, Spring14%-pro Mnpls-u	6,5950				

Thursday

	Platinum,Engelhard	835.0	Thursday	Food	Beef,carcass
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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq Global Select.

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.

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.

Thursday, October 25, 2018

Net Stock Sym Close Chg

A B C

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
BOK Fin	BOKF	83.37	.259	ChinaTelecom	CHA	49.19	.179
BP	BP	41.59	.06	ChinaUnicom	CHU	11.21	.012
BT Group	BT	13.57	-.065	Chipotle	CMG	423.88	.100
BW Tech	BWTK	19.67	-.057	ChungwhaTel	CHT	34.81	.081
Baidu	BIDU	190.43	.596	ChungwhaTel	CHT	66.18	-.132
BakerHughes	BHGE	27.55	.016	Chubb	CB	56.79	-.064
Ball	BLL	43.32	-.033	Chubb	CB	56.79	-.064
BancoBilbaoVizcaya	BVB	57.77	.018	Cigna	CI	210.37	.049
Bancor	BNCB	18.60	.022	Cigna	CI	210.37	.049
BankNYC Inv	AGNC	18.06	.022	CincoEnergy	CEX	82.83	.006
ANGI HomeSacs ANGI	ANGI	18.49	.080	CincoEnergy	CEX	82.83	.006
Ansystech	ANSS	146.83	.283	CinfinCorp	CINF	71.75	.005
ASML	ASML	169.04	.108	Cintas	CTAS	176.95	.531
AT&T	T	29.98	-.038	CiscoSystems	CSCO	45.47	.100
AbbottLabs	ABT	67.67	.073	Citigroup	C	64.97	.117
AbbVie	ABBV	81.73	.232	Citigroup	C	64.97	.117
Ablomed	ABMD	333.12	.195	CitrixSystems	CTXS	102.05	.212
Accenture	ACN	156.92	.380	CitrixSystems	CTXS	102.05	.212
ActivationBlz ATVI	ATVI	70.32	.007	CitrixSystems	CTXS	102.05	.212
Adobe	ADBE	259.29	.148	CitrixSystems	CTXS	102.05	.212
AdvanceAuto AADP	AADP	163.17	.399	CitrixSystems	CTXS	102.05	.212
AdmMicroDevices AMD	AMD	19.77	-.352	CitrixSystems	CTXS	102.05	.212
Aegon	AEG	5.93	.009	CitrixSystems	CTXS	102.05	.212
AerCap	AERB	49.64	.082	CitrixSystems	CTXS	102.05	.212
Aetna	AET	196.07	.080	CitrixSystems	CTXS	102.05	.212
AffiliatedMtrs AMBG	AMBG	118.38	.248	Coca-Cola	KO	46.51	-.022
AgilentTechs ADE	ADE	61.26	.148	Coca-Cola	KO	46.51	-.022
AgnicoreEagle AEM	AEM	35.39	-.130	Coca-Cola	KO	46.51	-.022
AirProducts APP	APP	151.48	.257	Coca-Cola	KO	46.51	-.022
AlakamTech AKAM	AKAM	129.01	.191	Coca-Cola	KO	46.51	-.022
AlaskaAir ALK	ALK	63.05	.196	Coca-Cola	KO	46.51	-.022
Albermarle ALB	ALB	95.41	.177	Coca-Cola	KO	46.51	-.022
Allcoa AA	AA	34.56	.036	Coca-Cola	KO	46.51	-.022
AlexandriaREst AXRE	AXRE	124.66	.142	Coca-Cola	KO	46.51	-.022
AlexionPharm ALXN	ALXN	61.7	.008	Coca-Cola	KO	46.51	-.022
Alibaba BABA	BABA	144.60	.499	Coca-Cola	KO	46.51	-.022
AlignTech ALGN	ALGN	23.27	.056	Coca-Cola	KO	46.51	-.022
Alkermes ALK	ALK	41.67	.147	Coca-Cola	KO	46.51	-.022
Alcon ACN	ACN	147.04	.074	Coca-Cola	KO	46.51	-.022
Alflac AFL	AFL	42.19	-.051	Coca-Cola	KO	46.51	-.022
AGNC Inv AGNC	AGNC	18.06	.022	Coca-Cola	KO	46.51	-.022
AngiHomeSacs ANGI	ANGI	18.49	.080	Coca-Cola	KO	46.51	-.022
Ansystech ANSS	ANSS	146.83	.283	Coca-Cola	KO	46.51	-.022
ASML ASML	ASML	169.04	.108	Coca-Cola	KO	46.51	-.022
AT&T T	T	29.98	-.038	Coca-Cola	KO	46.51	-.022
AbbottLabs ABT	ABT	67.67	.073	Coca-Cola	KO	46.51	-.022
AbbVie ABBV	ABBV	81.73	.232	Coca-Cola	KO	46.51	-.022
Ablomed ABMD	ABMD	333.12	.195	Coca-Cola	KO	46.51	-.022
Accenture ACN	ACN	156.92	.380	Coca-Cola	KO	46.51	-.022
ActivationBlz ATVI	ATVI	70.32	.007	Coca-Cola	KO	46.51	-.022
Adobe ADBE	ADB	259.29	.148	Coca-Cola	KO	46.51	-.022
AdvanceAuto AADP	AADP	163.17	.399	Coca-Cola	KO	46.51	-.022
AdmMicroDevices AMD	AMD	19.77	-.352	Coca-Cola	KO	46.51	-.022
Aegon AEG	AEG	5.93	.009	Coca-Cola	KO	46.51	-.022
AerCap AERB	AERB	49.64	.082	Coca-Cola	KO	46.51	-.022
Aetna AET	AET	196.07	.080	Coca-Cola	KO	46.51	-.022
AffiliatedMtrs AMBG	AMBG	118.38	.248	Coca-Cola	KO	46.51	-.022
AgilentTechs ADE	ADE	61.26	.148	Coca-Cola	KO	46.51	-.022
AgnicoreEagle AEM	AEM	35.39	-.130	Coca-Cola	KO	46.51	-.022
AirProducts APP	APP	151.48	.257	Coca-Cola	KO	46.51	-.022
Alkermes ALK	ALK	129.01	.191	Coca-Cola	KO	46.51	-.022
Alcon ACN	ACN	147.04	.074	Coca-Cola	KO	46.51	-.022
Alflac AFL	AFL	42.19	-.051	Coca-Cola	KO	46.51	-.022
AGNC Inv AGNC	AGNC	18.06	.022	Coca-Cola	KO	46.51	-.022
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AbbVie ABBV	ABBV	81.73	.232	Coca-Cola	KO	46.51	-.022
Ablomed ABMD	ABMD	333.12	.195	Coca-Cola	KO	46.51	-.022
Accenture ACN	ACN	156.92	.380	Coca-Cola	KO	46.51	-.022
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AngiHomeSacs ANGI	ANGI	18.49	.080	Coca-Cola	KO	46.51	-.022
Ansystech ANSS	ANSS	146.83	.283	Coca-Cola	KO	46.51	-.022
ASML ASML	ASML	169.04	.108	Coca-Cola	KO	46.51	-.022
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AbbottLabs ABT	ABT	67.67	.073	Coca-Cola	KO	46.51	-.022
AbbVie ABBV	ABBV	81.73	.232	Coca-Cola	KO	46.51	-.022
Ablomed ABMD	ABMD	333.12	.195	Coca-Cola	KO	46.51	-.022
Accenture ACN	ACN	156.92	.380	Coca-Cola	KO	46.51	-.022
ActivationBlz ATVI	ATVI	70.32	.007	Coca-Cola	KO	46.51	-.0

BANKING & FINANCE

Deutsche Bank Dismisses an Executive

Asoka Woehrmann will succeed Nicolas Moreau as head of asset management

BY JENNY STRASBURG

The high-level executive turnover at **Deutsche Bank AG** continued Thursday, with the German lender dismissing its asset-management chief, Nicolas Moreau, in a surprise move seven months after he led the public offering of its **DWS Group** unit.

Deutsche Bank's supervisory board named as his successor Asoka Woehrmann, a longtime asset-management executive who since December 2015 has overseen the lender's private-clients business in Germany. Mr. Woehrmann, who is based in Frankfurt, was born in Sri Lanka. He joined

Deutsche Bank in 1998 after studying economics in Germany.

Mr. Moreau since October 2016 has been a member of Deutsche Bank's management board, which is made up of the most senior executives. He didn't respond to requests for comment.

In a statement, Deutsche Bank Chairman Paul Achleitner credited Mr. Moreau with the successful float of the DWS asset-management unit in March.

The bank didn't publicly address reasons for Mr. Moreau's departure, which is the latest in a string of exits of senior executives.

Some inside the bank pointed to net outflows in the asset-management business this year, which has hurt management-fee income. But investors broadly have pulled money from a range of Euro-



Nicolas Moreau is credited with the DWS unit's successful float.

pean and U.S. investment funds this year, and prominently from stock funds.

Internally, Mr. Moreau, a Frenchman who primarily

worked from London, never jelled with a number of senior German executives who were his peers, people inside and close to the bank say. He and others inside DWS wanted the business to be viewed as independent from the bank. But Mr. Moreau was a Deutsche Bank executive, and Deutsche Bank retained majority control of DWS after it raised €1.4 billion (\$1.59 billion) in its 20% public offering in March.

On a late-July DWS earnings call, a research analyst asked Mr. Moreau whether Deutsche Bank's persistently negative news coverage—notably about the April firing of Chief Executive Officer John Cryan—had prompted clients to pull money from DWS. Mr. Moreau responded that it was "difficult to quantify" the effect of "noise around the bank." He added, "Now I cannot say it helps."

The comment angered some other Deutsche Bank executives, people close to the bank say.

Tensions also flared around the cultural gap between Deutsche Bank and DWS outside Germany and over long-term planning, some of the people said.

On Thursday, the supervisory board voted to fire Mr. Moreau and replace him with Mr. Woehrmann, who has strong backing from CEO Christian Sewing. The two men have worked closely together. Immediately before he became CEO in April, Mr. Sewing oversaw the retail-banking business.

The move caught Mr. Moreau by surprise, people close to him said. Some in DWS's London office viewed the CEO change as a sign that the company will become more Germany-focused and

less international. But in Frankfurt, others insisted that wasn't the case.

Mr. Achleitner said in Thursday's statement that Mr. Woehrmann's experience at DWS, where he previously was global chief investment officer, will serve the bank well. Mr. Woehrmann will be a senior group director reporting to Mr. Sewing.

Asset-management chiefs at Deutsche Bank haven't lasted long. Mr. Moreau, who came from French insurer AXA SA, was named to the job in July 2016. His predecessor lasted just six months.

The bank also said Thursday that Chief Operating Officer Frank Kuhnke will join the management board.

Deutsche Bank shares are down 44% so far this year. DWS shares are trading 23% below their March initial-public-offering price.

BlackRock Plans Big Hiring Push in Atlanta

BY DAWN LIM

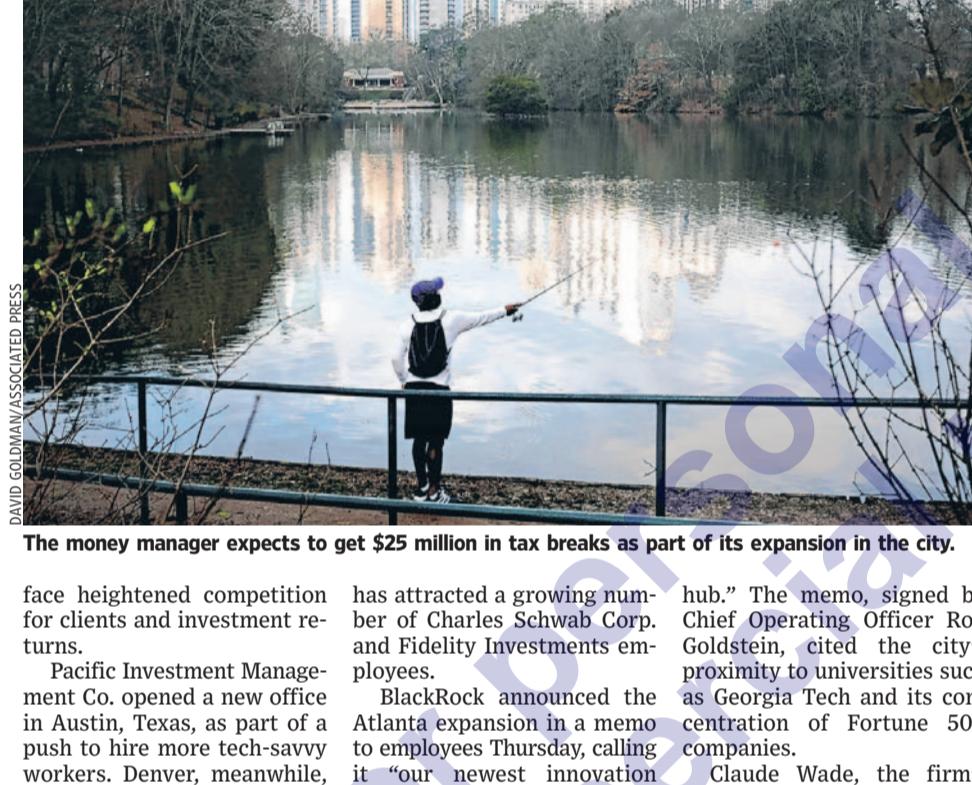
Wall Street's biggest money manager is planning a major expansion far from New York.

BlackRock Inc. expects to boost the number of its employees working in Atlanta to 1,000 people by 2024, according to people familiar with the situation. It has roughly 15 there now.

The firm expects to receive roughly \$25 million in public tax breaks as part of that Southern expansion, according to one of the people. But the final incentive package is still under negotiation with the city, the people familiar with the situation said.

The push could make Atlanta BlackRock's third-largest hub after New York and San Francisco, which have roughly 3,500 and 1,500 people now. BlackRock currently employs 7,500 people across 26 U.S. offices. It is also planning an expansion in New York as part of a move to a new Manhattan headquarters in 2022.

BlackRock joins other money managers in setting up hubs far from Wall Street to capture technology talent, ramp up client marketing, and reduce business costs. Many



The money manager expects to get \$25 million in tax breaks as part of its expansion in the city.

face heightened competition for clients and investment returns.

Pacific Investment Management Co. opened a new office in Austin, Texas, as part of a push to hire more tech-savvy workers. Denver, meanwhile,

has attracted a growing number of Charles Schwab Corp. and Fidelity Investments employees.

BlackRock announced the Atlanta expansion in a memo to employees Thursday, calling it "our newest innovation

hub." The memo, signed by Chief Operating Officer Rob Goldstein, cited the city's proximity to universities such as Georgia Tech and its concentration of Fortune 500 companies.

Claude Wade, the firm's

chief operating officer for institutional clients such as pensions and endowments, will lead the new hub.

He will be based in Atlanta and shift into a new role heading BlackRock's efforts to improve clients' interactions with the asset-management firm.

BlackRock is looking to bulk up its technology-services revenue and rely more on algorithms in its investing. BlackRock also recently opened an office in Budapest it envisions as a tech hub that will support quantitative investing.

Employees in the Atlanta office would be involved in roles ranging from dealing with clients and assisting with investing, to supporting the risk-management advisory behind BlackRock's Aladdin software tool.

The asset manager carried out a months-long search on where to expand before deciding on Atlanta. That city has also been shortlisted as one of the contenders for Amazon's second headquarters.

BlackRock plans to move into a temporary new office location in 2019 while it scouts a permanent office location for the expansion.

Activist Pushes REIT to Find Buyer

BY CARA LOMBARDI

Activist investor **Land & Buildings Investment Management LLC** has been pushing **Liberty Property Trust** to consider selling itself, people familiar with the matter said.

The activist hedge fund, which owns a stake of less than 1% in the real-estate investment trust, has been speaking to Liberty executives behind the scenes and urging them to explore a wider range of strategic options including a full sale, the people said.

Liberty Property Chief Executive William Hankowsky said moves to shed office assets over time should improve the company's stock price, though they could decrease earnings in 2019.

"We are committed to the right long-term strategy for the business, which we believe is a 100% focus in industrial real estate," Mr. Hankowsky told analysts Tuesday on Liberty's earnings call.

KKR's Profit Surges On Investment Gains

BY MIRIAM GOTTFRIED AND ALLISON PRANG

KKR & Co.'s third-quarter profit soared from a year earlier as the private-equity firm sold off several assets and posted strong investment performance.

The company earned a profit attributable to shareholders of \$640.2 million, up sharply from the \$153.6 million it notched in the third quarter of 2017. KKR's per-share earning were \$1.17, up from 30 cents a year earlier. Before paying out preferred dividends, profit was \$648.5 million, up from \$161.9 million.

Results were driven by higher total investment income, which more than quadrupled from the comparable quarter in 2017 to \$833.3 million. KKR said it realized gains on the sale of shares in First Data Corp. and National Vision Holdings and the sale of Finnish healthcare company Mehläinen to buyout firm CVC Capital.

KKR recently converted from a partnership to a corporation. The change has helped it gain a presence on more indexes and shifted its shareholder base, said Craig Larsen, KKR's head of investor relations, on a call with analysts Thursday.

Shares of KKR, which rose roughly 30% from the beginning of the year through the

UBS Targets Superrich in U.S., Asia

BY BRIAN BLACKSTONE AND PIETRO LOMBARDI

ZURICH—**UBS Group AG** on Thursday said it would gear its growth strategy toward managing money for ultrarich American and Asian clients, as the bank reported a rise in third-quarter profit.

Still, the earnings highlight the challenges facing the Swiss bank as it tries to convince investors that its emphasis on managing money for well-heeled clients, while maintaining a streamlined investment bank, will deliver strong growth.

The U.S. and Asia are fertile ground for this strategy. According to a report last week from Credit Suisse, the U.S. added \$6.3 trillion in wealth during the 12 months through mid-2018 to a total of \$98 trillion, with China in second place with \$52 trillion in wealth. Managing some of this money generates fees for banks and may lead to new business in other divisions such as investment banking.

But it is a crowded field. Credit Suisse has in recent years mirrored UBS's strategy in emphasizing wealth management. Swiss private bank Julius Baer is a big player in wealth management, too.

Most of UBS's profit growth last quarter came from investment banking, which UBS has scaled back in recent years,



The bank's New York headquarters. Shares are down 25% in 2018.

while wealth management posted weaker-than-expected results.

Meanwhile, UBS warned that trade disputes and geopolitical tensions could weigh on client activity for the rest of the year.

UBS shares rose 0.9% Thursday. Despite the rise, the shares are down about 25% on the year and over 30% over the past three years.

Net profit for the third quarter rose 32% from a year earlier to 1.25 billion Swiss francs (\$1.25 billion), UBS said, while operating income increased to 7.28 billion Swiss francs from 7.15 billion francs a year earlier. Analysts had expected net profit to stand at 993 million francs and had forecast adjusted operating income of 7.22 billion francs, according to a consensus forecast provided by the bank.

The results were "relatively solid," said analysts at Baader Helleve Equity Research. But the analysts cautioned that the profit gains were from the "lower value" investment-banking business, while "the

most important unit," wealth management, came in below expectations.

Adjusted pretax profit at the bank's investment-banking division rose roughly 44% on the year to 507 million Swiss francs, it said. The global wealth-management unit reported a 4% drop in adjusted profit, with the bank citing higher expenses related to technology and regulatory costs. The unit drew in 13.5 billion francs in new money.

"Expansion in the American ultrahigh net worth segment alone is expected to contribute significant net new money over the next three years," UBS said.

The bank said that "geopolitical tensions, rising protectionism and trade disputes have further dampened investor sentiment and confidence." It expects this to "continue to impact Global Wealth Management clients' transaction activity in the fourth quarter."

UBS also unveiled financial targets ahead of its investor update in London, its first since 2014. It said it would aim for a return on its Common Equity Tier 1 capital, a core measure of the bank's financial strength, of about 17% in 2021.

It also said it would deliver profit growth in wealth management at the upper end of its 10% to 15% range from 2019 to 2021, and that it would achieve at least 3% growth in net new money by 2021.

New Highs and Lows | WSJ.com/newhighs

Continued From Page B9

52-Wk % Stock Sym Hi/Lo Chg

MONEY & INVESTING

Treasurys Fall After Stocks Rebound

By SAM GOLDFARB

U.S. government bond prices edged lower as stocks rebounded from the previous day's sharp declines.

The yield on the benchmark 10-year U.S. Treasury note settled at 3.136% Thursday, compared with 3.122% Wednesday.

Yields, which rise when bond prices fall, have largely been tracking stocks in recent sessions, falling on days like Wednesday when investors flee riskier assets for the safety of Treasurys and climbing when stocks retrace some of their losses.

"Again, we're following stocks," said Mary Ann Hurley, vice president of fixed-income trading at D.A. Davidson & Co. "As stocks go, bonds will go to the inverse."

Despite generally strong U.S. economic data, U.S. stocks have had a dismal October, reflecting concerns about everything from higher interest rates to signs that technology earnings might be peaking.

Before October's stock-market swoon, Treasury yields had been rising on optimism about the U.S. economy and growing confidence that the Federal Reserve will stick to the current plan of steady interest-rate increases.

The 10-year yield settled at a seven-year high of 3.227% on Oct. 5. Since then, the yield has mostly bounced between around 3.1% and 3.2%, showing less inclination to rise higher but still not retreating back to its previous trading range.

Yields briefly fell Thursday after European Central Bank President Mario Draghi acknowledged at a press conference following the ECB's latest policy meeting that the eurozone's economic growth momentum had weakened.

The ECB reiterated that it expects to end its bond-buying program at the end of December—a plan that has helped sap demand for government bonds world-wide as investors prepare for a shift to tighter monetary policy from the world's major central banks.

U.S. Sets Debt Sales

The Treasury Department will auction \$84 billion in securities next week. Details (all with minimum denominations of \$100):

♦ **Monday:** \$45 billion in 13-week bills, a reopening of an issue first sold on Feb. 1, 2018, maturing Jan. 31, 2019. Cusip number: 912796PP8.

Also, \$39 billion in 26-week bills, dated Nov. 1, 2018, due May 2, 2019. Cusip: 912796RJ0.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. 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.

SEVEN-YEAR NOTES

Applications	\$74,180,909,100
Accepted bids	\$31,000,000,300
"noncompetitively"	\$20,229,100
"foreign noncompetitively"	\$0
Auction price (rate)	99.537120 (3.074%)
Interest rate	3.000%
Bids at clearing yield accepted	16.21%
Cusip number	9128285J5

The notes, dated Oct. 31, 2018, mature on Oct. 31, 2025.

Dow Rises 401 Points After Rout

Continued from page B1

Netflix.

The sustained swings this month have signaled that sentiment has changed, according to JJ Kinahan, managing director and chief markets strategist at TD Ameritrade.

"Tech has been the great hero on earnings over the past year, but the temperament has changed in the market overall," Mr. Kinahan said. "We're resetting our expectations and think these valuations are a bit high."

But many investors remain confident that a solid corporate outlook will allow stocks

Wall Street Feuds Over Data Cost

By DAVE MICHAELS

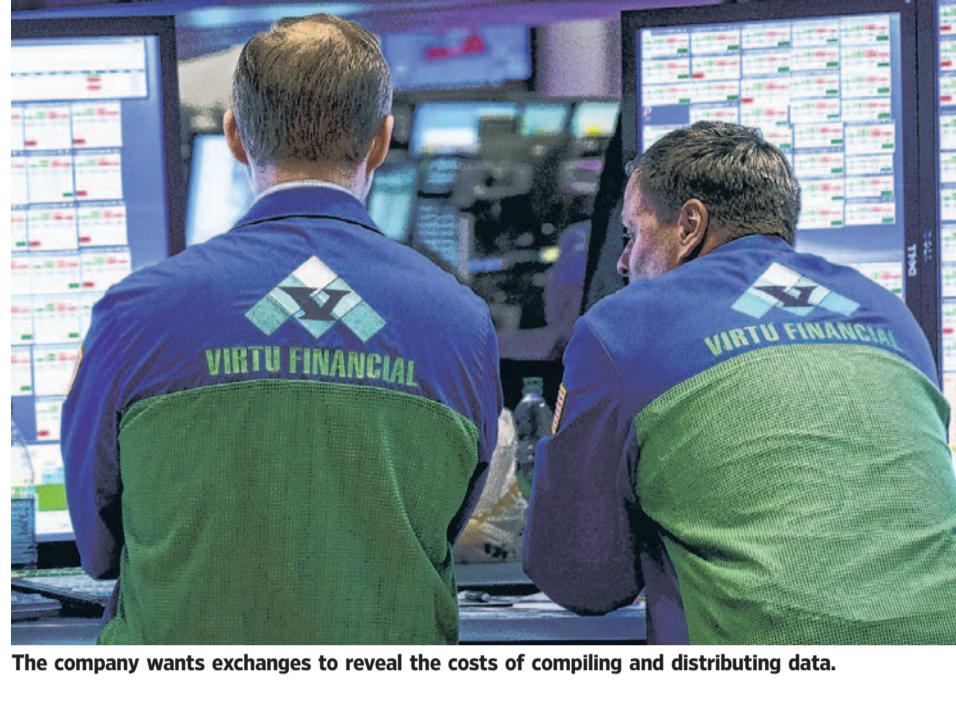
WASHINGTON—Stock exchanges and traders clashed on Thursday over the cost of crucial market data that powers the decisions of everyone from computer-driven traders to mutual-fund managers.

The fight, staged at two days of public hearings at the Securities and Exchange Commission, opened one week after the regulator decided that the New York Stock Exchange and Nasdaq Inc. didn't justify fees they charged for a pair of market-data products. The panel's competing interests—exchanges on one side, brokers and investors on the other—accused each other of misleading the public about the scope and origins of the problem.

Data have emerged as an important business for the three big exchange groups that dominate the U.S. stock market: NYSE parent Intercontinental Exchange Inc., known as ICE; Nasdaq; and Cboe Global Markets Inc. Revenue from ICE's and Nasdaq's data-related businesses rivals what the companies make from trading.

Douglas Cifu, chief executive officer of global market-maker Virtu Financial Inc., said his firm's total costs to access U.S. stock-market data is five times what he collectively pays to 225 exchanges in 35 other countries.

"The fix is make it competitive," Mr. Cifu said. "This is the cable company, the telephone company, before it was broken up." Mr. Cifu kicked off the



The company wants exchanges to reveal the costs of compiling and distributing data.

hearings by displaying a spool of yellow cable for which exchanges charge certain traders about \$20,000 per month. Mr. Cifu, whose firm pays the fee, said he could purchase the same equipment from Amazon for about \$88.

Exchange executives defended prices on data containing current stock prices and recent trades, as well as on how much supply and demand there is for stocks at different price levels. The executives said firms such as Virtu have twisted the narrative in an effort to sway regulators toward their own needs.

"Virtu is notorious for being

a cost-cutting organization," Stacey Cunningham, NYSE's president, said in an interview after her panel ended. "It's not surprising that he's trying to take every last bit of cost out that he can."

The debate often took a heated tone.

Chris Concannon, president and chief operating officer of Cboe Global Markets, said his company had little appetite for compromise because of "the recent unprecedented and unwarranted public assaults on exchanges."

The exchanges earlier this week appealed the SEC's decision against them to the U.S.

Court of Appeals for the District of Columbia Circuit.

Mr. Concannon said he thought Mr. Cifu's data cable was a prop that mischaracterized the economics of the exchange business. Exchanges levy such fees, he said, because they have to invest in sophisticated computer systems that process billions of electronic messages every day. Regulators require that exchanges be able to process spikes in order traffic without their systems going down.

Disclosures from ICE, Nasdaq and Cboe show that their combined stock-market data revenue was around \$560 million in 2017, though those don't include connection fees that traders and brokers pay to access the data.

Costs for exchanges' data have grown over the past eight years at a compound average growth rate 11.7%, according to industry consultant Larry Tabb. Mr. Tabb, who is scheduled to testify, said much of that increase stems from exchanges charging licensing fees, which requires brokers to pay multiple times for the same data, depending on the business purpose they have for using it.

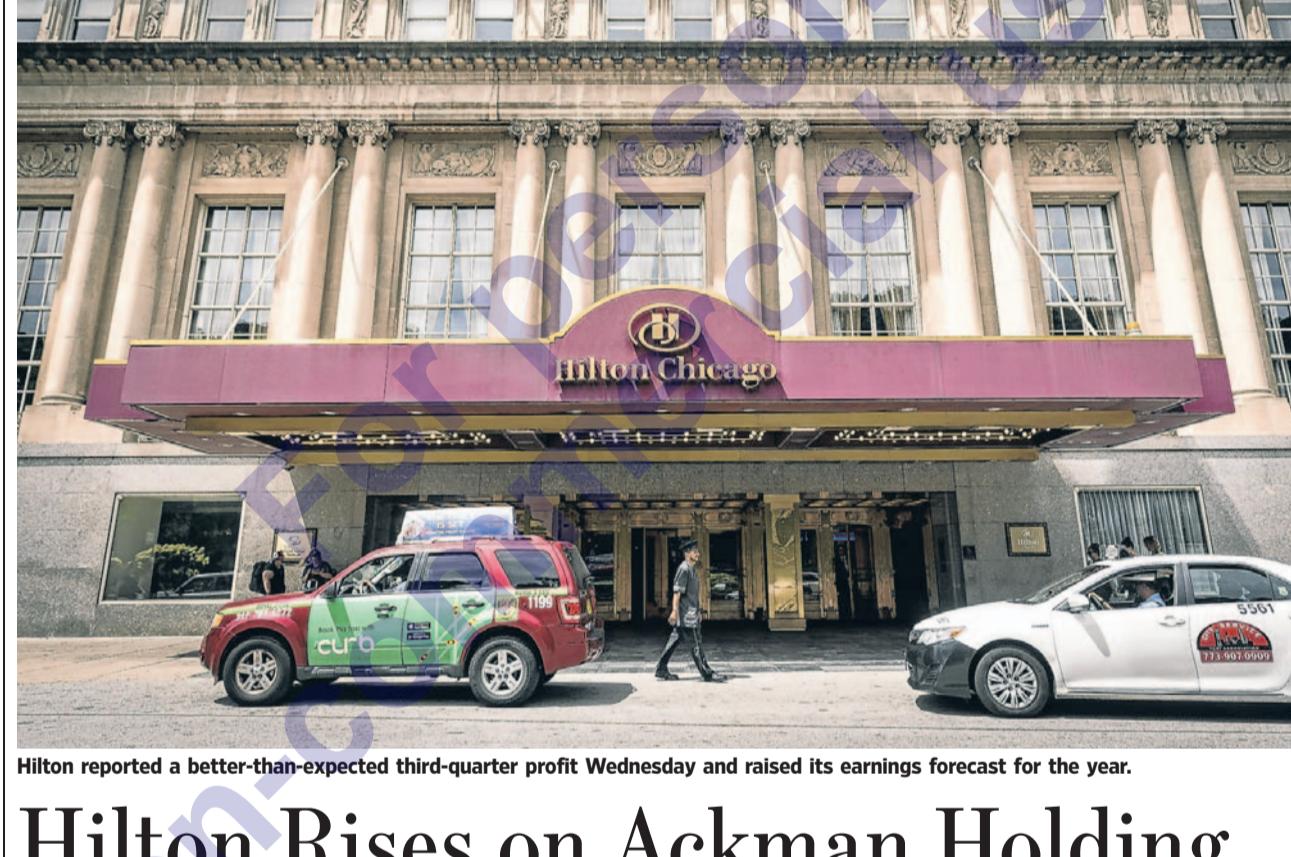
Mehmet Kinak, global head of systematic trading at T. Rowe Price Group Inc., said fund managers such as his company are exposed to rising data costs through their trading commissions, because their brokers feel compelled to use the fastest and richest market-data feeds from every stock exchange.

"If I am slower than the other person, I lose," Mr. Kinak said. "This arms race was built by the exchanges."

Virtu, which handles as much as 20% of all stock trading, has asked the SEC to make exchanges periodically disclose how much money they earn from each data product and how much it costs to compile and distribute.

It is unclear how the hearing testimony may affect potential new regulations.

Most of the SEC's five-member commission signaled they are open-minded about whether new restrictions are needed.



Hilton reported a better-than-expected third-quarter profit Wednesday and raised its earnings forecast for the year.

Hilton Rises on Ackman Holding

By COLIN KELLAHER

Shares of Hilton Worldwide Holdings Inc. rose nearly 6% Thursday after Pershing Square Capital Management LP, the hedge fund of activist investor William Ackman, said it has again taken a stake in the hotel operator.

Pershing Square said it has acquired 10.9 million Hilton shares, or a 3.7% stake, worth roughly \$696 million based on Wednesday's closing price of \$63.82.

Hilton shares closed up \$3.73 at \$67.55 on Thursday.

Pershing said the investment represents about 13.9% of the net asset value of Pershing Square Holdings Ltd., its publicly traded closed-end fund and a substantially smaller percentage of its private funds' portfolios.

Mr. Ackman previously built a stake in Hilton in the summer of 2016 but sold it less than a year later at a 32% profit after the stock hit a high.

Hilton reported a better-

than-expected third-quarter profit Wednesday and raised its earnings forecast for the year.

Its quarterly revenue, however, missed analysts' estimates.

Mr. Ackman earlier this month revealed that Pershing had acquired 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 has recently

had success with investments where he didn't employ activist tactics.

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.

Pershing Square said it would discuss its Hilton investment in more detail in its third-quarter letter and investor call.

The S&P 500 is off 8.8% this month through Wednesday and 0.65% this year.

Goldman is one of the largest prime brokers for hedge funds, helping them place bets and finance trades. The report didn't give a reason for the rout.

Some hedge funds are having a better year than the fundamental long-short equity funds tracked by Goldman fell 1.44% Wednesday, a client report, which was reviewed by The Wall Street Journal, said.

Goldman said it was the deepest one-day drop since the bank began tracking the data in January 2012. These funds are down 8.68% this month through Wednesday, bringing returns to minus 6.21% for the year, the report said.

The S&P 500 is off 8.8% this month through Wednesday and 0.65% this year.

Goldman is one of the largest prime brokers for hedge funds, helping them place bets and finance trades. The report didn't give a reason for the rout.

Some hedge funds are having a better year than the fundamental long-short equity funds, though they are still losing money. So-called systematic long-short equity funds—those that use algorithms to drive stock picking—are down 3.72% this year through Wednesday, Goldman said.

ming the outlook for a range of economies heavily involved in global supply chains, including Taiwan and South Korea.

Some investors have also apparently lost conviction that a strong economy in the U.S. is enough to insulate it from gloom elsewhere.

"It seems like people are finally coming to a point where they are questioning if the U.S. is very different from global markets," said Felix Lam, a portfolio manager at BNP Paribas Asset Management. "We are still quite globally linked," he said, adding that trade tensions will ultimately affect the U.S. as well.

The yield on the benchmark 10-year U.S. Treasury note settled at 3.136%, compared with 3.122% Wednesday. Yields, which rise when bond prices fall, have largely been tracking stocks in recent sessions, falling on days like Wednesday when investors flee riskier as-

sets for the relative safety of Treasurys and climbing when stocks retrace some of their losses.

Meanwhile, the dollar extended a recent stretch of gains Thursday, on track to finish at its highest level all year. The WSJ dollar Index, which measures the U.S. currency against a basket of 16 others, rose 0.1% Thursday to 90.51, which would be its highest close since 90.54 in May 2017.

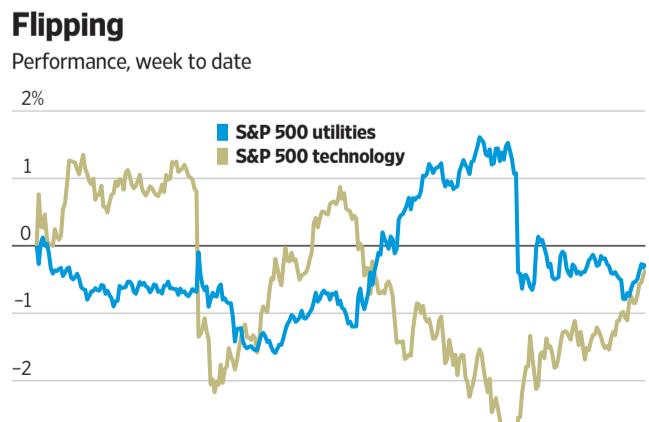
Elsewhere, the Stoxx Europe 600 fell 0.5% after the European Central Bank said it would move ahead with plans to phase out easy money policies this year.

Early Friday, Japan's Nikkei was up 0.6% after dropping 3.7% Thursday and South Korea's Kospi was down 0.5% after retreating 1.6% into a bear market on Thursday.

Riva Gold and Saumya Vaishampayan contributed to this article.

Flipping

Performance, week to date



for signs of whether the U.S.-China trade battle is beginning to affect the U.S. economy after data last week showed China's economic growth slowed to its weakest pace in nearly a decade.

The U.S. and China have imposed tariffs on billions of dollars of each other's goods, dim-

MARKETS

Transport Stocks Join Correction Club

BY AKANE OTANI

Transportation stocks have become the latest group to fall into correction territory, a potentially ominous sign the downturn that has swept major indexes in October could intensify.

The transports had rallied this summer and hit a record in mid-September, buoyed by strong economic data as well as increased demand for freight services among retailers and consumers.

But the sector has been caught in the broader-market slide, pulling the Dow Jones Transportation Average—which tracks the performance of 20 large U.S. airlines, truckers, railroads and shippers—down more than 10% from its Sept. 14 high.

That puts it firmly in correction territory, alongside the Russell 2000 index of small-capitalization companies, the KBW Nasdaq Bank Index and the Nasdaq Biotechnology Index.

The slump bodes poorly for not just the transports but also potentially the stock market as a whole: Believers in the "Dow Theory" say weakness in shares of companies that transport raw goods and materials can point to turmoil for the broader market.

Some of the group's woes stem from industry-specific issues. United Parcel Service Inc. said Wednesday that profit fell in its domestic package business in the third quarter, hurt by higher pension costs and expenses related to adding new buildings to its network. Shares of the company have slid 9.5% this year.

Airlines have struggled to reassure investors that they can keep rising fuel prices from denting profitability. American Airlines Group Inc. has fallen 38% this year, while JetBlue Airways Corp. has lost 26% and Alaska Air Group Inc. is down 14%.

Then there are freight-

transportation companies, which Morgan Stanley analysts say are likely to get hit by slowing demand in 2019.

"We are concerned that 2019 could be similar to 2015-16, when the transportation complex went through a freight recession even as the overall economy held up," Morgan Stanley analysts wrote in a note this week. They said they are especially worried about freight brokers and companies offering rail and parcel services.

Yet other factors that have dragged on transport stocks are things that have been weighing on the stock market at large.

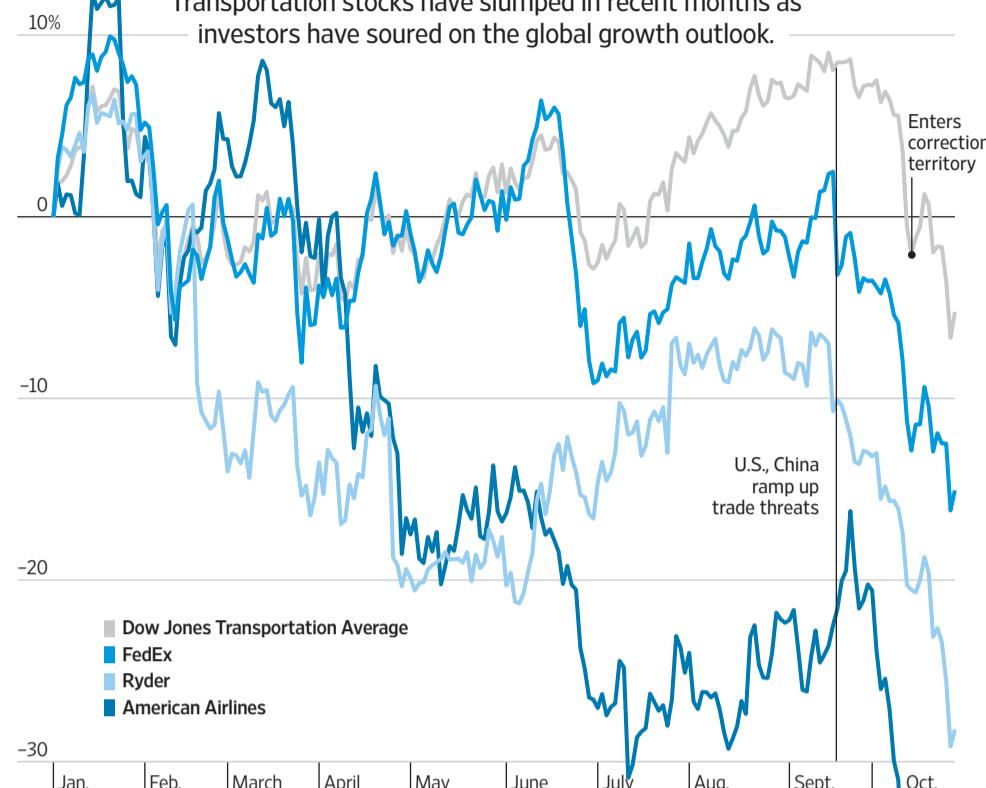
Investors are contending with signs that China's economy is slowing as well as a dimmer forecast for global growth. The International Monetary Fund earlier this month cut its forecast for global economic growth for 2018 to 3.7% from an April estimate of 3.9%.

Risks such as "rising trade barriers and a reversal of capital flows to emerging-market economies with weaker fundamentals, and higher political risk...have become more pronounced or have partially materialized," the IMF said in a release that accompanied its forecast.

Even the U.S., which many regard as being on relatively strong footing, has shown some signs of weakness: Data Wednesday showed new-home sales slipping for a fourth consecutive month.

Few believe that the U.S. economy is close to a recession. And some analysts say the stock market's declines over the past month are partially a function of investors coming to terms with a murkier global outlook and tighter monetary policy.

Watch the transports to get a sense of whether the broader stock market could take another leg lower.



Crude-oil prices have retreated recently but still remain higher for the year—something that investors worry could pose a growing threat to profits.

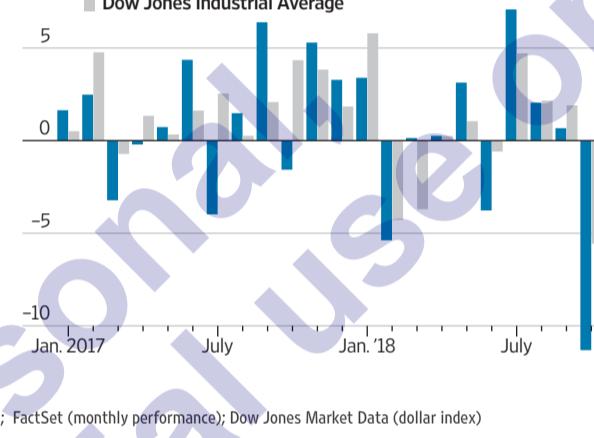
U.S. oil price



Sources: SIX (stock and index performance, crude); FactSet (monthly performance); Dow Jones Market Data (dollar index)

Some analysts believe transport stocks' decline could be a sign of further weakness ahead. The transports have often moved in tandem with the Dow Jones Industrial Average.

Monthly performance



Another growing headwind: the strengthening dollar. A stronger dollar can hurt U.S. firms by making their goods and services more expensive to buy overseas.

WSJ Dollar Index



Other analysts say the group's weakness has more to do with certain industries, like airlines and parcel services. Three of the five best-performing transport stocks this year are railroad operators.

Best performers in 2018

United Continental	27.0%
CSX	20.7
Norfolk Southern	13.3
Matson	12.9
Union Pacific	7.5

Meanwhile, three of the five worst-performing transport stocks this year are airline operators.

Worst performers in 2018

American Airlines	-37.8%
Avis Budget	-34.3
Ryder	-27.6
JetBlue Airways	-26.4
Southwest Airlines	-23.7

THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

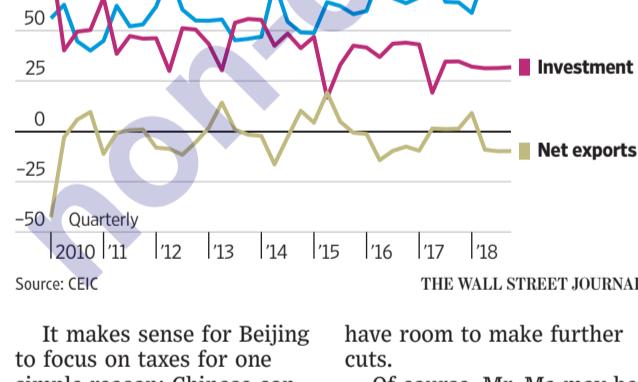
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China's Tax Cut Could Top U.S.'s

All Consuming

Contribution to Chinese year-to-date GDP growth



THE WALL STREET JOURNAL.

It makes sense for Beijing to focus on taxes for one simple reason: Chinese consumers are a massive force. Consumption accounted for nearly 80% of Chinese growth in the first nine months of 2018, up from 45% in 2010. In the U.S., the comparative figure was around 70%.

With a top tax rate of 45% on any monthly income over 80,000 yuan (about \$11,500) policy makers seemingly

have room to make further cuts.

Of course, Mr. Ma may be exaggerating. The announced tax changes—including a significant shift in personal income-tax brackets—will amount to about a 300 billion yuan stimulus next year, or around 0.4% of GDP, according to Bank of America Merrill Lynch.

Policy makers' room to cut taxes further may be constrained by looming lia-

bilities, such as a potential need to bail out local governments and fix China's pension-funding gap. Moreover, tax cuts often don't boost growth as much as government spending in the short run—because taxpayers tend to save some of their bounty.

But if Beijing does come to rely less on easing monetary policy to get the economy going, it should mean less pressure on the yuan and Chinese bank balance sheets.

It may also mean commodities don't benefit as much from heavy-infrastructure spending as they have in past periods of China stimulus.

Conversely, more fiscal stimulus will also mean more government-debt issuance to fund the resulting deficits—one reason Chinese bond yields haven't fallen far this year.

While U.S. tax cuts have driven markets for the past year, China's could be a major factor for the next.

—Nathaniel Taplin

OVERHEARD

As product pitches from government officials go, they don't get much cheekier than this.

A senior official of China's Ministry of Foreign Affairs has a technology recommendation for President Trump: Try using a **Huawei** smartphone. She made the quip in response to a New York Times article published Wednesday that says the president uses unsecure Apple iPhones to call friends despite being told that the Chinese and Russian intelligence agencies are listening.

China's Huawei has been hampered by allegations that its phones are designed to snoop on users. Back in February, Sen. Tom Cotton of Arkansas asked the bosses of the Federal Bureau of Investigation, Central Intelligence Agency and other agencies if they would recommend use of Huawei phones to private U.S. citizens. None said that they would.

Then again, Mr. Trump has been notorious for ignoring the advice of his intelligence officials, so Huawei shouldn't rule out at least one new U.S. customer.

Twitter Lightens Its Load

Twitter is proving that smaller may be better, even in social media.

The social network has been showing as much during the past year, as it shifts from a growth-at-any-cost mode to one of actually making money. Its monthly active user base remains stuck in the low 300 million range. And that took a hit in the third quarter, falling by nine million users as the company continued its effort to clean out questionable accounts. Twitter said it expects to see another decline in the fourth quarter in the mid-single-digit-millions range.

For an advertising business, fewer eyeballs aren't typically a good thing. But ad revenue jumped 29% year over year to a record \$650 million for the quarter, beating Wall Street's targets by nearly 10%. The improvement is because Twitter's cleanup efforts make the platform more attractive for those willing to pay for exposure to its audience. As Brian Wieser of Pivotal Research put it, advertisers "see the user base as higher quality when purges occur."

Twitter's share price surged 15% Thursday following the release of its quarterly results. That puts the stock around 43 times forward earnings—not cheap for a company that still has plenty of work ahead in the cleanup department. And the fourth quarter, with U.S. midterm elections pending, poses some new risks in an environment where social networks are being closely watched for their role in political campaigns.

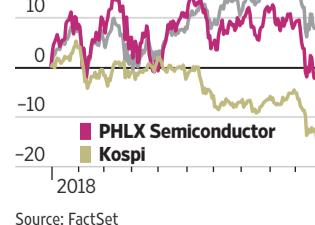
But the recent results are an encouraging sign that Twitter is at least willing to make some hard decisions on user growth. Also encouraging is that those hard decisions can still pay off.

—Dan Gallagher

At Samsung and SK Hynix, No One's Chipper About Chips

Fishy Chips

Performance, year to date



prices, which lies behind these record profits, is ending. Heavy demand from data centers, boosted by the increasing use of cloud computing and artificial intelligence, had pushed prices of DRAM—a type of memory chip used in data processing—to more than double in the past two years. Now, supply is catching up. Capital spending on DRAM globally has grown 40% this year to \$22.9 billion, according to market research company IC Insights.

As the market rebalances, DRAM prices could fall by 5% this quarter from the last one, research company DRAMeXchange predicts, ending a nine-quarter

growth streak. They could fall a further 15% to 20% next year, it reckons. Meanwhile, prices for NAND—another type of chip used in storage that both Samsung and SK Hynix manufacture—have already been falling and could plunge by 25% to 30% next year.

The good news is that the downturn in chips could prove less severe this time than in previous cycles, largely because the market has become more consolidated. Three companies—the two Korean giants and **Micron** from the U.S.—basically control the whole DRAM market. And their share prices now reflects much of

the pessimistic outlook. Samsung trades with an enterprise value of a mere 2.3 times its expected earnings before interest, taxes, depreciation and amortization—a five-year low.

That doesn't mean that it is time now for investors to jump in, especially when the U.S. tech sell-off seems to be picking up steam. The PHLX Semiconductor Index—a gauge of U.S.-listed chip stocks—has lost 10% in the past week but has still outperformed the Kospi this year.

The chips may be down, but it's worth waiting for cheaper bargains in chip stocks.

—Jacky Wong



\$7.5 million
Robert Redford's
Napa Valley
retreat hits the
market **M2**

HOMES | MARKETS | PEOPLE | REDOS | SALES

MANSION

THE WALL STREET JOURNAL.

Houston Returns
A new reality
post-Harvey **M4**



Friday, October 26, 2018 | **M1**

J A C K P O T !

The Life of a Lotto Winner

Four years ago, Rick Knudsen won \$180 million. He quit his job and went on a spending spree, snapping up a mountain home, buffalo ranch and even a steakhouse. Now he is unloading his 845-acre spread.

\$26 MILLION
for the entire property

The main house spans 16,000 square feet with five bedrooms and a 17-seat movie theater.



The ranch comes with grass- and apple-fed buffalo.



The restaurant serves buffalo meat from the ranch.

PHOTO BY ADRIAN VAN ANZ / JASON SPETH

By KATHERINE CLARKE

RICK KNUDSEN USED TO sit on the porch of his rural four-bedroom house in Calimesa and gaze up at Little San Gorgonio, a peak on Yucaipa Ridge in Southern California. An enormous house was being constructed on the side of the mountain face. Mr. Knudsen would dream of what it would be like to live there, overlooking the giant redwoods.

A year later he bought the house.

In 2014, Mr. Knudsen won \$180 million in the California Mega Millions lottery. "Hey brother, I'm outta here," he recalled telling his

boss when he retired from his job as a manager of a roofing products company.

Mr. Knudsen paid \$5.5 million for the not-yet-completed home on about 50 acres, which already boasted a 17-seat movie theater and garage fit for a car collector. He spent millions more on an adjacent buffalo ranch on 155 acres, then still more on another neighboring 640-acre swath of land and a steakhouse and saloon in the area. He said he spent about \$11.5 million in all. The next year he bought a home for each of his five children.

Craig Strong of Pacific Union International, Mr. Knudsen's real-estate agent, said his client's

purchases were driven by feeling, rather than investment returns. "I've represented people who've inherited a fortune, made a fortune but never won a fortune," Mr. Strong said. "It became more of an emotional purchase for him, because he was able to fulfill his own dreams."

"It was just bam, bam bam. Within three months I owned it all," laughed Mr. Knudsen, 57. Now, he is listing his spread for \$26 million.

The property's main house spans about 16,000 square feet of living space with five bedrooms. Including the buffalo ranch, it sits on 845 acres that ascend from 5,000 to 9,000 feet

Please turn to page M8

HOUSE CALL | SUGAR RAY LEONARD

A Boxer's First Wins Were Against Bullies, Bad Luck

Even after clinching his Olympic gold medal in '76, the fighter's college plans were dashed when family hospital bills mounted



Sugar Ray Leonard, 62, boxed professionally from 1977 to 1997 and won championship titles in five weight divisions. He is a motivational speaker and founder, with his wife, Bernadette Robi, of the Sugar Ray Leonard Foundation, which funds research for childhood diabetes. He spoke with Marc Myers.

My family lived in Seat Pleasant, Md., when I disappeared. A day after a major rain storm, my friends and I were walking along a roaring creek and I fell in. I was 10 and didn't know how to swim.

I still remember my friends' horrified expressions as I was dragged downstream. I swallowed a lot of water, but I kept pushing myself to the surface. Eventually I made it to the bank. A short distance away was a large storm drain. I had just made it out of the water.

I walked through the woods to get home. Near our house, I could see about 50 people crying. My friends had run and told my parents what had happened. They all assumed I had drowned.

When my mother, Getha, saw me coming across



Sugar Ray
Leonard, above,
in his L.A.
home; top left,
the boxer's first
championship
belt, won in
1979; his
welterweight
belt, 1981.

the field, she rushed to pick me up. She was crying and yelling at the same time.

I was born in Wilmington, N.C., where my father, Cicero, picked cotton. When I was 3, we moved to Washington, D.C. We had relatives there, and my father found a better-paying job at a Coca-Cola plant. But Washington had a dif-

ferent vibe, at least where we lived. When I was 8, I walked to the corner store to get cookies. Along the way, two kids asked me for money. Then they punched me and took everything I had.

I ran home crying. My mother looked at me and said it was the last time I'd come home in tears. I

Please turn to page M9





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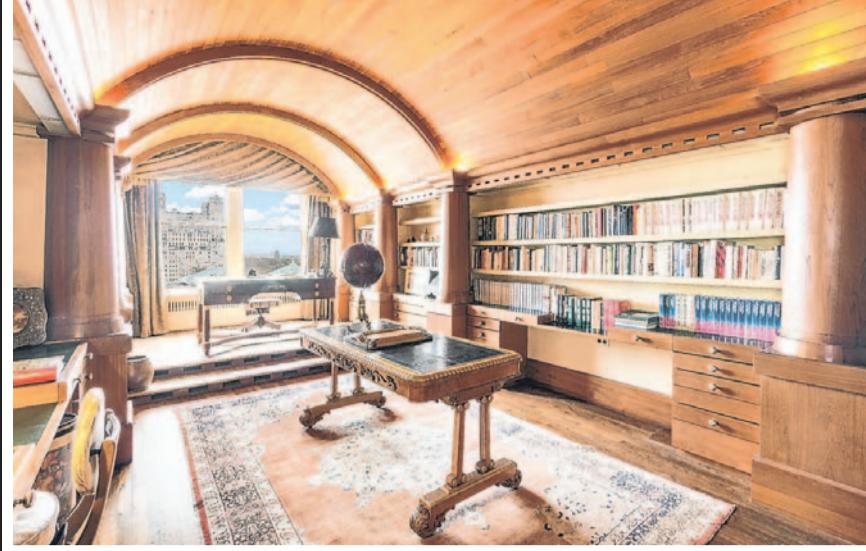
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JOHNATHAN NISSENBAUM (2)

William Ackman Buys Manhattan Penthouse

Shareholder activist William Ackman is in contract to buy a sprawling penthouse on New York's Upper West Side for close to its \$22.5 million asking price, according to people familiar with the deal.

The property was formerly owned by the late author Nancy Friday, who wrote books on female sexuality and lived in the building from 1979 until her death last year. Ms. Friday assembled various units in the building, including one from performer and composer Peter Allen.

They could be combined into a 13-room, 4,200-square-foot unit with a 3,200-square-foot terrace. The home has barrel-vaulted redwood ceilings and a secret room accessible by pressing on a hidden panel in a decorative column.

The proceeds will be used to start the Nancy Friday Foundation, which will support emerging writers as well as animal welfare, according to a Wall Street Journal article published when



UPDATE

the penthouse came on the market. Ms. Friday was formerly married to Norman Pearlstine, a former managing editor of The Wall Street Journal.

Mr. Ackman, founder of Pershing Square Capital Management, has long been an Upper West Side fixture. Last year, he bought two units at the nearby Beresford building for a combined \$22,078 million, property records show.

The listing agents, Wendy J. Sarsohn and Jamie Joseph of Brown Harris Stevens, didn't respond to a request for comment on the deal, which hasn't yet closed.

—Katherine Clarke

Palm Beach Estate Asks \$135 Million

Broadway producer and Palm Beach socialite Terry Allen Kramer is listing La Follia, her château-like Palm Beach compound, for \$135 million.

If the property sells for that price, it will become the most expensive home ever to sell in Palm Beach.

The current record is held by the \$95 million sale of President Donald Trump's Palm

Beach home to Dmitry Rybolovlev in 2008, according to the listing agents.

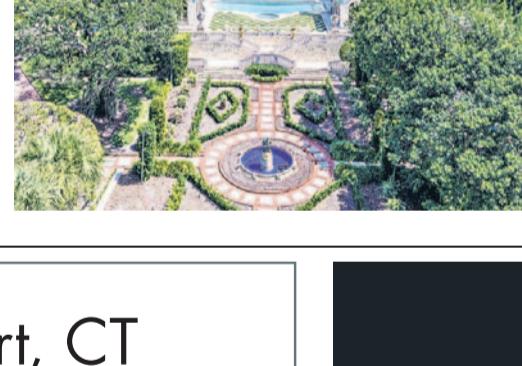
Located on South Ocean Boulevard, a narrow stretch known as Billionaires Row, La Follia is a few houses down from President Trump's Mar-a-Lago resort. It is also the

only estate in Palm Beach that sits directly on the ocean and stretches all the way to the Intracoastal Waterway, said Ms. Kramer's listing agents, Gary Pohrer and Ashley McIntosh of Douglas Elliman.

Mr. Pohrer and Ms. McIntosh declined to comment on why the property is on the market.

The property is co-listed with Cara Coniglio McClure, Lisa Wilkinson and Adam McPherson of Douglas Elliman.

—Katherine Clarke



DOUGLAS ELLIMAN REAL ESTATE

Robert Redford Lists

Actor and director Robert Redford is listing his 10-acre wine-country retreat in St. Helena, Calif., for \$7.5 million.

Mr. Redford bought the 10-acre estate through a trust in 2004, attracted to the home's European-style architecture and its setting, with views of Napa Valley, mature trees and hiking trails that lead to nearby Meadowood Resort, where he and his wife are members. "The property is very private, quiet and serene, yet just a 5-minute drive to the town of St. Helena," he said in an email. "We have enjoyed both the solitude the home provides along with the close proximity to the Napa Valley and all that it has to offer."

Called Danza del Sol, the property includes a 5,255-square-foot, three-bedroom, 3½-bath home that sits on a knoll at the end of a gated drive. Oak trees shade the terrace, and a path leads past roses to the pool, which looks out at the rolling hills. Nearby is a hot tub and a vegetable garden with raised beds made of the same stone-retaining walls found throughout the prop-



DOMINIQUE CHARRIAUGUET/IMAGES

erty. "As soon as we moved to the home, we planted an orchard and enhanced the landscaping, which has matured and provides us with outdoor spaces to enjoy and connect with the natural surroundings," Mr. Redford wrote.

Mr. Redford, 82, and his wife, painter Sibylle Szaggars Redford, remodeled the home and built a 907-square-foot art studio. "I will miss my art studio, a place I designed and provided me with inspiration to create many paintings. I will also miss the trees, the garden, the pool and the organic warm feel of the house!" Mrs. Redford, 61, wrote in an email.

The couple is selling because they have decided to move to the Bay Area "to be closer to family," wrote Mr. Redford, who won the Academy Award for best director for "Ordinary People" in 1981. His most recent film is "The Old Man & the Gun" which was released in September.

Steven Mavromihalis and Chuck Sawday of Pacific Union International have the listing.

—Sarah Tilton

A \$110 million Bay Area estate comes with a catch. M12

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Madeleine R. Ganis, 516.759.4800, c.516.375.7760

Belle Terre, NY
PUSD #6. MLS# 3050564. \$950,000.

Miriam Ainbinder, 631.689.6980, c.631.988.9200

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Richard Orent, 516.626.7600, c.516.659.5220Garden City, NY - The Wyndham
SD #18. MLS# 3064538. \$1,250,000.
Claudia Galvin, 516.248.6655, c.516.972.8389
Mary Krener, 516.739.7171, c.917.518.7205Lloyd Harbor, NY - Muttonhollow Farm
CSH SD #2. MLS# 3049673. \$1,788,000.
Peggy Moriarty, 631.692.6770 ext.0224
c.516.769.2843Lloyd Neck, NY - Refined Luxury
CSH SD #2. MLS# 3055599. \$2,795,000.
John Messina, 631.692.6770 ext.0216
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Sarit Elias, 516.466.4036, c.516.445.7636Port Washington, NY - Flower Hill
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SD #6. MLS# 3055976. \$6,498,000.
Eileen Krach, 516.627.4440, c.917.270.3737Smithtown, NY - Nissequogue Riverfront
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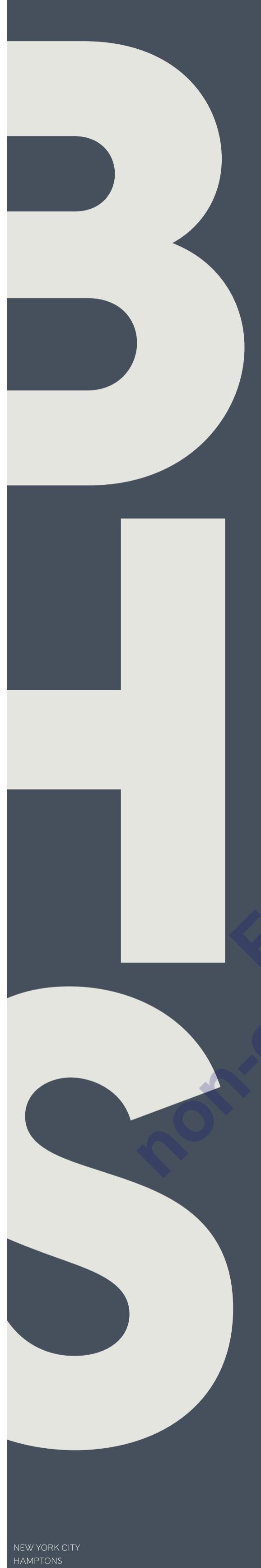
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MANSION

PORTFOLIO

Chinese Oilman Vanishes and Buying Binge Ends

Companies linked to Ye Jianming bought former Barclays CEO Bob Diamond's penthouse, and was in contract to buy billionaire Vincent Viola's townhouse. Then Mr. Ye went missing.

BY KATHERINE CLARKE

Companies linked to Ye Jianming, a Chinese oil entrepreneur with ties to China's military, spent roughly \$83 million on New York City's priciest properties, and had planned to buy \$80 million more, before Mr. Ye mysteriously disappeared in early 2018.

Mr. Ye personally had ties to the People's Liberation Army and its intelligence arm, according to people in various cities with knowledge of the situation. The property deals included buying a penthouse from a former top Wall Street banker, and entering into a record-setting contract to buy a townhouse owned by a billionaire close to President Donald Trump.

In May 2017, a company linked to Mr. Ye spent \$50.55 million to purchase the penthouse of former Barclays Chief Executive Bob Diamond, according to people familiar with the transaction. Located at 15 Central Park West, the sprawling 5,278-square-foot apartment has four bedrooms, a 34-foot entry gallery, a library and an eat-in kitchen. Mr. Diamond declined to comment via a spokesman.

One month later, a company linked to Mr. Ye spent almost \$33 million on a 4,028-square-foot apartment on the 86th floor of 432 Park Avenue, according to the people familiar with the New York deals. A limited liability company bought the unit from developers Macklowe Properties and CIM Group. The unit was later listed as a rental seeking \$80,000 a month, according to StreetEasy.

Department of Finance records tied to the sale of these two units show no financing on either deal.

Then in December 2017, a company linked to Mr. Ye entered into a contract to buy the \$80 million townhouse of Vincent Viola, the billionaire owner of the National Hockey League's Florida Panthers who was briefly President Trump's nominee for secretary of the army. Mr. Viola didn't respond

to a request for comment.

Located at 12 East 69th Street, the roughly 20,000-square-foot mansion has a red-velvet movie theater and its own panic room. At the time, the deal would have set a record for the most expensive townhouse ever sold in New York City.

That deal fell apart in early 2018, around the same time Mr. Ye went missing, according to the people with knowledge of the deals. In March, The Wall Street Journal reported that Mr. Ye is under investigation in China. Mr. Ye couldn't be reached for comment. The property was put back on the market for \$88 million, according to listings website StreetEasy.

Both of the transactions were executed in the names of limited liability companies that are registered at a Long Island home of Asian financier Gongwen Dong. Mr. Ye's name doesn't appear on the business registration document, but the people familiar with the transactions describe him as controlling the companies. Mr. Dong couldn't be reached for comment.

The Chinese tycoon's pounce on luxury Manhattan real estate offers a new dimension on his global ambitions in the months leading to his disappearance.

Mr. Ye is chairman of a Shanghai-based conglomerate called CEFC China Energy, which in recent years expanded aggressively abroad. It struck deals for \$9 billion in shares of Russian energy giant Rosneft, more than \$1 billion in investments in the Czech Republic, and energy deals in Singapore, Romania and Abu Dhabi. It also scooped up choice real estate in Shanghai. Along the way, Mr. Ye got close to powerful politicians and business executives in many nations.

Today, its empire is under threat, as the tycoon's whereabouts is unknown. CEFC is unwinding deals and selling assets. CEFC didn't respond to requests for comment.

In November 2017, one of Mr. Ye's top lieutenants, a former Hong Kong official named Patrick Ho, was indicted by the U.S. Justice Department on allegations that he orchestrated bribery payments to two African leaders through a CEFC-funded charity. Mr. Ye wasn't identified in the indictment, and Mr. Ho has indicated in court filings that he will challenge the charges in a coming trial. Mr. Ho's attorney didn't respond to a request for comment.

—James T. Areddy
contributed to this article.



One deal was for a unit in 15 Central Park West, above and below.

DOROTHY HONG FOR THE WALL STREET JOURNAL (2)



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MANSION



Drop in sales price
of the Holland
home in Bellaire

23%

PETER MOLICK FOR THE WALL STREET JOURNAL (\$); MAP BY JASON LEE

The City's Top Neighborhoods

Median prices year-to-date,
compared with 2017 period

BELLAIRE

Sales price:
\$824,750 ▼ 11.8%
List price:
\$867,000 ▼ 8.6%

GREATER HEIGHTS

Sales price:
\$497,250 ▲ 8.2%
List price:
\$499,900 ▲ 6.4%

RIVER OAKS

Sales price:
\$2,244,350 ▲ 22.6%
List price:
\$2,372,500 ▲ 18.9%

WEST UNIVERSITY/SOUTHSIDE (Inner Loop)

Sales price:
\$1,300,000 ▲ 4.8%
List Price:
\$1,324,900 ▲ 6%

Source: Houston Association
of Realtors



THE MARKET

Houston Post-Harvey: A City Is Redrawn

Home prices are up a year after the hurricane hit, but some once-desirable neighborhoods see declines while other areas flourish

BY NANCY KEATES

Katie Gibson knew exactly where she wanted to live when she moved to Houston in June: the Heights, a leafy, walkable neighborhood that had minimal damage from Hurricane Harvey in the summer of 2017.

What the 33-year-old energy-company manager didn't know was that it would take her six months and \$1.4 million to buy a 4,000-square-foot, three-bedroom, 3½-bathroom house in the former middle-class enclave.

Across town, in the affluent, manicured suburb of Bellaire, James Holland, a top executive at one of the largest energy-infrastructure companies in North

America, spent an unexpected four-plus months to sell his stately brick 4,600-square-foot, four-bedroom, four-bathroom house with a generous backyard. And it took a price cut to get it done, dropping from \$1.179 million to \$902,000. Mr. Holland's home didn't flood during Harvey but his neighborhood did, and the area remains spotted with empty houses, teardowns and land lots for sale.

A year after Harvey hit, home sales in Houston are up 37.2% over 2017 and up 7.2% from two years ago (a fairer comparison because the hurricane halted activity for weeks in 2017). Some 8% of the people affected by the storm still haven't been able to return to their homes, and 15% of damaged homes remain uninhabitable, according to a report by the Kaiser Family Foundation and the Episcopal Health Foundation.

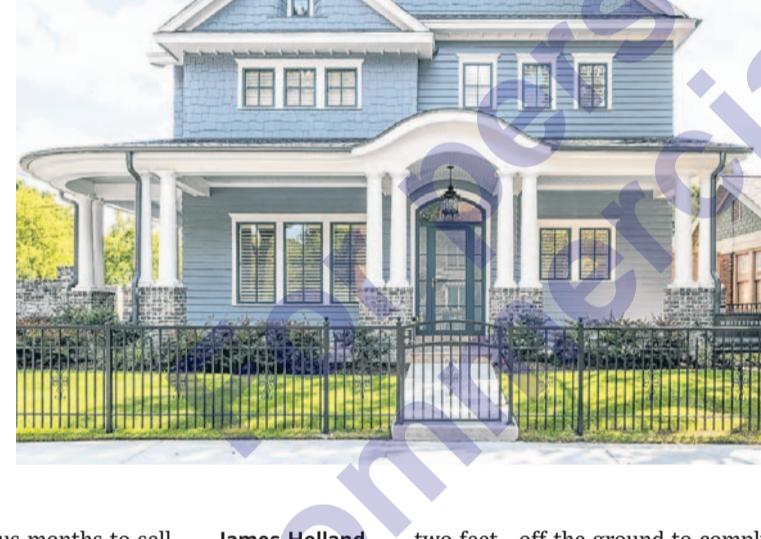
Hurricanes like those that have pummeled the coastal U.S. can dramatically alter the real-estate map of cities. In addition to the arduous task of rebuilding, even well-established cities experience changes in the dynamics of individual neighborhoods. As might be expected, prices in areas that flooded tend to drop, while prices in areas with minimal damage appreciate. But even homes on streets that see little water can still be hard to sell because of greater damage nearby.

The contrasting fates of neighborhoods post-hurricane in Houston is illustrated by the Heights and Bellaire. "There has been a knee-jerk reaction from certain buyers who avoid regions completely," says Paige Martin, a broker with Keller Williams Realty. "We are seeing value in these areas."

In the gentrifying Heights, old Craftsman and Victorian homes are being remodeled, large homes are going up on small lots, and new and rebuilt restaurants, stores and coffee shops are opening. Old car lots make way for new home developments, while family-owned hardware businesses stand strong.

The median sales price of homes in the Heights rose 8.2% to date in 2018 from the year earlier, according to the Houston MLS.

Meanwhile, in traditionally affluent Bellaire, the median sales price of homes fell 11.8% over that same period. Blocks of houses sit empty as if frozen in time, with family photos still on the walls, appliances removed and patio furniture covered. Some are waiting to be torn down; others are in the process of being elevated—about



James Holland, center, and his wife, Angela, sold their Bellaire home, top, after a price cut. Above, the home built by Tom Reiser in the elevated Heights area.

I started to see the charm and character through the noise,

ROBERT CASERTA
a manager at ExxonMobil, on his decision to buy in the Heights

two feet—off the ground to comply with new building codes. Vacant lots with for-sale signs are interspersed with partially finished new construction.

Robert Caserta, a 45-year-old high-level manager at ExxonMobil, searched for a year for a house when he moved to Houston from Chicago last November. At first he was interested in Bellaire, but changed his mind when his friends who lived in the Heights assured him they'd had no flooding in any of the city's major storms. That broke his initial apprehension about the neighborhood's juxtaposition of million-dollar homes with tire shops.

"I started to see the charm and character through the noise," he says. He marked off a 15-block radius, but when he couldn't find a home there, he ended up buying a 3,600-square-foot newly built house for \$1.22 million just outside his targeted area.

Kara Goodloe has been looking for a house in the Heights for about four months. "You have to be really patient and jump on something when it comes up," she says.



Forrest Roth's home in the River Oaks neighborhood of Houston is listed at \$3.749 million. He says he plans to downsize but stay in the area.

The 40-year-old chief operating officer for an energy private-equity firm has lived in the neighborhood twice before, in-between stints in New York and Oklahoma. But this time around, she says, it has been harder to find a home because there are no medium-size houses. They are either small and need to be torn down, are approaching 4,000 square feet with no yard, or are too expensive.

A few months ago, she put in a bid for a four-bedroom house she describes as "worn" and "needing a lot of work" that was \$20,000 over its \$1.29 million asking price, only to be told there were six offers and that it sold for \$125,000 over asking.

Tom Reiser, 65, a broker for oil and gas insurance for upstream energy producers, says he decided to build in the Heights because it has a higher elevation than other parts of the city—and so less of a propensity to flood. "I'm not a risk taker," he says. In addition, he liked that the Heights is a shorter commute to downtown.

He bought a 6,500-square-foot lot for \$600,000 and spent \$1.1 million building his 4,875-square-foot, four-bedroom, 4½-bathroom house, finished in December.

The recovery of other areas of the city is just as complicated. Houston's map looks like a spider web. An inner loop is ringed by Highway 610, and around it is another loop, defined by the Beltway. For people who work downtown, the most desirous high-end neighborhoods are in the Inner Loop.

No Inner Loop neighborhood was immune to Harvey's destruction, but the storm's impact varied greatly, depending in part on how close streets were to a bayou—the waterways that run through the city. These bayous, which affect what areas are considered part of the floodplains, were hurt by two other events: the Tax Day 2016 flood and the Memorial Day 2015 flood, both of which reached what are called 500-year-storm levels.

River Oaks—an old-money area with its own private security force, where large stone and brick mansions line wide streets—was a prime spot for media images of wealthy residents and their pets being rescued by boat in Harvey's aftermath. In reality, only the streets along the area's Buffalo Bayou—known as Billionaire's Row—along with the country club's golf course, flooded. The rest of the neighborhood didn't.

The median sales price of homes in River Oaks has shot up 22.6% year-to-date compared with a year earlier. For some residents,

Lucia Cheng and Phil Pyle with daughter, Rachel, holding Rosie in their West University home.

such as plastic surgeon Forrest Roth, there is no other luxury neighborhood in Houston. "Nothing else comes close," he says. Dr. Roth has put his house on the market for \$3.749 million because he is looking to downsize, but says he plans to stay in the area.

Kathleen and David Hochberg never really considered buying in Bellaire because of the flooding, among other reasons. They chose River Oaks, where they bought a 5,000-square-foot house on a 10,000-square-foot lot for double the amount they'd intended to spend. Even so, the couple felt the effect of the storm when they tried to hire contractors, who are in high demand, to help with renovations such as painting and putting in new floors, cabinets and sinks.

"It took much longer and was way more expensive than it should have been," says Mrs. Hochberg. In the end they spent an additional \$200,000, and Mr. Hochberg did the outlets himself to avoid a \$20,000 electrician fee.

Phil Pyle, president of Enerflex's International Business, and his wife, Lucia Cheng, bought a newly built, 5,100-square-foot, four-bedroom, four-bathroom contemporary house with iron and glass doors, soaring ceilings and reclaimed beams for \$2.65 million in April. They found a section of an Inner Loop neighborhood called West University that didn't have flooding. They had studied Houston's floodplain maps from their high rise in Abu Dhabi in the United Arab Emirates.

"You'd have to be crazy not to do that," says Mr. Pyle. The couple plan to live in the home for 10 years and "want to enjoy peace of mind from flood risk."

Some Houston housing experts say the Harvey effect won't last long, and that neighborhoods like Bellaire that might be down now are where opportunity lies. There is skepticism that climate change will lead to another event of Harvey's magnitude anytime soon.

"People forget," says Chris Kelso, a branch manager with HomeTown Lenders, who has already noticed clients ignoring the section of closing statements that address a property's risk of flooding. "In the end, people will live where they want to live."



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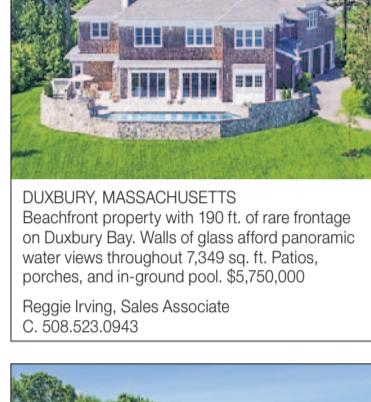
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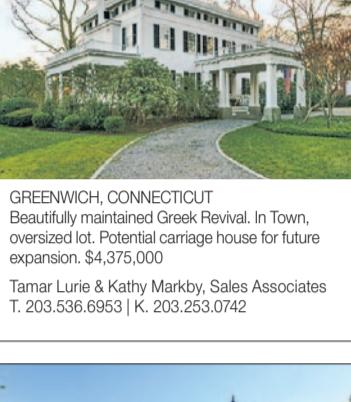
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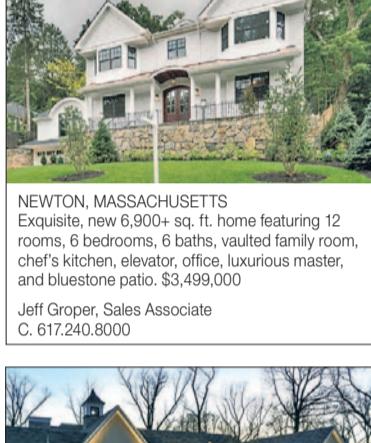
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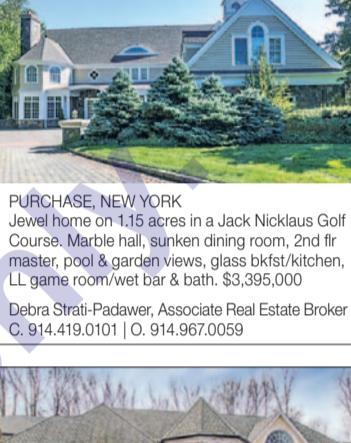
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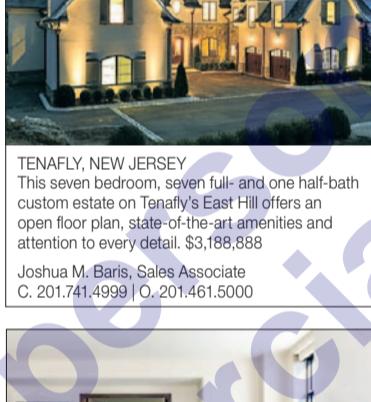
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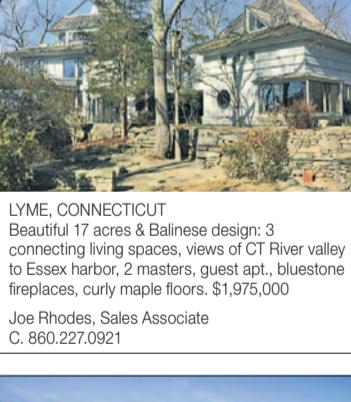
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Special Advertising Feature

FLORIDA LUXURY PROPERTIES



PHOTO: BARRY GROSSMAN

PATIENCE PAYS OFF FOR MIAMI'S LUXURY BUYERS

Synonymous with opulence, Miami has long attracted a segment of the population with an appreciation for the finer things. It's a micro melting pot with full- and part-time residents from a myriad of cultures that mix and mingle as they enjoy world-class beaches, art-drenched streets and upscale shopping and dining options.

The thirst for Miami's own brand of magnificence remains strong, but realtors are noticing a change in the profile of the city's luxury buyer. There's an increasing amount of interest on the domestic front from parties whose primary residence is currently located in high-tax states such as New York, New Jersey, Connecticut and California, as tax changes and limited deductions for homeowners become a reality.

Danny Hertzberg of Coldwell Banker's The Jills, a team specializing in high-end, multimillion-dollar luxury properties, has noticed a significant increase in purchases throughout Miami from domestic buyers, meaning those who already reside in the United States. He notes that previously these types of buyers were active in this market but were typically purchasing second and third homes. However, trends are changing, and now he sees entire families relocating to make South Florida their primary home.

"They're buying significant properties," Hertzberg says. "We've seen a lot of transactions in the high teens to the low \$20 million range recently. Almost every single one has been a domestic buyer. We've had a little bit of movement from European and South and Central American buyers, but almost all of the big deals in our market have been from domestic buyers for tax reasons."

Kevin M. Leonard, vice president of luxury at The Keyes Company/Illustrated Properties, echoes this sentiment. He's especially optimistic about the \$1 million-and-above market, thanks to elevated interest from out-of-state buyers who find Florida's lack of state and local taxes alluring.

In the \$1 million-and-above category in the second quarter of 2018, South Florida experienced strong growth, with the top sale being \$41.3 million. Comparing the second quarter of 2018 with the second quarter of 2017, Leonard points to a 6.5 percent increase in the number of \$1 million-and-above single-family-home sales, as well as a dramatic increase of 45.1 percent for \$1 million-and-above sales in the condo/townhome market associated with new construction that has been completed.

"The benefit of relocating to South Florida from highly taxed states pays off immediately, and long term, the return on investment is exponential," Leonard says.

Hertzberg sees promise in a new crop of buyers he expects to storm the market sooner rather than later: Millennials. National trends show this demographic has largely been a population of renters, but he sees a huge pool of potential buyers who will

Continued on page M7

At one of South Florida's most elite addresses, residents at Oceana Bal Harbour indulge in five-star, resort-style amenities such as a gourmet residents-only restaurant called Ballerina, a WTS-operated world-class spa and fitness center, designer poolside cabanas, a relaxation pool and Olympic-style lap pool, a grand salon with chef's kitchen and bar, two clay championship tennis courts, a kid's activity room, a cinema room, a 24-hour concierge service, valet, underground parking and more.

Art is deeply engrained into the fabric of Oceana Bal Harbour, transforming the building into a one-of-a-kind masterpiece. Residents share co-ownership of the property's museum-worthy art collection, including two iconic Jeff Koons sculptures, *Pluto and Proserpina* and *Seated Ballerina*.

The collection also includes masterworks by internationally acclaimed artists Callum Innes, An Te Liu, Jorge Mendez Blake, Taryn Simon, Juan Usle and Garth Weiser.

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Ballerina (Seated) – Jeff Koons

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The Margaritaville lifestyle celebrated around the world has come to life at One Particular Harbour, a private island community located on the coast of Southwest Florida directly across from renowned Anna Maria Island. The new deep-water marina offers direct access to the Gulf of Mexico and includes wet slips and dry slips, dining, entertainment and more. All owners have access to the waterfront Beach Club, fitness center, resort-style swimming pool, Cabana Bar and other amenities. Luxury residences – priced from the high \$400s – feature

Margaritaville-inspired design and spectacular water views of Anna Maria Sound. Owners also have the option of placing their home with a rental agency for short-term rentals, making their vacation home work for them year round.

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FLORIDA'S YACHT HOT SPOTS

Yachting is more than a hobby in Florida — it's a lifestyle, with deep roots in the region. Some point to the city of Fort Lauderdale as the yachting capital of the world, though it's hard to say whether that honor was bestowed by locals proud of their famous waters or by global boating enthusiasts who appreciate the nautical amenities offered. Informal or not, the epithet appears to fit, if not just for Fort Lauderdale, then for nearly all of coastal South Florida.

Jessica Londono, co-owner of The Advantaged Yacht Charters & Sales based in Miami Beach's Sunset Harbor, operates a fleet of 26 boats equipped with a captain and steward for those interested in getting their feet wet before committing to a vessel of their very own. With a finger on the pulse of local yacht hot spots, she steers clients toward the must-see maritime experiences.

"We pick up in Miami Beach, and then we start going down toward the different islands, such as Star Island, Palm Island, Fisher Island and the Venetian Islands," she says. "People love to see the port and all of the cruise ships on Terminal Island. The Downtown Miami skyline is absolutely gorgeous, so whether it's day or night, it's to die for."

In-the-know yachters and boating enthusiasts have their personal favorites regarding where they like to anchor and why.

Charles Marshall, co-chairman of Blackfin Boats, notes that in terms of prime docking, hav-

ing square footage and a great dock staff are his top priorities. When he wants to catch a sporting event but has no desire to cook in his own galley, he heads to Bokamper's Sports Bar & Grill on 32nd Avenue in Fort Lauderdale. Marshall, who has been boating for 45 years, appreciates that he can pull his vessel up quickly and easily to the vibrant waterfront dining spot for a bite. "Although it is more casual dining, the food is excellent," he says.

Londono says revelers flock to Nixon Beach, nicknamed after former President Richard Nixon,

it is a destination you can't just cruise past, but it is really worth it to go snorkeling," she says. "It's incredibly clear and so pretty."

Dolphin-seekers have the best chances of interacting with the finned mammals when the water is warmest, so June through October are ideal months in Key Biscayne — which Londono says offers abundant opportunities for wildlife watching.

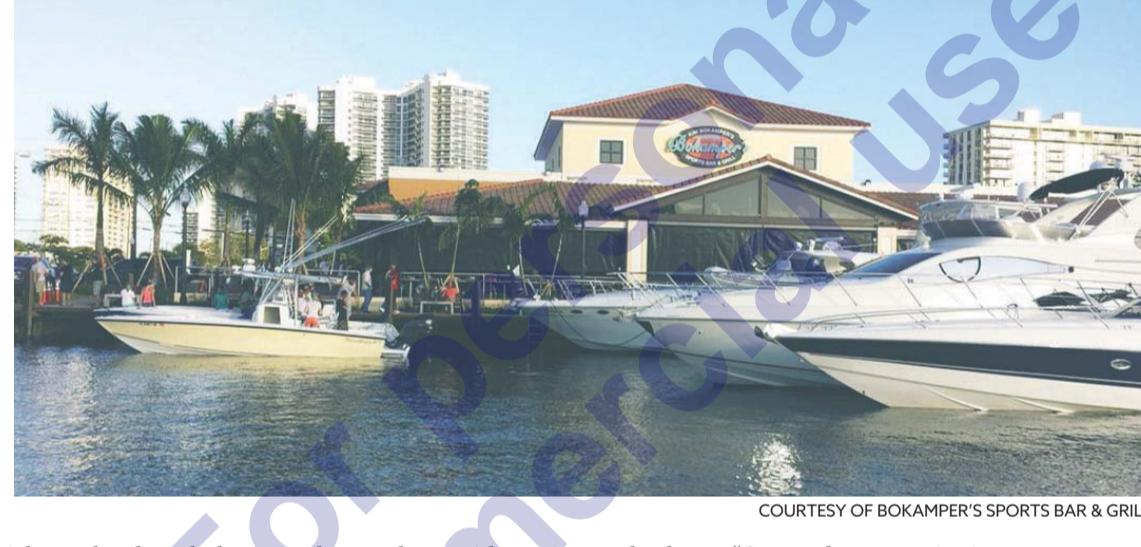
"Dolphins are really jumping in the waters in this area. It's deeper, so that's why you're likely to see them," she says.

For an off-the-boat picnic at a secluded location, Londono advises that few places beat Flagler Memorial on Monument Island, a man-made island boasting sculptures of allegorical figures representing education, industry, prosperity and the pioneering spirit.

Not to be left out, Florida's Gulf Coast also has prime boating experiences, and boating aficionados would be remiss not to explore them. One particular fa-

vorite is Egmont Key, a small isle off Anna Maria Island at the end of the Manatee River.

"We don't recommend it for overnight, as the winds can change unexpectedly, but it is easy enough to go for the day and then head back to the end of the Manatee River," says Bridget Dunlap, who has been boating for the past 13 years. She even married her husband while sailing the British Virgin Islands. "From there, you can anchor up at Emerson Point Preserve. It's absolutely beautiful."



COURTESY OF BOKAMPER'S SPORTS BAR & GRILL

who used to reside on its sandy shore. "On weekends, you'll have hundreds of boats there. It's definitely a hot spot," she says. A popular sandbar and room to play on personal watercraft make it an attractive option.

Fowey Rocks Lighthouse is another of Londono's top recommendations because it features a gorgeous shallow reef underneath, making it a one-of-a-kind stop.

"It is about an hour or so from Miami Beach, so

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Special Advertising Feature**FLORIDA LUXURY PROPERTIES****Una**

Residences

OKO Group and partner Cain International recently announced the launch of Una — a monumental condominium tower designed by Adrian Smith + Gordon Gill Architecture (AS+GG), best known for designing some of the world's most extraordinary supertall skyscrapers.

Located on Miami's Brickell waterfront, often referred to as the "Park Avenue of the South," Una will offer striking style, intimacy, exclusivity and a superior range of first-class amenities such as a private marina for bayside excursions, five pools, state-of-the-art fitness center and a bayfront spa envisioned by the chairman of Aman that celebrates the joie de vivre of Miami.

Una will consist of 135 elegantly crafted residences, all with bay views, ranging from two to five bedrooms and priced from \$1 million to more than \$5 million.

**175 SE 25th Road, Miami, FL 33129
(305) 800-8800 | info@unaresidences.com
UnaResidences.com**

*Continued from M5*

improve the housing market at all different price points.

"If you look at the CEOs of tech companies and some of the new millionaires and billionaires, age is not always a big factor," Hertzberg says. "Nobody is turning their nose up at young buyers anymore, because they have significant purchasing power. Sooner rather than later, that group is going to start shifting and buying. That's something I'm very excited about."

In September 2018, the MIAMI Association of REALTORS and the Multiple Listing Service (MLS) reported total Miami-Dade County home sales in August rose 13.3 percent year over year for single-family homes. Condominium markets also increased 15.9 percent.

With those increases, not only has the profile of the luxury buyer changed, but their wants have changed as well. For those unflappable buyers waiting in the wings for a great deal, now may be the time to pounce.

"What they're looking for now is value," Hertzberg says. "The luxury buyers that are buying now have been patiently waiting for the past few years when prices increased pretty significantly."

In terms of amenities, Hertzberg sees a change in the preferences of his clients shopping for condos. Instead of buildings with many units, buyers are looking for towers with just one unit per floor — or "a home in the sky," as he describes it. Boutique wellness amenities are also trending, with the standard elliptical-and-weights fitness center just not cutting it anymore.

"They want a meditation room, yoga, Pilates, massages, all of it" he says. "I think luxury buildings are catering to those needs. You see more smoothies and acai bowls being offered."

Additionally, buyers are paying much closer attention to how these condominium towers are built, scrutinizing details like the use of natural materials and finishes. Smart technology is no longer considered an added feature, but rather an expected element of a luxury building. If it's not included in the model, buyers are likely to raise an eyebrow and question why it was cast aside.

George Jalil, broker-president at First Service Realty and chairman of the board at MIAMI Association of REALTORS, is noticing a shift in architectural prefer-

ences, particularly in the single-family-home sector, but also in condos.

"A lot of modern architecture is what's in style now here in Miami, and a lot of green buildings," Jalil says. "Since the technology is getting better and we're blessed that we have a lot of sunlight during the year, the solar panels are getting more effective. Aesthetically they're a lot nicer than they were 10 years ago, so we're starting to see buildings and homes being built in that square, monolithic-type style as opposed to all of these Georgian and Spanish-style homes."

With rising sea levels affecting coastal areas on a national scale, realtors are fielding questions from clients in the single-family-home market about the elevation of properties — particularly with new builds. However, assuaging these fears has become easier, according to Jalil, thanks to local government's climate change action plan. He cites Miami Beach as a leader in addressing issues of the rising sea levels, allocating a half-billion dollars to put in pumps, increase street height and update building code.

Despite these concerns, South Florida realtors are feeling invigorated about the direction of the area's real estate market, with individual takes on what's next.

Jalil, for example, continues to be impressed with South Florida's reputation on the international market, despite the recent uptick in domestic buyers. According to the National Association of Realtors, Miami is the No. 1 international destination for buyers of real estate, surpassing metropolitan areas like New York, Chicago and Los Angeles.

For Leonard, a strong economy appears to be boosting the spirits of potential buyers who are attracted to well-priced luxury real estate. In some markets in South Florida, the list-to-sale ratio is greater than a 20 percent discount.

"There is real excitement about the market in terms of where it can go. We are seeing our economy grow at a record pace," Leonard says. "The lion's share of affluent individuals are self-made and own corporations; therefore, when they have the ability to reinvest into their business via the tax changes, their net worth grows and makes them feel good. That is when they buy luxury real estate. They buy because they are happy. They don't buy to make themselves happy."

WINDSOR**10745 WITTINGTON AVENUE**

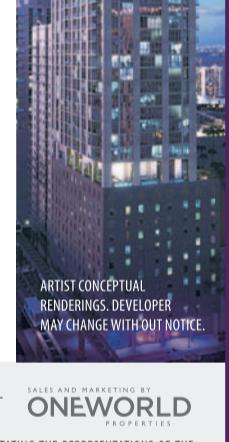
5 BEDROOMS 5 FULL AND 1 HALF BATHS \$2,150,000

This charming Row House, centrally located on a corner lot just south of the Town Hall, is organized around a private walled garden designed with areas for comfortable outdoor living. Beyond the welcoming entry hall, a gallery lined with French doors connects the kitchen, family room and guest suite with the private courtyard.

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OKO GROUP

Cain International

FORTUNE DEVELOPMENT SALES

MANSION



Continued from page M1
in elevation. It has an elevator, a gym, a wine cellar, a one-bedroom guest apartment and a wraparound deck. On the grounds, there are two barns, a caretaker's home, a stocked fishing pond and a 5½-mile hiking and driving trail.

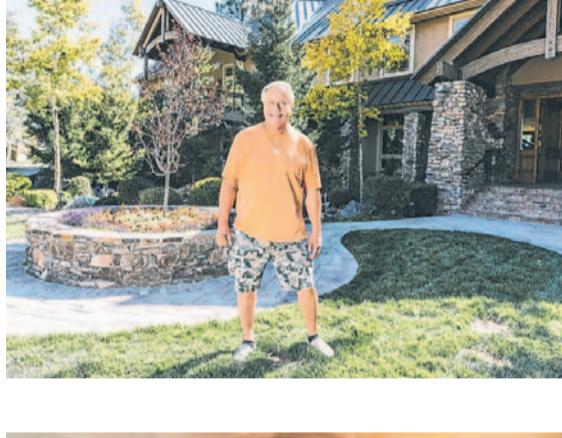
The fully operational ranch comes with 45 buffalo, which are grass- and apple-fed and served at the steakhouse. Mr. Knudsen said he has spotted black bear, deer and mountain lions on the property. He estimated that he spends roughly \$1,000 a month feeding the wildlife, including 150 pounds of



ILLUSTRATION BY WILLIAM DUKE (LOTTO TICKET)

**\$5.5
MILLION**

Spent on the main home
(unfinished at the time)

THE
LOTTO
LOWDOWN

Quick Pick
or select
the numbers:
Quick Pick

Where he
bought the
ticket:
7-Eleven

Why he played:
He was feeling
weirdly lucky

How often
he played the
lottery:
About five
times a year

How he
found out:
Sister called to
say the winner
came from the
local store

The
celebration:
Renting a party
bus and going
bar hopping



**10
VEHICLES**

Excluding tractors
and water truck

Rick Knudsen,
far left, used to
dream about
living in this
home, and it
was one of his
first purchases
when he won a
\$180 million
jackpot. It
includes a
garage fit for a
collector, left.



apples and carrots a month.

The offering is unique in that it includes the house, the saloon, which is managed by Mr. Knudsen's son, and the buffalo ranch, Mr. Strong said. Essentially, Mr. Knudsen is looking for someone to take over his house as well as the small collection of enterprises he purchased following his lottery win.

Originally from Hawaii, Mr. Knudsen grew up in a modest home in Oceanside, Calif. His father was a veteran who served in South Korea and Vietnam, and his mother did clerical work. Mr. Knudsen started working in the roofing business when he was 19, and worked his way through the ranks to become general manager of the company he worked for. He moved to the San Bernardino area around 1982.

Mr. Knudsen said he has always been a lucky guy, and has a thing for numbers, having won \$20,000

**\$11.5
MILLION**

Amount spent on the
property he is selling

While many lottery winners have suffered financial problems in the wake of their wins, Mr. Knudsen said he is in no financial difficulty. "I'm worth more now than I was when I won it," he said. "My old boss hooked me up with his financial adviser, and I've done nothing but make millions." Mr. Knudsen added that he's happier as a result of the win. "I really am," he said. "I do run into some haters, some old clients of mine and stuff, but I'm cool."

He said he never considered leaving the areas of Calimesa and Oak Glen, which are about an hour from Palm Springs and which have been his home for several decades. He doesn't have other homes around the country, preferring to stay in a Marriott when he's traveling.

Mr. Knudsen said he has been antsy since he completed the main

home six months ago, and is ready to move on to another challenge—building another mountain home at a lower elevation nearby. One of his five children also has some health issues that are exacerbated by the altitude. "I'm actually a little bit bored because I'm done here," he said.

Mr. Knudsen said he does have some advice for the winner of the latest Mega Millions jackpot of \$1.537 billion: "Call me."



Mr. Knudsen
said he doesn't
own any other
homes around
the country,
and is selling
because he
wants to build
another
mountain
home at a
lower elevation
nearby. The
elevator, right,
includes the
property's
Eagle Crest
Estate logo.



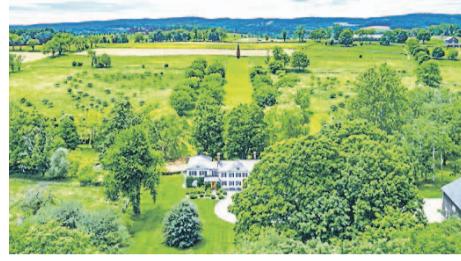
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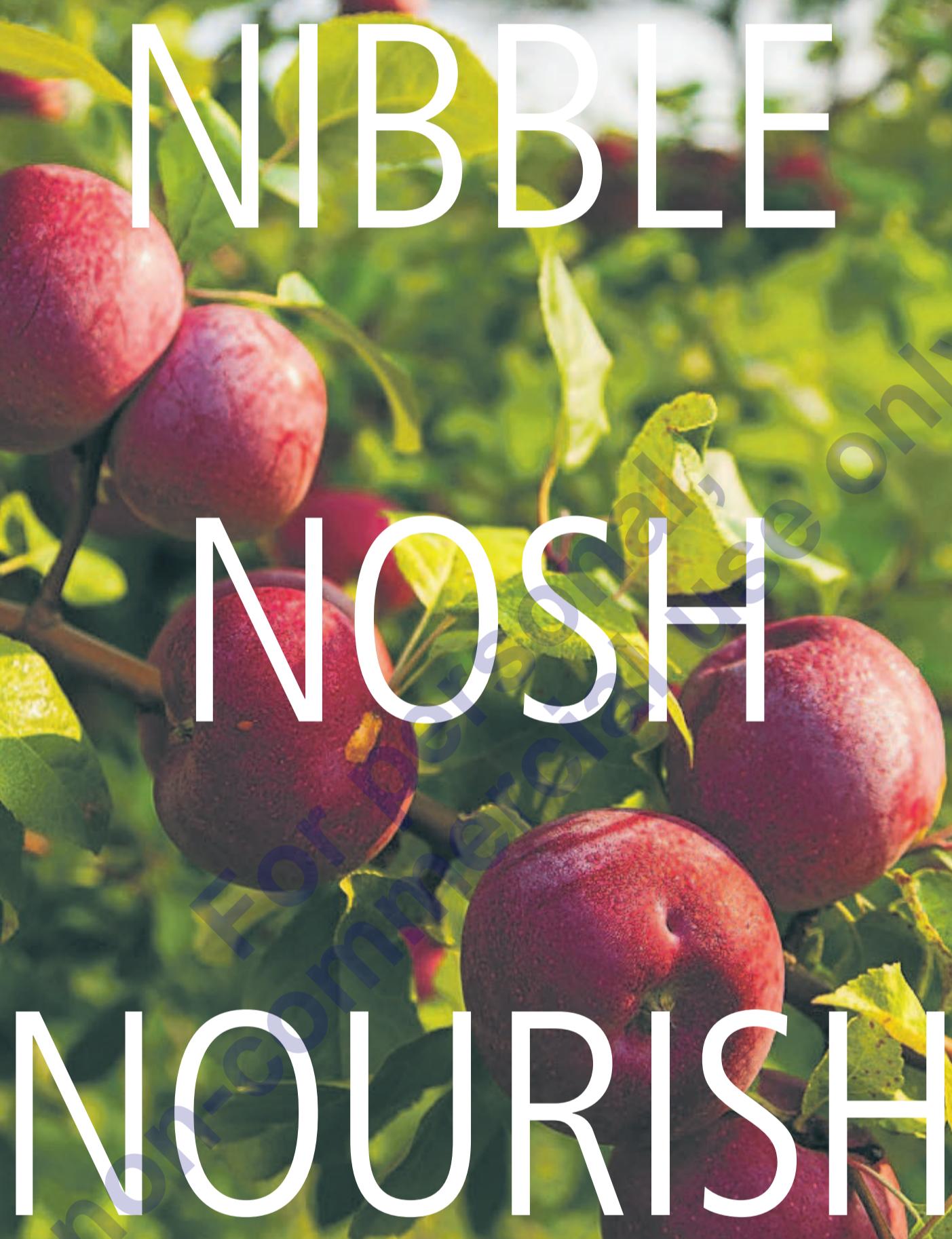
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A close-up photograph of several ripe, red apples hanging from a tree branch. The apples are partially obscured by green leaves. Overlaid on the image are three large, white, sans-serif words: "NIBBLE" at the top, "NOSH" in the middle, and "NOURISH" at the bottom. A faint, diagonal watermark reading "no commercial use only." is visible across the center of the image.

Robert Rodriguez, Jr.

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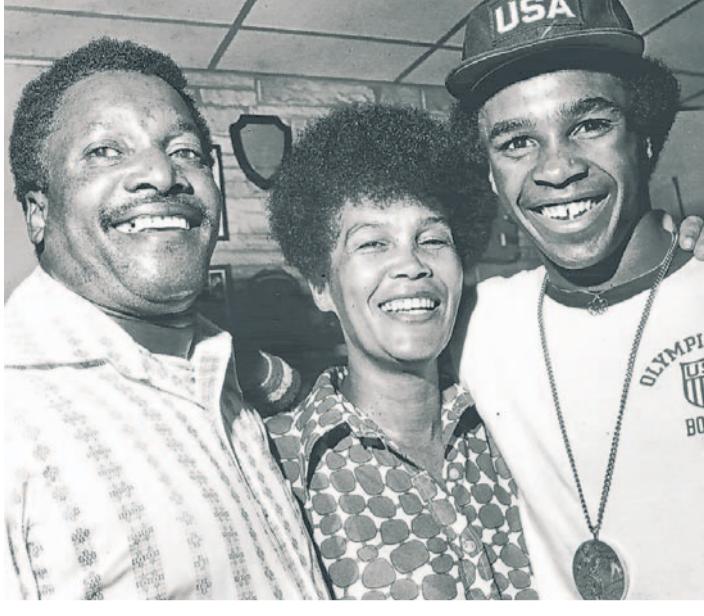
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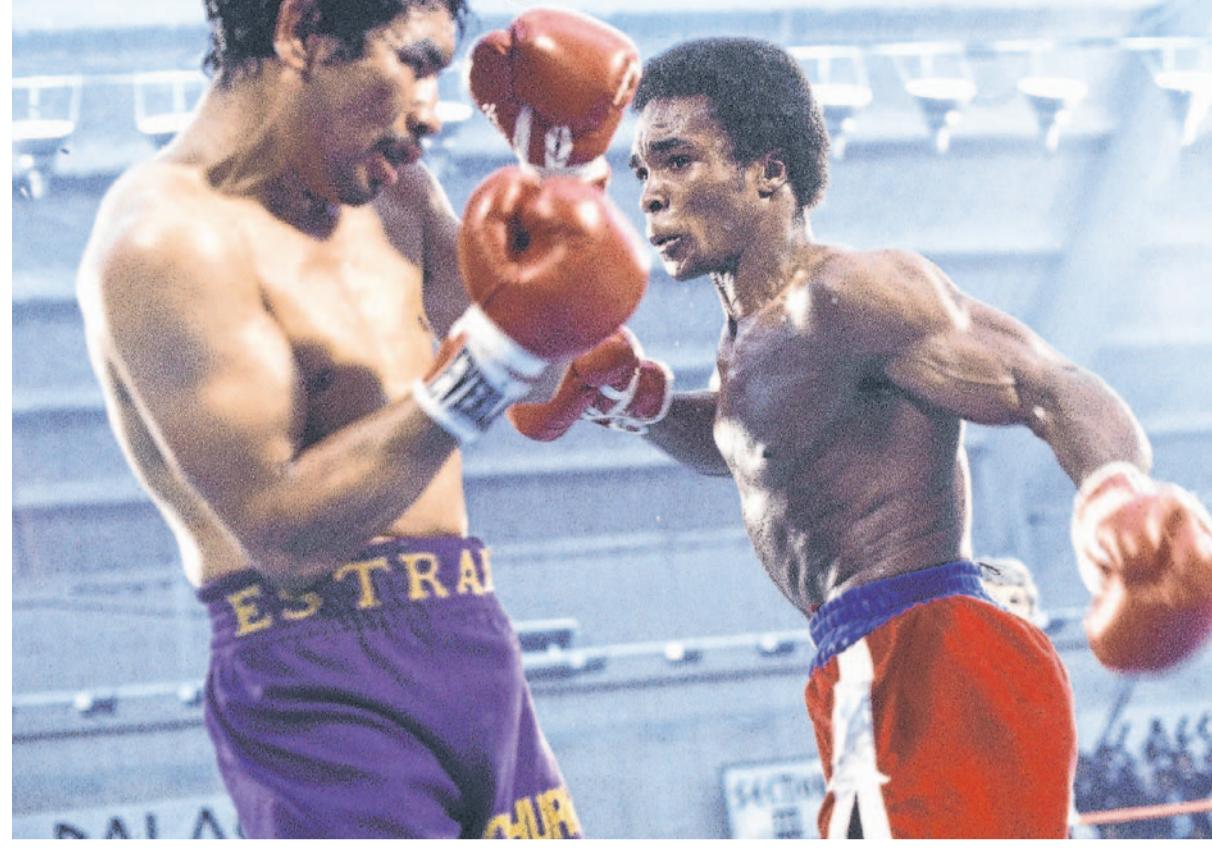
scenichudson.org

MANSION

Sugar Ray Leonard



Sugar Ray Leonard with his parents, Cicero and Getha, in 1976, above; fighting Augustin Estrada in a match he won in Las Vegas in 1977, right; with his Olympic gold medal in Montreal in 1976.



LEONARD FAMILY (2); GETTY IMAGES (LEONARD & ESTRADA); ASSOCIATED PRESS (HEARNS & HAGLER)

Continued from page M1

was the fifth of seven children, and my older brother, Roger, boxed at the local Police Boys Club No. 2.

Roger took me there to teach me how to fight, but I was a mamma's boy then. The first time I got punched in the nose, I quit. I didn't have the passion yet.

Soon after my experience in the creek, we moved about 10 minutes away to Palmer Park, Md. My father worked as the night manager of a local supermarket. The neighborhood was like Beverly Hills to me. We had our own house for the first time.

To say I was a sensitive kid would be an understatement. I was a wallflower. I played with my toy cowboys and Indians, and kept quiet. I didn't have much self-esteem then. I preferred being left alone rather than socializing.

I took after my father. He never talked much. He'd sit back and watch TV, stay to himself and be happy. I did the same thing. I thought my father was a superhero. He was like Popeye. He had huge arms and scarecrow legs. He was kindhearted unless someone messed with his family or his money.

My mother was a homemaker and a licensed practical nurse who worked at the local hospital. Mom loved Ray Charles and named me after him. She thought Ray was God-sent. To be blind but never to be limited was a blessing, she thought, and Ray's music

FIGHTS THAT INSPIRED SUGAR RAY LEONARD

• Sugar Ray Seales defeats Angel Angelov to win Olympic gold medal (1972)

• Muhammad Ali defeats George Foreman (1974)

• Muhammad Ali defeats Joe Frazier (1975)



• Marvin Hagler, right, defeats Tommy Hearns (1985) ▲

• Roberto Duran defeats Iran Barkley (1989)

and voice touched her. She's 89 and still with us.

My determination came from my mother. When I was 15, my mother was driving me and three of my siblings from Maryland to South Carolina. She was tired and fell asleep at the wheel. We went over an embankment and crashed.

All of us were knocked unconscious for a few minutes. When I came to, I saw that the steering wheel was bent and covered in blood. The windshield was broken. Despite her injuries, my mother had crawled through the windshield and hauled open the door to get us all out.

At home, my two older brothers and I shared a room. Roger tried again to take me to a local gym to toughen me up. This time he was stern. He told me, "Never give up and don't cry." By then I idolized Muhammad Ali and worked hard.

I began competing in amateur boxing matches and won a series of national championships. In 1976, I went to the Olympics as a light welterweight and won the gold medal. After the Olympics, I was done with boxing. I just wanted to return home and attend the University of Maryland, where I had



been given a scholarship.

But my father became sick and slipped into a coma. Our family needed income. At the urging of Janks Morton, who became one of my trainers, I turned pro in 1977 to pay the hospital bills.

Fortunately, my father survived and lived to be 95. As I began to earn sizable sums from fights, I bought my parents a house. I told them, "You never have to work another day." There wasn't a dry eye in the room.

Today, my wife, Bernadette, and I live in Los Angeles. My friend, saxophonist Kenny G., introduced us at a Luther Vandross concert in 1989. Our house is a very comfortable Italian-style home. We moved in 25 years ago.

My favorite room is the gym. The space is tranquil with big glass windows that look out onto our tennis court. I love tennis and golf. The gym also chronicles my entire career in photos and trophies.

After my close call as a kid, I taught myself to swim—just for emergencies. I have a pool now, but I don't swim in it. The sound of rushing water at ear level still scares me too much.

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BERNARDSVILLE, NJ Christie House, designed in 1940 by architect, Frank Lloyd Wright. Unique "Usonian" house on 7+ acres w/ 3 BRs, 3.1 BAs, and separate artist studio. \$1,450,000

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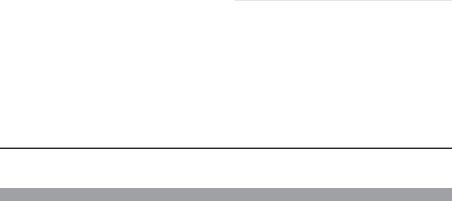
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A Lot, and a Lot More, for \$110 Million

A sprawling parcel of land sitting on one of the choicest spots overlooking San Francisco Bay comes with a \$110 million price tag and a catch: Any buyer also inherits two groups of disgruntled local residents, one of which is demanding the land's walking trails be opened to the public.

Known as Easton Point, the 110-acre parcel is located at the southern tip of the Tiburon Peninsula. The hilly property boasts views of the San Francisco skyline, the Golden Gate Bridge, the Bay Bridge and Richardson Bay, as well as areas of forest and meadows.

Currently undeveloped, the land has been in the same family for decades. Family patriarch John Louis Reed acquired the property, according to his grandson John Read (whose name hails from his father's side). He and his family still walk the property regularly, he said.

They weren't the only ones. Many locals began availing themselves of the trails as well, and cut through the fences. The property wasn't closely policed by the family, Mr. Read said.

In the 1970s, the family began to explore developing the property



JASON WELLS/EASTON POINT

into a community of 43 single-family homes, and encountered stiff opposition. Last year, a group of residents sued Marin County, challenging its approval of an environmental review that would pave the way for construction of these homes. That same year, a different group of residents sued Martha Co., the family-run company that

owns the property, alleging that because the land has been accessible to the public, there is legal precedent to keep it open to the public. Both lawsuits are pending.

Mr. Read, who speaks for Martha Co., said the property is privately owned, and the neighbors were trespassing. A spokeswoman for Marin County wasn't immedi-

ately available for comment.

Richard Wodehouse, president of Tiburon/Belvedere Residents United to Support the Trails, the organization that sued Martha Co., said his group will continue to fight for access to the trails even if the land is sold to a new buyer who wants to build just one home, rather than develop 43.

"There is strong community support for this to remain as open space," added Jerry Riessen, president of Tiburon Open Space, the group bringing the suit over the environmental review. Mr. Riessen's organization raised about \$8 million from local residents to buy a parcel of land next door in the 1990s, and wants to do the same with this parcel, he said. The family hasn't engaged with the group about buying the space, assuming the number would be too low, Mr. Read said.

Mr. Read said he does believe a single buyer who wanted to build one house would likely face less local opposition. As is usually the case, any buyer would have to submit any plans to Marin County for approvals, he noted.

Zach Goldsmith of Hilton & Hyland is co-listing the Easton Point property with Jeff Hyland as well as the Bullock & Sarkissian Team of Golden Gate Sotheby's International Realty.

—Katherine Clarke

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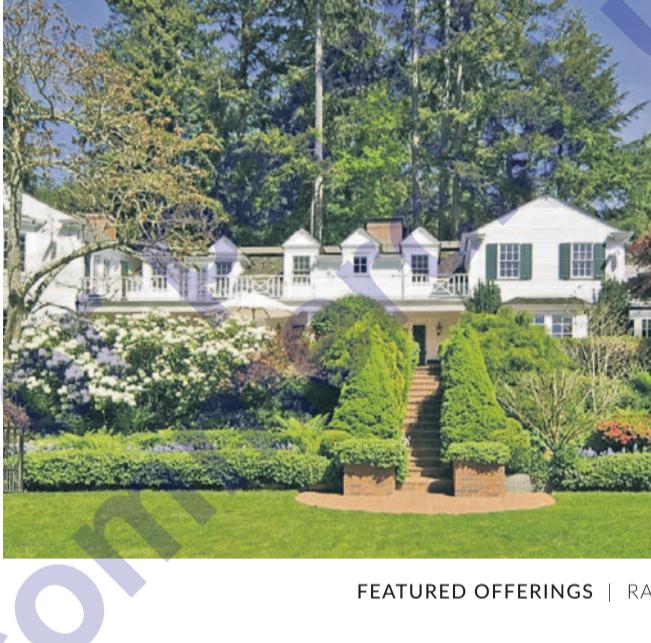
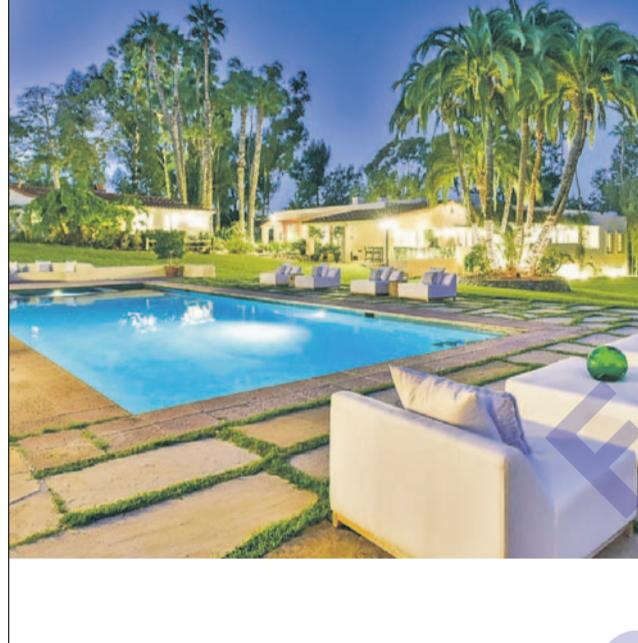
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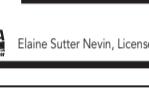
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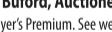
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The NFL 'Mansions' Fans Visit Weekly

If pro-football stadiums were homes, how much would they list for?

FOR SALE: 2 million-square-foot, 126-bathroom home in New Orleans. Great for entertaining. Can easily accommodate 73,000 or so of your closest friends. List price: \$230 million.

With the NFL season in full swing, real-estate website Homes.com calculated what every NFL stadium would cost if it were sold as a single-family home.

To come up with its valuations, Homes.com took the total square footage of each stadium and multiplied that by the average price-per-square-foot in a given stadium's neighborhood using data provider Metrostudy.

Topping the list at \$1.45 billion is the Los Angeles Stadium at Hollywood Park, a 3-million-square-foot facility currently under construction in Los Angeles' Inglewood neighborhood, where prices run \$485 per square foot. Keep in mind, though, the stadium will host both of L.A.'s NFL teams, the Rams and Chargers, which makes it more like a duplex.

As might be expected given the state's housing prices, another California complex, the San Francisco 49ers' Levi's Stadium, took second place, with an estimated \$1.4 billion price tag. The stadium comprises 1.9 million square feet and is situated in Santa Clara, which, at \$764 per square foot, is the priciest of all NFL stadium locations.

After that, things become a bit more affordable, with the third most expensive "house" being the New England Patriots' Gillette Stadium, which is yours for a mere \$587 million.

Since real estate is typically cheaper in the suburbs, the New York Jets and Giants actually play in New Jersey. The price per square foot in East Rutherford, N.J., where



the facility is located, is just \$255, according to Homes.com. That makes the stadium worth about \$535 million. Relocate the teams to Manhattan's midtown west neighborhood and you're looking at a price tag north of \$3 billion.

New Yorkers can find a relative bargain in Buffalo. You can have the Bills' New Era Field for \$142 million.

Of course, there's more to a property's appeal than size. Fans of historic homes might prefer a classic residence like the Green Bay Packers' Lambeau Field (reasonable enough at \$208 million, though the heating bills will kill you). Interested in a nautical theme? Tampa Bay's Raymond James Stadium (\$229 million) comes with its own pirate ship.

One tip for any prospective buyers—you should probably make plans to be away Sunday afternoons from September through January.

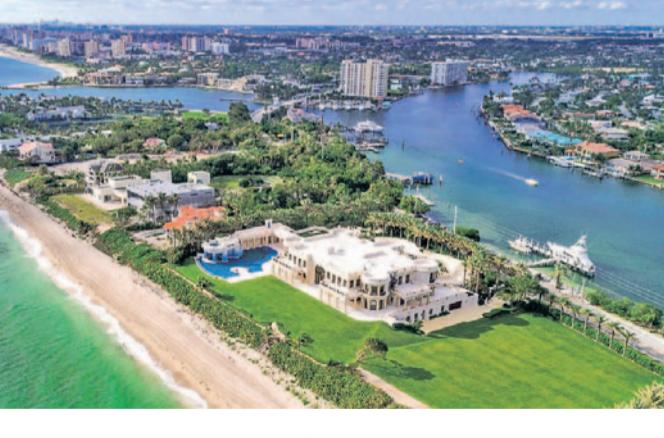
Stadium Living

What NFL stadiums would cost if sold as single-family homes

TEAM	STADIUM/CITY	SQUARE FOOTAGE (M)	LOCAL AVG. PRICE PER SQ FT	STADIUM PRICE (M)
Rams and Chargers	Los Angeles Stadium at Hollywood Park/ Inglewood, Calif.	3.00 M	\$485	\$1,455 M
49ers	Levi's Stadium/ Santa Clara, Calif.	1.85	764	\$1,413
Patriots	Gillette Stadium/ Foxborough, Mass.	1.90	309	\$587.1
Jets and Giants	MetLife Stadium/ East Rutherford, N.J.	2.10	255	\$535.5
Redskins	FedEx Field/ Landover, Md.	1.80	283	\$509.4
Cowboys	AT&T Stadium/ Arlington, Texas	3.10	146	\$452.6
Broncos	Broncos Stadium At Mile High/ Denver	1.72	237	\$406.9
Vikings	U.S. Bank Stadium/ Minneapolis	1.75	165	\$288.8
Seahawks	CenturyLink Field/ Seattle	.900	299	\$269.1
Raiders	Las Vegas Stadium/ Paradise, Nev.	1.75	153	\$267.8
Cardinals	State Farm Stadium/ Glendale, Ariz.	1.70	149	\$253.3
Ravens	M&T Stadium/ Baltimore	1.60	157	\$251.2
Eagles	Lincoln Financial Field/ Philadelphia	1.70	143	\$243.1
Dolphins	Hard Rock Stadium/ Miami Gardens	1.20	197	\$236.4
Falcons	Mercedes-Benz Stadium/ Atlanta	2.00	118	\$236.0
Texans	NRG Stadium/ Houston	1.90	123	\$233.7
Saints	Mercedes-Benz Superdome/ New Orleans	2.00	115	\$230.0
Buccaneers	Raymond James Stadium/ Tampa	1.65	139	\$229.4
Bears	Soldier Field/ Chicago	1.44	155	\$223.4
Panthers	Bank Of America Stadium/ Charlotte, N.C.	1.60	132	\$211.2
Lions	Ford Field/ Detroit	1.80	116	\$208.8
Packers	Lambeau Field/ Green Bay, Wis.	2.10	99	\$207.9
Chiefs	Arrowhead Stadium/ Kansas City, Mo.	1.64	124	\$203.4
Titans	Nissan Stadium/ Nashville	1.30	153	\$198.9
Bengals	Paul Brown Stadium/ Cincinnati	1.85	107	\$198.0
Jaguars	TIAA Bank Field/ Jacksonville, Fla.	1.50	131	\$196.5
Colts	Lucas Oil Stadium/ Indianapolis, Ind.	1.80	108	\$194.4
Steelers	Heinz Field/ Pittsburgh	1.49	110	\$163.9
Browns	FirstEnergy Stadium/ Cleveland	1.64	94	\$154.2
Bills	New Era Field/ Orchard Park, N.Y.	1.20	118	\$141.6

Source: Homes.com

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