

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

**H**arris and L3 Technologies Inc. plan to combine in the largest-ever defense merger, as companies in the industry scramble to take advantage of rising Pentagon budgets. **A1**

◆ **The decline in U.S. stocks** has brought the performance of domestic and foreign markets closer after a period of divergence. **A1**

◆ **Asset prices in Brazil** rose after the first round of presidential elections. **B9**

◆ **Sears** was preparing to file for chapter 11 protection late Sunday, a reckoning that would crystallize years of losses at the retailer. **B1**

◆ **Large pension funds** are snapping up Wall Street protection against a market crash, but it isn't clear the products will help limit losses in the current pullback. **B1**

◆ **A decade after Bank of America** bought Merrill Lynch, the lender has failed to capture the benefits of a deal-making boom that has lifted its Wall Street rivals. **B1**

◆ **SoftBank** is increasingly poised to help WeWork and other multibillion-dollar startups in Silicon Valley stave off IPOs. **B2**

◆ **Shares of Anaplan**, a business-planning-software company rose 43% in their first day of trading Friday to close at \$24.30. **B4**

◆ **Apple's music-streaming service** will display lyrics drawn from online music encyclopedia Genius. **B5**

◆ **Hedge funds that specialize in distressed investing** are buying up New York taxi medallions. **B6**

### World-Wide

◆ **The White House** and Saudi Arabia traded sharp words about the suspected killing of a Saudi journalist in Turkey, as the case threatened to shake the foundation of the administration's Middle East policy. **A1**

◆ **Trump said** his speech questioning the testimony of a woman who accused Justice Kavanaugh of sexual misconduct was why his nominee was confirmed to the court. **A4**

◆ **The president opened** the door to the possible departure of Defense Secretary Mattis. **A4**

◆ **Negotiations over Britain's exit from the EU** suffered a setback, as the two sides failed to resolve differences, chiefly over how to avoid the re-emergence of a physical border in Ireland. **A6**

◆ **Germany's political fragmentation** deepened after allies of Chancellor Merkel took a beating at a crucial election in Bavaria. **A8**

◆ **The U.S. is trying to grasp** why the number of families from Guatemala seeking asylum in the U.S. has surged past those from El Salvador and Honduras. **A3**

◆ **The rare defeat of** Kremlin-backed candidates in recent regional elections and a slump in Putin's approval ratings highlight Russians' increasing social discontent. **A8**

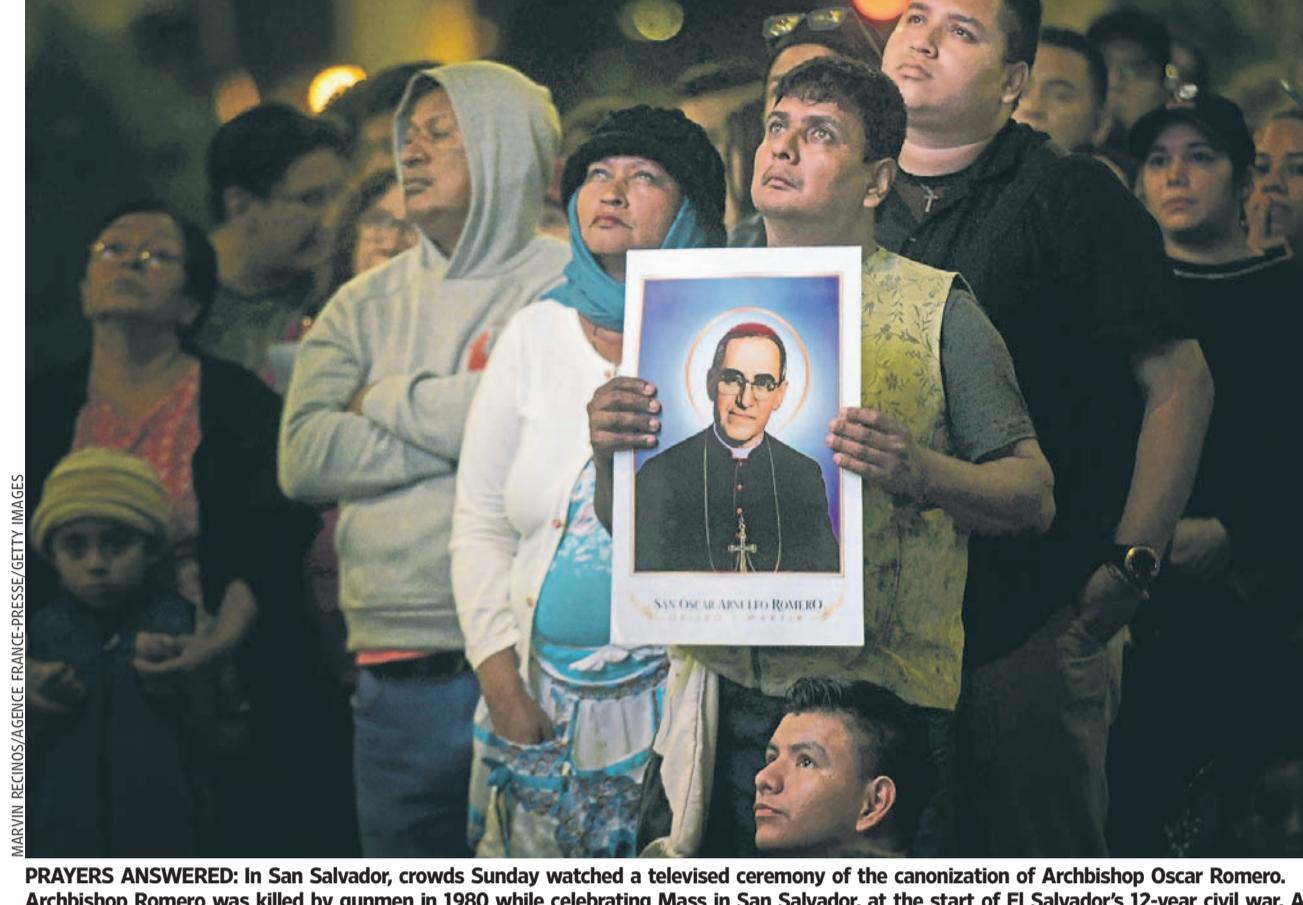
◆ **Pope Francis declared** Oscar Romero a saint, bestowing Catholicism's highest honor on the archbishop killed by gunmen in his native El Salvador in 1980. **A9**

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## Slain Archbishop Is Made a Saint After Years of Resistance



**PRAYERS ANSWERED:** In San Salvador, crowds Sunday watched a televised ceremony of the canonization of Archbishop Oscar Romero. Archbishop Romero was killed by gunmen in 1980 while celebrating Mass in San Salvador, at the start of El Salvador's 12-year civil war. **A9**

## Firms Set Largest Defense Merger

Harris Corp. and L3 Technologies Inc. said on Sunday they will combine in the largest-ever defense industry merger, as the Pentagon expands budgets with an eye to

By Dana Mattioli,  
Dana Cimilluca  
and Doug Cameron

ward increased investment by contractors and quicker weapons development.

The deal, first reported by The Wall Street Journal on Saturday, would unite two

companies with a combined market value of about \$33.5 billion. With a transaction value of more than \$15 billion, the merger would eclipse the 1997 combination of Boeing Co. and McDonnell Douglas Corp.

The new company would have a product range stretching from military radios and top-secret space hardware to air-traffic-control systems. The amount of overlap between their products is limited, which should help the new entity cash in on a bump

in Pentagon spending, spurred by President Trump, that comes after five years of cuts.

The prospect of increased defense budgets and a boom in commercial-jetliner sales have fueled a surge in deal-making in the aerospace and defense industries in the past few years. Aerospace and defense contractors are also seeking to bring more production in house to give them better control of their supply chain and an ability to capture extra profit from repair work.

The merged company would

have annual sales of around \$16 billion this year and 48,000 staff, ranking it sixth among U.S. defense contractors by revenue.

Pentagon leaders in recent years have become irritated at what they view as a lack of investment by defense contractors to keep the U.S. from falling behind adversaries such as China and Russia in technologies like hypersonic weapons and artificial intelligence.

The Harris-L3 deal would marry two of the industry's

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## Trump, Saudis Escalate Threats

Rancor over fate of dissident journalist is testing president's Middle East policy

BY VIVIAN SALAMA  
AND MARGHERITA STANCATI

WASHINGTON—The White House and Saudi Arabia traded sharp words over the suspected killing of a dissident Saudi journalist as the case tests the Trump administration efforts to make the kingdom the linchpin of its Middle East policy.

On Sunday, Riyadh vowed to retaliate against any punitive measures from Washington and delivered a pointed reminder that the world's top oil exporter "plays an impactful and active role in the global economy."

The comments came after President Trump pledged to impose "severe punishment" on Riyadh if an investigation implicates the kingdom in the case of Jamal Khashoggi, who disappeared after he entered the Saudi consulate in Istanbul on Oct. 2.

Mr. Trump has put Saudi Arabia and its crown prince at the center of a Middle East policy aimed at challenging Iran, which is Riyadh's main rival in the region, trying to broker an end to the Palestinian-Israeli crisis and countering extremism. Mr. Trump chose Saudi Arabia as the site of his first overseas presidential trip.

Now relations are under

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◆ **Dimon backs out of Saudi business conference**..... A6

## U.S. Feels Impact of Woes Weighing on Global Stocks

By STEVEN RUSSOLILLO  
AND MIKE BIRD

For months, U.S. stocks powered higher to records while most of the world's markets crumbled, a divergence that analysts and investors said wouldn't last.

It didn't.

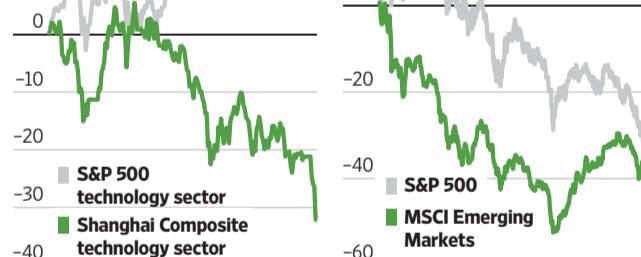
The factors that helped U.S. stocks to solidly outperform other global equity markets this year—a booming tech sector, and seemingly little concern for the pace of the Federal Reserve's interest rate increases—faded sharply last week, when a sudden sell-off left the S&P 500 down 5% for the month.

Those trends have dogged emerging markets around the world throughout 2018. The impact of escalating trade tensions between the U.S. and Chinese governments on the global economy has also hit stocks outside the U.S. hardest. Last week, the International Monetary Fund lowered its global growth forecasts for this year and 2019.

Stocks in China and Hong Kong fell further into negative territory last week, while European indexes slumped. A

### Closing the Gap

U.S. tech stocks have outperformed their Chinese peers, but both fell last week. Goldman Sachs analysts highlight one instance in which U.S. equities fell to meet emerging-market stocks in 2000-02.



widely quoted gauge of emerging markets has fallen deeper into a bear market—considered a drop of at least 20%. Stocks in the index have fallen by 6.5% in October alone.

Such concerns previously failed to sway U.S. markets much: As recently as Oct. 3, the S&P 500 was up 9.4% for the year and near its all-time high, even as most other international indexes were in the

red. Now, the S&P 500 is up just 3.5% for the year.

"We have seen a rapid shakeout of very crowded and over-owned U.S. assets," said Chris Weston, head of research at Pepperstone Group

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◆ **Allies soften tone on Trump trade policy**..... A9

◆ **Tariffs on China take toll on U.S. factories**..... B1

## A Sexual-Assault Claim Spotlights National Dilemma

A woman accuses, a man denies and the legal system struggles in the #MeToo era

By KATE KING

JERSEY CITY, N.J.—Katie Brennan spent more than a year trying to get authorities to take action against the man she accuses of sexually assaulting her. Finally, she emailed New Jersey Gov. Phil Murphy.

Ms. Brennan, chief of staff at the state's housing agency and a former volunteer for the governor's campaign, first called the police in April 2017, one day, she said, after a campaign staffer allegedly forced himself on her. After months of investigation, the county prosecutor's office declined to file charges against her alleged attacker, saying it didn't think a jury would convict him. She turned to state law enforcement and high-ranking members of the Murphy administration. Nothing

changed.

Finally, the 31-year-old Jersey City resident, who said she turned down a \$15,000 settlement offer from her alleged assailant if she signed a nondisclosure agreement, emailed Mr. Murphy directly.

She didn't explicitly mention the alleged assault in her June 2018 email, but asked to speak with the governor or his wife about a "sensitive matter" that had happened during the campaign. The governor responded within the hour and said he was looping in staff to arrange a time.

"Hang in," the governor wrote to Ms. Brennan in the email, which was reviewed by The Wall Street Journal. "We are on it."

A meeting with the governor

Please turn to page A10

### Will You Still Need Me When I'm 94?

\* \* \*

At 93, 'new' prime minister says a quarrel 'exercises your brain.'

By JAMES HOOKWAY

PUTRAJAYA, Malaysia—When Mahathir Mohamad returned for a second spin as Malaysia's prime minister, he wasn't too happy with the view from his office.

There, jutting out over the broad boulevards and ornate mosques, a 564-foot tower was overshadowing the administrative capital he built a quarter-century earlier. "Why did they want to build this high-rise building?" he said in an interview. "It spoils everything."

Mr. Mahathir, now 93, famously micro-managed nearly every aspect of Malaysian life during his first 22 years as leader. He oversaw the construction of the Petronas Twin Towers, still among the world's tallest buildings, in Kuala Lumpur, the nation's official capital. He ordered the country's engineers to build a national car, as he fought to plant a Malaysian flag on the global eco-

nomic map.

Perhaps his greatest project was the construction of Putrajaya, a glittering new city he carved out from the jungle beginning in the late 1980s as a government hub away from Kuala Lumpur's congestion.

Mr. Mahathir is again in charge after stepping out of retirement to oust former leader Najib Razak, who was implicated in

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93 is the new 73

Photo: AP

## U.S. NEWS

THE OUTLOOK | Laura Kusisto

## The Soft but Stable Housing Market



The U.S. housing market is running out of steam, but its slowdown looks

nothing like the historic collapse that took down the whole economy in 2007.

Home-price growth has slowed for the last several months and is expected to continue slowing as mortgage rates rise. The volume of existing-home sales has fallen compared with a year earlier for six straight months. In August, the three-month moving average of new single-family homes built was just over 860,000, down from nearly 900,000 at the beginning of the year.

There are a number of reasons to believe this will persist. Mortgage rates have risen about a percentage point in the past year, pinching demand for homes. Rising prices have squeezed affordability. In addition, the tax law passed in December reduced homeownership incentives, foreign buyers have pulled back, and an ample supply of rental apartments has made buying less urgent for many.

"The rise in [mortgage] rates paired with this very strong price appreciation absolutely is slowing housing," said Fannie Mae Chief Economist Doug Duncan.

The good news is compared with a decade ago the housing market doesn't have far to fall. As frenzied as the market has felt in recent years, with bidding wars and double-digit price increases,

it never came close to the level of the last boom by most measures. That positions it for a much gentler slowdown, economists say.

During the last bust, prices fell 25% and single-family housing starts plummeted to just over 430,000 in 2011 from a peak of more than 1.7 million.

The scars from those unusual swings still haven't fully healed, even with a housing recovery in its sixth year. That is giving the current slowdown its own very unusual shape.

In a typical housing cycle, the forces of rising prices and rising building lead to oversupply, then slowdowns or declines in both. The cycle is driven in part by interest rates—low rates push prices and building higher and then higher rates drive them down.

This cycle is much different in part because building never really took off in this expansion, even though prices recovered in many markets.

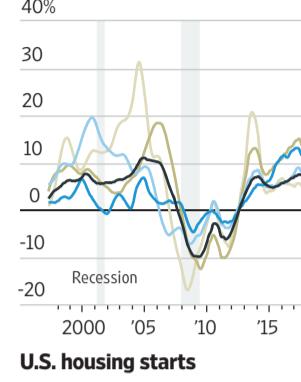
Construction workers, land developers and home builders left the industry after the last crash, stymieing new-home construction, which remains even now around the same level as in some prior recessions. In addition to labor shortages, higher material costs and increased land-use regulations also held back construction.

Instead of oversupply, the U.S. has experienced the worst shortage of homes for sale in at least three de-

## Out of Line

Though home prices recovered after the last downturn, building never did, leading to undersupply.

## Median home value, change from a year earlier

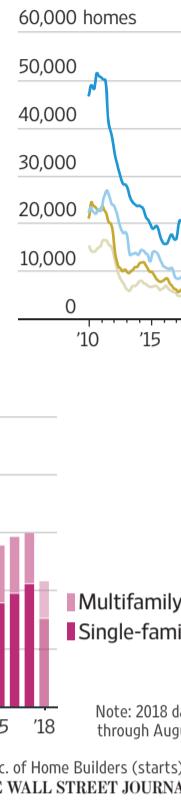


## U.S. housing starts



Sources: Zillow (value, inventory); U.S. Census via National Assoc. of Home Builders (starts)

## Homes on the market



Note: 2018 data through August

growth. If the next recession resembles either the bursting of the dot-com bubble in the early 2000s or the mild early-1990s recession, home prices will likely stagnate for a year or more but not fall.

The high end of the housing market, where the majority of new construction did take place, could be more significantly affected, as rising interest rates push buyers toward lower price points.

Some local markets also

Prices in Dallas grew nearly 10% in August compared with a year earlier, nearly four times the 2.8% increase in August 2005, according to Zillow. Prices in Denver are growing more than 6% compared with just under 3% during the last boom.

Prices in Seattle have grown about 25% over the past two years. In recent months, Seattle price growth has slowed as the number of homes on the market rose. The number of homes for sale in Seattle was up 50% in August compared with a year ago, according to Redfin, a Seattle-based national brokerage.

That could be an example of housing supply catching up with demand. However, in much of the rest of the nation, the two are still out of whack. With interest rates rising and the market undersupplied, getting them realigned won't come smoothly, but it also likely won't lead to a crash.

## ECONOMIC CALENDAR

**Monday:** The Commerce Department publishes September consumer spending data. American consumers reined in their spending in August, taking a breather after very strong sales growth in July. Still, the overall weakness in August was largely because of a drop in auto sales. Economists surveyed by The Wall Street Journal expect robust 0.7% growth.

**Tuesday:** China will release inflation data on Tuesday, and economists see consumer price growth picking up modestly in September. Rising food and commodities prices are stoking inflation, which should leave less room for the central bank to ease monetary policy.

**Wednesday:** The Federal Reserve releases minutes from its Sept. 25-26 meeting in which the central bank raised short-term interest rates by a quarter percentage point. Some Fed officials say as long as unemployment keeps falling farther below the level that they project is consistent with stable prices, the Fed will need to raise rates to prevent the economy from overheating. Others argue if inflation doesn't appear to be accelerating beyond 2%, the Fed could stop raising rates after reaching a "neutral" setting designed to neither spur nor slow growth.

**Friday:** China publishes economic growth figures for the third quarter. Economists' median forecast for China's third-quarter gross domestic product growth is 6.6%, only a tick down from the second quarter's 6.7%, but they warn that increasing trade tensions with the U.S. may create more headwinds for the Chinese economy next year.

## Autumn Snowstorm Hits Colorado



ROCKY MOUNTAIN DRIFT: Scott Henderson plowed his driveway on Sunday in Nederland, Colo., which got over 10 inches of snow.

## Largest Defense Merger Set

Continued from Page One biggest research-and-development spenders, which earmark more than 4% of their annual sales for such work, twice the level of most rivals.

"There's definitely a need for greater investment, which requires scale," Harris Chairman and Chief Executive Bill Brown said in an interview on Sunday. He would retain those roles for a period at the enlarged business, to be called L3 Harris Technologies Inc.

Mr. Brown moved the company into the top tier of contractors in 2015 with its \$4.6 billion purchase of Exelis Inc.

L3 Chief Executive Chris Kubasik had previously pledged to create a sixth major U.S. defense contractor alongside Lockheed Martin Corp., Boeing, Raytheon Co., Northrop Grumman Corp. and General Dynamics Corp., but until now had been expanding through a series of small acquisitions.

Mr. Kubasik said in an interview that the enlarged company would aim to remain nimble amid rapid change in

the industry. "The customer is looking for rapid solutions," he said.

Assuming the all-stock deal is approved by regulators and shareholders, Mr. Kubasik would assume the CEO role after two years, and become executive chairman a year later. Each company would contribute six directors to the new board.

The terms call for L3 shareholders to receive 1.3 Harris shares for each share they own, equal to \$201.33 based on Friday's closing price, a small premium to L3's closing price of \$195.78. That would give Harris shareholders 54% of the combined company.

The companies have been in talks for months, with the discussions accelerating over the summer, executives said.

The companies said the enlarged entity would generate \$3 billion in free cash flow within three years and \$500 million in cost savings, of which \$200 million would be returned to customers in the form of lower prices. They also earmarked as much as \$2 billion for stock buybacks in the year after closing.

Based in Melbourne, Fla.—which would also be home to the combined company—Harris is a provider of communications systems and electronics for military and civilian clients. Its systems are used for pilot training, aviation security and for applications like night vision.

battlefield communications, global-positioning systems, air-traffic control and weather tracking, as well as by first responders.

Harris, founded more than 100 years ago as a printing-press company, has annual revenue exceeding \$6 billion and a market value of \$18.2 billion. Its shares dropped sharply over the past week,

as did those of L3, as a result of market turmoil sparked by concerns over rising interest rates. Both stocks had risen steadily in recent years.

New York-based L3, with a market value of \$15.3 billion and annual sales of about \$10 billion, also provides communications and electronics gear for the military, homeland security and civil aviation.

L3 makes aerospace and communications systems, sensors and other electronics for the U.S. Army, Navy and other clients. Its systems are used in pilot training, aviation security and for applications like night vision.

The latest merger would follow a string of aerospace and defense-industry combinations.

Last week, TransDigm Group Inc. agreed to buy jet component maker Esterline Technologies Corp. for \$4 billion, including debt, at a significant premium to where the company's stock was trading.

In April, General Dynamics, the maker of Abrams tanks and Gulfstream business jets, bought CSRA Inc. for nearly \$7 billion after winning a takeover battle for the federal information-technology provider.

Also this year, Northrop Grumman closed a deal to buy defense contractor Orbital ATK Inc. for nearly \$8 billion.

Last year, United Technologies Corp. agreed to buy Rockwell Collins Inc. for \$23 billion in a deal that would create one of the world's biggest aircraft-equipment makers. The acquisition awaits approval from regulators.

A year earlier, Rockwell agreed to buy B/E Aerospace Inc. for about \$6 billion.

Morgan Stanley is advising Harris, while Sullivan & Cromwell LLP is principal legal counsel. Paul, Weiss, Rifkind, Wharton & Garrison LLP is special counsel to the board. Goldman Sachs Group Inc. is advising L3, while Simpson Thacher & Bartlett LLP is its legal counsel.

## Deal comes as the Pentagon expands its budget, seeks higher research outlays.

cane Michael. In some editions Saturday, a Page One article about the storm incorrectly said it was the mother of Ashlee Shields, Mr. Shields's wife.

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## WHITE HOUSE

**Released Pastor Ponders Next Step**

Andrew Brunson's return to the U.S. after two years of detention in Turkey on terrorism charges fueled questions about his future, but the pastor, sitting in the Oval Office with President Trump shortly after his plane landed Saturday, said he would pray on it.

"We want to spend time with our children especially, and then take some time to pray and see what God wants for the next part of our lives," he told reporters.

"From a Turkish prison to the White House in 24 hours. That's not bad," Mr. Trump said at the White House meeting with Mr. Brunson.

Just hours later, Mr. Trump continued to celebrate Mr. Brunson's release on a stage in Kentucky. "He is on American soil," he told cheering supporters.

Mr. Brunson was arrested in October 2016 and charged with supporting terrorist groups. He denied the accusations.

—Vivian Salama

## PORTLAND

## Police Investigate Protester Brawl

Authorities in Oregon have launched an investigation into

assaults stemming from a street brawl in Portland on Saturday between demonstrators with a right-wing group and left-wing counterprotesters.

The right-wing Patriot Prayer group was holding a "Flash March for Law and Order" when the counterdemonstrators, some of whom identified themselves as members of the militant group Antifa, confronted them and scuffles broke out.

—Associated Press

## TEXAS

## Third Person Found Dead After Floods

Searchers have located the remains of a third person, several days after floodwaters overtook a small city in West Texas.

The remains were found on Saturday evening near Yates Crossing in Junction, Texas, a small city alongside the South Llano River, according to a news release from Texas A&M Forest Service spokeswoman Christi Powers.

The floodwaters had prompted rescues by water and air on Monday.

Crews have been looking specifically for four people who went missing when an RV park was washed away.

Two of their bodies had been found on Thursday.

—Associated Press

## CORRECTIONS &amp; AMPLIFICATIONS

**B. Cody Shields's** mother wondered whether they should start removing documents and valuables from the damaged home of relatives after Hurricane

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## U.S. NEWS

# Crews Search For Missing After Storm

**Dozens of people in the Florida Panhandle are still unaccounted for following hurricane**

BY JON KAMP  
AND SCOTT CALVERT

MEXICO BEACH, Fla.—Search-and-rescue crews continued to fan out through the rubble of this city Sunday, looking for the dozens of people still unaccounted for after one of the worst storms to ever hit the U.S.

This seaside city of about 1,200 people in the Florida Panhandle was ground zero for Hurricane Michael, which struck the coast Wednesday with 155-mile-per-hour winds and a powerful ocean surge. Few structures appeared to survive without damage, and many were destroyed, scoured down by wind and water to slabs.

At midday Sunday, an estimated 79 people were unaccounted for in Mexico Beach, said Capt. Iggy Carroll, public information officer for Florida Task Force Two, a search-and-rescue team from South Florida that has probed debris in Mexico Beach since Thursday. He stressed that the number is

fluid and was changing as various authorities locate people.

Officials with the state emergency operations center said Sunday they didn't have any information to report on the number of people missing across the panhandle.

Many of the missing could be out of phone contact, or staying someplace loved ones didn't know about, authorities cautioned. The storm caused massive infrastructure damage, knocking out power and limiting cellphone service. Desperate family members have flooded social media with pleas as they search for people who, in some cases, were stranded somewhere without cell service.

"I'm very hopeful that everybody is going to be found, and everybody is going to be found alive," Florida Gov. Rick Scott told reporters Sunday afternoon, after visiting Mexico Beach and other affected areas with Federal Emergency Management Agency chief Brock Long.

Mr. Long said Florida took a "tremendous hit," adding, "This is some of the worst damage I've seen in my career when it comes to Mexico Beach and some of the inland areas."

The hurricane was respon-



Members of a South Florida search-and-rescue team sift through debris in Mexico Beach, Fla., ground zero for the hurricane.

sible for at least 18 deaths in Florida, Georgia, North Carolina and Virginia, and the toll is likely to climb, federal officials said Sunday. So far Mexico Beach has one confirmed fatality, said Police Chief Anthony Kelly.

More than 1,460 searchers and support staff were on the ground in the panhandle, concentrated in the five most-affected counties, FEMA said.

"We're pretty much combing every inch," said Mike Yuen, a spokesman for FEMA's incident support team.

About 190,000 electric customers lacked power Sunday

afternoon in 11 panhandle counties, including nearly all in Gulf and Calhoun counties, according to the state. Utility poles were bent, snapped and dangling limply from wires throughout Mexico Beach and nearby areas hammered by the storm. The Edison Electric Institute, a utility trade group, warned that parts of the panhandle will need a total power grid rebuild.

Verizon Communications Inc. said the hurricane caused such extensive damage to the fiber that underpins its wireless network that it has stymied the carrier's efforts to

restore service to parts of the panhandle.

Fiber is a crucial part of modern wireless networks, but it can be damaged by heavy winds and flying tree limbs and other debris.

"Our overwhelming problem is fiber," said Verizon spokeswoman Karen Schulz. Even as the carrier repairs some fiber, recovery and cleanup efforts can cause trees and debris to create new cuts, she said.

State officials said they airdropped food and water into the hardest-hit counties. The distribution includes about 3 million ready-to-eat meals, 2

million gallons of water and 2 million pounds of ice.

President Trump said Sunday he would travel to the region, tweeting: "I will be visiting both Florida and Georgia early next week. We are working very hard on every area and every state that was hit—we are with you!"

Police Chief Kelly urged residents to call to tell him they are OK (469-439-2285). He has a binder with the names of nearly 300 residents who planned to ride out the storm, though he said some later planned to leave before the storm hit.

## Surge in Some Migrants Confounds Officials

BY ALICIA A. CALDWELL

QUETZALTENANGO, Guatemala—These rugged rural highlands bordering the Pacific Ocean have become a prime source for the skyrocketing number of immigrant families crossing the U.S. border illegally and asking for asylum.

Migrant families from Guatemala, most of whom are seeking asylum in the U.S., have surged past those from neighboring El Salvador and Honduras. More than 42,000 Guatemalans traveling as families were arrested at the U.S. border from October of 2017 through August, up 71% from the same period a year earlier, according to federal government data.

The reasons why aren't clear. Guatemala hasn't recently seen an upswing in violence, poverty hasn't worsened and the national political situation hasn't changed.

U.S. Customs and Border Protection Commissioner Kevin McAleenan went to the area seeking to understand why so many Guatemalans are heading north. Before his trip, he suspected hunger to be the leading cause. Several countries in the region "are really struggling to feed their people," Mr. McAleenan said in an interview.

Understanding why migrants leave their home countries could help government authorities develop programs to deter them and ease the continuing family migration crisis at the southern U.S. border.

As of August, more than 90,000 immigrants traveling as families had been arrested at the border in the prior 11 months, a 27% increase. That figure likely reached about 105,000 by September, the end of the federal fiscal year, according to a person familiar with the government's border-arrest data. The prior high for a full fiscal year was 77,000.

The record number of asylum-seeking families has overwhelmed border agents and



A Border Patrol agent took a woman into custody after she crossed into Texas illegally earlier this month.



U.S. Customs and Border Protection Commissioner Kevin McAleenan, center, visited Guatemala to learn why so many are heading north.

immigration authorities. Border Patrol facilities are crowded with newly arrived families, bed space at family detention centers in Texas is at a premium and immigration court backlog are growing.

Authorities suggested there is little more they can do from the U.S. side of the border to deter people from coming into the country illegally. Attempts to increase deterrence—including the Trump administration's controversial family separation policy that was abandoned in June—haven't been effective in slowing the influx of families.

Unrelenting violence in the region was widely accepted as having sparked the first wave of roughly 70,000 immigrant families, and nearly as many unaccompanied children, in 2014.

But as the flows have fluctuated in recent years, the causes have become more elusive.

Mr. McAleenan's September visit included stops at U.S. government-funded or supported projects to help improve local

economies with job-training programs. Government estimates of the Guatemalan economy suggest that about 150,000 to 170,000 people enter the workforce annually, while roughly 35,000 to 40,000 jobs are created.

"There was a consistent focus on the need to create jobs. These gaps are massive," Mr. McAleenan said.

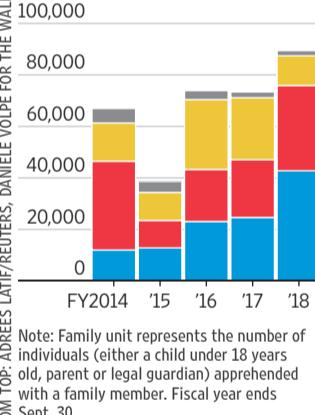
Local indigenous leaders and nongovernmental aid agencies in Guatemala paint a complicated picture of the situation in Quetzaltenango, home to many of the new migrants.

The Guatemalan government isn't able to do enough to "offer the right conditions to stay," according to Dora Alonso Quijivik, a co-founder of the Guatemalan Parliament for Youth and Adolescence. Those conditions, she said, included providing indigenous communities access to education and protections from gangs and drug traffickers that use the country as a transit point.

Lorena Lopez Mejia, who works with the nongovernmental organization Organismo Naleb in Guatemala's indigenous communities, said malnutrition is

### Stopped at the Border

Family units apprehended by U.S. authorities



Note: Family unit represents the number of individuals (either a child under 18 years old, parent or legal guardian) apprehended with a family member. Fiscal year ends Sept. 30. Source: Customs and Border Protection

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widespread and land or crops is inaccessible.

"If we can't have access to land, we can't talk about food access, let alone (food) security," Ms. Lopez said.

Although official data show no increase in violence in Guatemala in recent years, it is still a reason some newly arrived immigrants cite for leaving.

"Many of our Guatemalan clients are indigenous Mayans who have faced continuous systemic discrimination and oppression that they are now fleeing," said Patricia Ortiz, a program director at the Esperanza Immigrant Rights Project at the Catholic Archdiocese of Los Angeles.

As he finished his trip, Mr. McAleenan said he hadn't received the "clarion bell" he had anticipated. Food insecurity turned out to be one element in a complex set of reasons why so many Guatemalans have been coming to the U.S. illegally, he said. He was also frustrated that so many would-be migrants know the risks of the trip to the U.S. but chose to come anyway.

"This is not an acceptable situation," Mr. McAleenan said.

## Abolition Of Slavery On Ballot In Colorado

BY ERICA SNOW

Colorado voters will decide in November on an issue that most people think was settled with the Civil War: the abolition of slavery.

The 13th Amendment of the U.S. Constitution abolished most forms of slavery when it was ratified in 1865. But it allowed for slavery or involuntary servitude as a "punishment for crime, whereof the party shall have been duly convicted."

Colorado voters will consider a proposed change to the 1876 state constitution that would shorten Section 26 of Article II to read, "There shall never be in this state either slavery or involuntary servitude." The Nov. 6 ballot proposal, known as Amendment A, requires a simple majority to pass.

Twenty-two other states have similar provisions in their constitutions allowing slavery or involuntary servitude for those who committed crimes, while most others make no mention of slavery. Rhode Island is the only state that prohibits slavery in all instances.

Colorado could be the first state to abolish slavery by amending its state constitution, said Nathan Woodliff-Stanley, executive director of the ACLU of Colorado.

Jumoke Emery, the director of campaigns for ProgressNow Colorado and creator of the Abolish Slavery Colorado campaign, said most people are shocked when he tells them the 13th Amendment didn't outlaw slavery in every circumstance. He said the language in both the state and U.S. constitutions are a "remnant of a more painful time in our country's past."

Mr. Woodliff-Stanley said broad bipartisan support, phone-banking and door-knocking all point to a win in November. He noted that not many states' voters have prohibited slavery under any conditions.

For decades after the Civil War, some states used prisoners to work for private companies without pay in what some have called a continuation of slavery, Mr. Woodliff-Stanley said. Because states have capitalized on the loophole before,

he said it was essential Colorado voters pass the constitutional amendment.

## Trump Backs Separating Families at the Border

BY VIVIAN SALAMA

WASHINGTON—President Trump advocated on Saturday for the controversial policy of separating families that cross into the U.S. illegally, saying that fear of being separated from children deters some immigrants.

Speaking to reporters at the White House, Mr. Trump warned that adults are using children to cross into the U.S.

from Mexico.

"If they feel there will be separation, they don't come," he said. "You've got some really bad people out there."

Attempts to increase deterrence—including the Trump administration's controversial family separation policy that was abandoned in June—haven't been effective in slowing the influx of families.

A record number of asylum-seeking families has

overwhelmed border agents and immigration authorities.

Border Patrol facilities are crowded with newly arrived families, bed space at family detention centers in Texas is at a premium and immigration court backlog are growing.

Migrant children separated from their parents under the Trump administration's "zero tolerance" policy frequently spent days in government fa-

cilities designed for short-term use as the Department of Homeland Security struggled to track and reunify families, according to a report released this month by the Department of Homeland Security's Office of Inspector General.

Because children can't be held in criminal custody, more than 2,000 children were separated from their parents at the border in May and June, prompting widespread criti-

cism from members of both parties before Mr. Trump ultimately rolled back the policy at the end of June.

"Chain migration is bad," Mr. Trump told reporters.

"If you take a look at the lottery system, that's bad," he said.

Mr. Trump reiterated his preference for a merit-based immigration system, saying that "a vast majority of the country agrees."

## U.S. NEWS

# Trump Defends His Kavanaugh Speech

By VIVIAN SALAMA

President Trump defended a speech in which he mocked the testimony of a woman who accused now-Supreme Court Justice Brett Kavanaugh of sexual misconduct, saying the speech is why Mr. Kavanaugh was confirmed.

Mr. Trump, speaking in an interview that aired on "60 Minutes" Sunday night, called it "the famous Mississippi speech," adding, "Had I not made that speech, we would not have won."

"The way now-Justice Kavanaugh was treated has become a big factor in the midterms," he added.

Mr. Trump drew laughs and cheers from supporters in Mississippi on Oct. 2 when he

## President Opens Door to Mattis Exit

President Trump said Defense Secretary Jim Mattis could be considering whether to step down from his post and that he sees the Pentagon chief as "sort of a Democrat," a veiled critique of one of his most popular cabinet secretaries.

questioned gaps in Christine Blasey Ford's memory during her Senate Judiciary Committee testimony.

"I had one beer!" Mr. Trump said, imitating Dr. Ford's statement that she

"I have a very good relationship with him. I had lunch with him two days ago," Mr. Trump told "60 Minutes" in an interview aired Sunday. "It could be that he is" leaving, Mr. Trump said, responding to a question about whether he wants Mr. Mattis to leave.

"But Gen. Mattis is a good guy," the president said. "We get along very well. He may leave. I mean, at some point, everybody leaves. Everybody peo-

ple leave. That's Washington."

Mr. Mattis, a retired Marine Corps general, hasn't publicly identified with either major political party.

In response to the president's comment, Army Col. Rob Manning, a Pentagon spokesman, said in a statement: "Secretary Mattis is laser-focused on doing his job—ensuring the U.S. military remains the most lethal force on the planet."

—Nancy A. Youssef

wasn't intoxicated when the alleged 1982 incident occurred.

Mr. Trump emphasized the details Dr. Ford said she couldn't recall, including how she got to and from the house where the incident in question

allegedly took place.

Justice Kavanaugh, who was confirmed Oct. 6 in a 50-48 vote with one senator voting present, has denied the allegations.

"What I said [was] the per-

son we're talking about didn't know the year, the time, the place," Mr. Trump said. "I was just saying she didn't seem to know anything. And you're trying to destroy a life of a man who has been extraordinary."

"I didn't really make fun of her," the president said, adding that he thinks he treated her with respect.

"I'm not going to get into it because we won," he concluded. "It doesn't matter. We won."

Mr. Trump rejected any suggestion that his rhetoric threatened to divide the country. He said Republicans are turning out in droves to vote in the midterm elections.

Reflecting on his nearly two years in office, Mr. Trump asserted that economic growth and his tax overhaul were fac-

tors that have helped him maintain support.

Asked if there was anything he might have done differently, Mr. Trump said he would have liked to have tackled the North American Free Trade Agreement earlier.

"I could have been earlier with terminating the Nafta deal," he said. On Sept. 30, his administration announced that it reached a new trade deal with Mexico and Canada, known as the U.S.-Mexico-Canada Agreement.

Some have described the new deal as offering only cosmetic changes to Nafta.

"The problem was, I was getting to know the leaders, I was getting to know countries," Mr. Trump said. "I didn't want to do it right out of the box."

# Younger Women Are Running, Not Waiting

By JANET HOOK

House Democratic Leader Nancy Pelosi, like many female politicians of her generation, began her career after her children were grown. Democrat Liuba Grechen Shirley, a New York mother of two, didn't want to wait that long to run for the House.

"I was told that with two kids, a husband who worked full time and no child care, that it was impossible," said Ms. Grechen Shirley, 37 years old, in a campaign ad. "Well, it wasn't impossible. It's just really hard."

Ms. Grechen Shirley is part of an influx of young, mostly Democratic women in their 20s and 30s running for office this year. One-fifth of the female Democratic House candidates are under 40. One-third of them are women of color. Hundreds more are running for state legislature.

The diverse crop of young candidates marks a departure from an older generation of women with ambition who tended to postpone political careers until their families were established.

Mrs. Pelosi, who was 47 when first elected to the House, was 66 when she became the first female Speaker of the House. By comparison, Rep. Paul Ryan (R., Wis.) was first elected to the House at 28 and became Speaker at 45—younger than Mrs. Pelosi was when she first came to Washington.

If these younger women win in the fall, they could represent the sort of broader, generational change that many Demo-

cratic activists have been demanding as a way to bring different life experiences to Congress.

Sarah Chamberlain, president of the Republican Main Street Partnership, a centrist group, said there is "no denying that Democratic women are engaged and motivated," but that GOP women are invested as well.

Lena Epstein, a 37-year-old Republican running for a Detroit-area House seat, is appealing to women while pitching her background in business.

"People don't always respect a woman in business," Ms. Epstein said in a campaign video, walking past a row of men who ignore her or roll their eyes. "I have an M.B.A. I've created hundreds of jobs, but I still face the same obstacles. I've been underestimated, talked down to and dismissed."

Kelly Dittmar, a scholar at the Center for American Women and Politics at Rutgers University, said her research suggests that having more women in Congress could "bring a more collaborative approach to policy-making" and more attention to issues of particular concern to women and families.

"The norm is shifting," said Erin Zwiener, a 33-year-old Democrat who had a baby in the middle of her campaign for the Texas legislature. "We are not willing to wait."

More than one-quarter of House GOP women are retiring, so there is a risk that Republicans could end up with fewer women in the House after the midterms.

Jesse Hunt, spokesman for the National Republican Congressional Committee, dismissed such concerns. "Some of our most impressive candidates this cycle are women, and we're confident that many of them will be serving in Congress in a few short months,"



New York Democrat Liuba Grechen Shirley, above, and Republican Lena Epstein of Michigan, below, are running for Congress this year.

Maine's state legislature for the first time set aside a room for nursing mothers. One pregnant candidate for state office made a campaign ad that showed her getting a sonogram.

As recently as 2013, only one woman in the class of House freshmen had children under 18, while 32 of the men did, says the Center for American Women and Politics.

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he said.

Of the 133 nonincumbent Democratic women running for the House this year, at least 27 of them are under 40. Thirty-five nonincumbent Republican

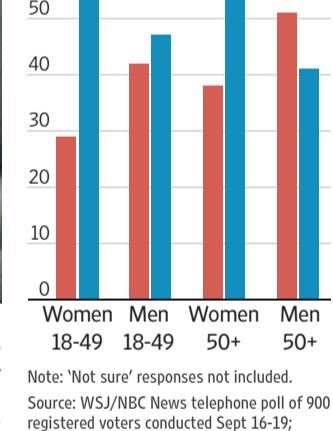
women are running for the House; eight of them are under 40.

—Jim Oberman and Elisa Cho contributed to this article.

## Gender Divide

Recent polling shows young women in particular want Democrats rather than Republicans to control Congress.

### Preferred outcome in November's congressional elections



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# U.S. Hit By Global Stock Woes

*Continued from Page One*  
Ltd. in Melbourne. "Statistically, it feels as though convergence is due," he said, between equities in the U.S. and the rest of the world.

Much of the gap in global equity markets this year has developed in the tech sector.

In the U.S., the biggest internet and consumer stocks like Netflix Inc., Amazon.com Inc. and Apple Inc. are still up 77%, 53% and 31% for the year, respectively, even after recent selloffs.

But last week, technology shares led the selloff in the U.S. In fact, tech and consumer stocks like Amazon and Netflix, accounted for around half of the entire fall in U.S. stocks since Sept. 20, according to analysts at BNP Paribas Asset Management.

In contrast, stocks of the largest Chinese tech companies have been big losers. At one point through Thursday, Tencent Holdings Ltd. had wiped out more than \$250 billion in market value from its January record. That decline alone was bigger than all but 15 of the companies in the S&P 500.

Other Chinese tech giants such as Baidu Inc. and Alibaba Group Holding Ltd., both of

## Odd One Out

U.S. markets have outperformed their international peers this year.

### Price changes of MSCI indexes in 2018



which are listed in the U.S., are down 13% and 15%, respectively, for the year. U.S.-listed Chinese e-commerce giant JD.com Inc. has lost 41% of its market value this year.

The ratcheting up of the U.S.-China trade dispute in recent weeks has brought renewed scrutiny of the global technology-supply chain. The potential vulnerabilities and security risks that it entails has been one of the main reasons hurting U.S. tech stocks of late.

"It is one thing to be worried about China slowing or toying with the supply chain for negotiating purposes," said Michael O'Rourke, chief market strategist at U.S. brokerage firm JonesTrading. "It is a whole new level of escalation for [China] to infiltrate it."



Last week, technology shares led the selloff in the U.S.

"The market has woken up to these risks," Mr. O'Rourke added, referring to how investors have rotated out of U.S. tech stocks recently and gravitated toward companies deemed likely to do better in tougher economic times, like utilities providers.

Historically, most periods of divergence between U.S. and global markets have lasted for about half a year, and have involved emerging markets playing catch up, according to Goldman Sachs analysts. One notable period in which U.S. markets fell and became more in line with the performance of emerging markets was in 2001, after the bursting of the dot-com and tech bubble in the late 1990s, Goldman said.

Mohamed El-Erian, chief economic adviser at Allianz SE

and former chief executive at Pacific Investment Management Co., said the recent U.S. selloff could signal a shift in the market's main drivers.

"The example that I'd use is changing the engines of a plane midflight," he said. "Even if the new engine is a better engine, it's bumpy. We're transitioning from a market led by central banks to one where fundamentals dominate."

He dismissed the notion that U.S. markets are poised to converge with the rest of the world. Most major stock markets have fallen short of the S&P 500 since it bottomed in March 2009 amid the financial crisis.

"U.S. markets outperform both on the way up and the way down," Mr. El-Erian added.

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## WORLD NEWS

## Brexit Talks Stall Before Summit

By LAURENCE NORMAN

**BRUSSELS**—Negotiations over Britain's departure from the European Union suffered a setback Sunday as the two sides failed to resolve differences, chiefly over how to avoid the re-emergence of a physical border in Ireland.

Both sides had hoped that a deal on a withdrawal agreement would be broadly settled when EU leaders meet at a summit starting Wednesday. The failure to bridge the gaps during an unscheduled visit to Brussels by U.K. Brexit Secretary Dominic Raab slims the odds of a deal this week.

The setback is likely to reawaken concerns of a no-deal Brexit, and raises the question of whether the two sides have the political space to solve the thorniest problems, of which the Irish border is paramount.

The border has been a flashpoint in Ireland's barely submerged sectarian conflict and negotiators are seeking to avoid renewed checks between Northern Ireland, which will leave the EU with the rest of the U.K., and the Irish Republic, which is staying in the EU.

The U.K. government said that negotiators had made progress but that "there remain a number of unresolved issues" related to the Irish border question, which it still hoped to resolve before the summit.

A meeting of Prime Minister Theresa May's cabinet is expected to discuss the issue on Tuesday and talks could still be revived in coming days.

There is still time for a broader deal to be struck before late November or December, but the time available to ratify an agreement in the British and European parliaments before Britain's scheduled departure date on March 29 is narrowing sharply.

After holding talks with Mr. Raab, the EU's chief negotiator Michel Barnier said gaps remained. "Despite intense efforts, some key issues are still open, including the backstop for IE/NI Ireland to avoid a hard border," Mr. Barnier said on Twitter, shortly after he briefed member states' EU ambassadors. A senior EU official said no further negotiations are planned before the summit.

Some senior lawmakers object that Mrs. May's plans will leave the U.K. too closely tied to the EU. Former Brexit Secretary David Davis on Sunday urged ministers to rebel and force her to change plans.

## Saudi Economic Vision Falters

Dimon joins host of executives pulling out of Riyadh's premier business conference

Saudi Arabia's dream of becoming an investment hub in the desert is unraveling.

By Rory Jones in Dubai and Benoit Faucon in London

**JPMorgan Chase & Co.** Chief Executive James Dimon on Sunday became the latest prominent executive to back out of the kingdom's premier business conference amid questions about the disappearance of journalist Jamal Khashoggi. Mr. Dimon had been a featured speaker, and his bank has long-standing ties to Saudi Arabia and is advising it on deals.

Mr. Dimon joins a host of Western executives and advisers who pulled out of Riyadh's conference following allegations that the Saudi government ordered Mr. Khashoggi's killing. Ford Motor Co. Chairman Bill Ford and Uber Technologies Inc. Chief Executive Dara Khosrowshahi, whose company is partly owned by Saudi Arabia, won't attend the conference.

A spokesman for the conference on Friday called the cancellations disappointing but said the Saudis were still looking forward to holding the conference.

Saudi Arabian stocks tumbled

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234,930	965	99.75	320	99.75	-2.75	99.75	لعم
248,147	500	56.50	770	56.50	-2.75	56.50	جنوبية
216,077	3,475	56.50	300	56.50	-2.75	56.50	م
174,014	5,868	55.50	280	55.50	-2.75	55.50	شرقية
237,863	2,130	29.00	280	29.00	-2.75	29.00	بـ العـنـيم
322,839	75,689	32.50	3,000	32.50	-2.75	32.50	بـ العـنـيم
230,954	370	28.90	500	28.90	-2.75	28.90	بـ العـنـيم
141,565	8,804	25.60	8,000	25.60	-2.75	25.60	بـ العـنـيم
4,997,406	8,882	17.70	8,000	17.70	-2.75	17.70	بـ العـنـيم
3,153,559	8,050	8.10	12,100	8.10	-2.75	8.10	بـ العـنـيم
640,320	5,650	12.50	13,700	12.50	-2.75	12.50	بـ العـنـيم

Saudi Arabian stocks tumbled Sunday as investors worried about worsening ties with the U.S. over the fate of a dissident journalist who disappeared after entering the Saudi consulate in Istanbul.

tumbled Sunday as investors' confidence was shaken in the 33-year-old Crown Prince Mohammed bin Salman's ability to deliver on pledges to attract foreign investment amid signs Mr. Khashoggi's case could spook businesses and risked serious damage to Saudi relations with the U.S. and other countries.

President Trump promised "severe punishment" if the allegations about Mr. Khashoggi prove true.

The Saudi government says it had nothing to do with Mr. Khashoggi's disappearance and is working with the Turkish government to investigate what happened to him.

The Riyadh-based Saudi Stock Exchange's benchmark Tadawul All Share Index closed 3.5% lower, after falling nearly 7% at one point in the session.

Last week, as the case's repercussions came into focus, foreign investors were net sellers of \$160 million worth of shares on the Tadawul, according to the exchanges data. That compared with net buying of roughly the same amount in the previous week, the data showed.

Before Mr. Khashoggi's disappearance, Prince Mohammed's most ambitious plan, the initial public offering of the state oil company, had stalled.

Saudi talks with companies including Alphabet Inc.'s Google, Warner Bros. and Richard Branson's space firms haven't resulted in deals.

More broadly, Saudi finance ministry officials say the government has created a level playing field for businesses, supplanting an environment where deals depended on political and royal connections. The kingdom is expecting tens of billions of dollars in foreign cash flow from passive investors now that its stock market has gained approval from multiple indexes.

To be sure, some Western executives are waiting before disrupting their ties with



A Turkish police officer secured the entrance to Saudi Arabia's consulate in Istanbul on Sunday.

PETROS GIANNAKOURIS/ASSOCIATED PRESS

yadh's premier business conference set for later this month, a bank spokesman said Sunday.

Saudi Arabia has been implicated by Turkish officials in Mr. Khashoggi's disappearance of Mr. Khashoggi, and has denied he is in custody. Turkey says it has audio and video recordings purporting to show that Mr. Khashoggi was killed inside the consulate.

While the U.S. has been cautious not to make any public statements about the fate of Mr. Khashoggi while an investigation is under way, Mr. Trump said on Saturday that it is "not looking too good." In an interview with "60 Minutes," portions of which were broadcast Saturday, Mr. Trump said he would be "very upset and angry" if the allegations against Saudi Arabia concerning Mr. Khashoggi prove true, and vowed there would be consequences.

But he also said he opposed sanctions against the U.S. ally because it may hurt jobs in the U.S. tied to a \$100 billion arms deal with the kingdom.

Capitol Hill has been pressuring the Trump administration to rethink its close partnership with the Saudi leadership in light of Mr. Khashoggi's suspected death.

Bipartisan lawmakers have raised the possibility of halting arms sales and of imposing economic sanctions on the kingdom. They triggered an investigation by the Treasury Department's Office of Foreign Assets Control to determine potential human rights violations under the Global Magnitsky Human Rights Account.

The law gives the U.S. president 120 days to determine whether a foreign national is behind an extrajudicial killing, torture or other human-rights violation of someone exercising freedom of expression. If a foreign national is found guilty, it would lead to sanctions.

"This is the most damaging blow for Saudi Arabia and the United States since 9/11," said a former State Department official with experience in the region. "At a minimum, MBS is damaged goods," the official said, using shorthand to refer to Saudi Arabia's Crown Prince Mohammed bin Salman.

While U.S. officials praised the move as a positive step, privately, they are treating it with some skepticism.

One U.S. official told The Wall Street Journal that Turkish intelligence sharing, while appreciated, isn't always reliable. Regional observers also warn that Turkey, which has been locked in a battle for regional supremacy with the Saudis, could use the investigation of Mr. Khashoggi's disappearance to extract financial or political concessions.

A full restoration of close relations with Turkey isn't a given, because other irritants remain, including differences over the war in Syria and Turkey's purchase of Russian arms, and because U.S. interests in Saudi Arabia remain strong.

Its economy in decline, and calls for a bailout growing, Turkey's place as a regional powerhouse has increasingly come into question in recent years. A Muslim nation at Europe's doorstep, Turkey had long billed itself as a bridge between East and West, bringing modernity and democracy to a Middle East that was leaning more toward reli-

Saudi Arabia.

Credit Suisse Group AG CEO Tidjane Thiam was planning as of Sunday to attend the Riyadh investment conference that begins Oct. 23, according to people familiar with the matter. Goldman Sachs plans to send two top executives, Dina Powell and Sheila Patel, other people familiar with the matter said.

A Western banking executive said bankers feared losing business in Saudi Arabia if they don't attend the conference.

In April 2016, Prince Mohammed announced a plan to revamp his kingdom's society and economy dubbed Vision 2030.

However, Saudi Arabia has had trouble sealing the types of business deals that the prince wants.

Mr. Branson, the British entrepreneur, last week said he would give up two directorships related to Saudi tourism projects over Mr. Khashoggi's disappearance and would suspend talks with Saudi Arabia's sovereign wealth fund about its proposed \$1 billion investment in his Virgin Orbit and Virgin Galactic space ventures.

Saudi government talks with Google and Amazon Inc. to build data centers also haven't progressed to an agreement. The projects would have helped bolster the development of the technology sector in Saudi Arabia, one of the goals Prince Mohammed has championed. Amazon and Google didn't respond to requests for comment.

gious conservatism.

But that image has increasingly dissipated during Mr. Erdogan's clampdown on power. Foreign investors have been alienated and the value of the Turkish lira has crumbled.

Saudi Arabian stocks tumbled on Sunday as investors worried about the impact of the growing international pressure, and particularly tensions with the U.S., analysts say. The Saudi Stock Exchange's benchmark index closed 3.5% lower, after falling nearly 7% at one point.

Investors and business executives say the allegation of Saudi involvement in Mr. Khashoggi's disappearance, if proven true, is likely to sour interest in the kingdom and derail an ambitious plan by the crown prince to diversify the economy away from oil.

Already, dozens of Western executives have pulled out of Riyadh's premier business conference later this month, including Uber Chief Executive Dara Khosrowshahi, whose company is partly owned by the kingdom's sovereign wealth fund. Media partners such as CNN, Bloomberg and the New York Times also withdrew support for the conference, the Future Investment Initiative, dubbed "Davos in the Desert."

The Trump administration will decide in the coming week whether Treasury Secretary Steven Mnuchin sticks with plans to attend the conference.

—Warren Strobel  
in Washington and  
Rory Jones, Nicolas Parasie and Summer Said in Dubai contributed to this article.

**LISTEN LEARN LAUGH**

Continued from Page One

scrutiny, and ties between Washington and Turkey, a regional competitor to the Saudis, could be improving.

Mr. Trump declared on Saturday that the U.S. is now on track to have "a terrific relationship with Turkey" after it agreed to free an American pastor, Andrew Brunson. While hosting the North Carolina pastor at the White House on Saturday, Mr. Trump repeatedly thanked Turkey's President Recep Tayyip Erdogan.

The case of Mr. Khashoggi is forcing the Trump administration to recalibrate on a number of issues, from military aid to sanctions to business ties.

The private sector is also adjusting. JPMorgan Chase & Co. Chief Executive James Dimon will no longer attend Ri-

John Hafner

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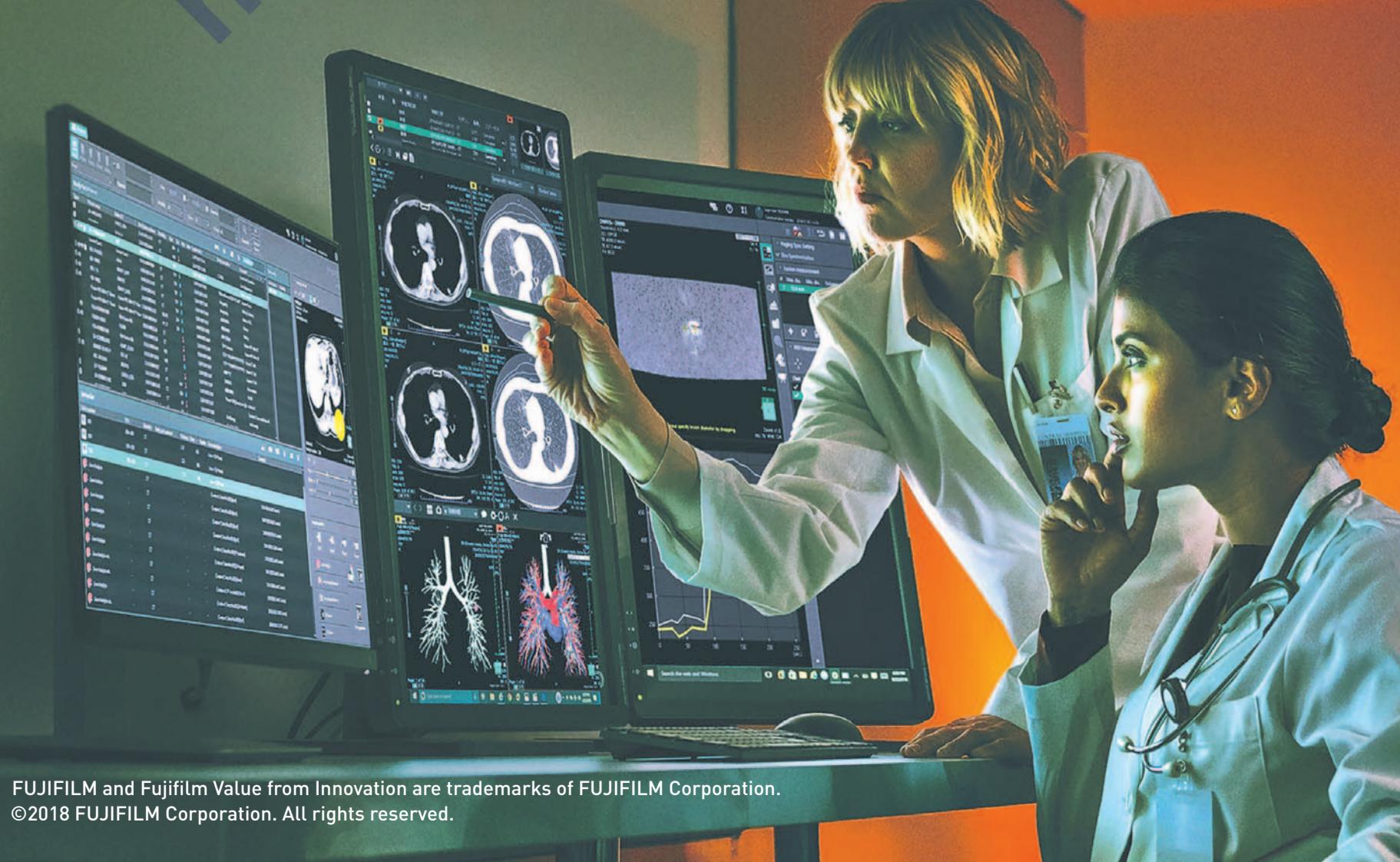
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## WORLD NEWS

# Merkel Allies Stung in Bavaria Vote

Poor showing in state poll mirrors nationwide erosion of traditional parties' dominance

By BOJAN PANCEVSKI

MUNICH—Germany's political fragmentation deepened after allies of Angela Merkel took a beating in a crucial regional election in Bavaria, raising questions about how long the chancellor can keep control of her brittle coalition government.

Preliminary results showed the ruling Christian Social Union, sister party to Ms. Merkel's Christian Democrats in the populous and affluent southern state, had lost its absolute majority, scoring only 37.4% of the vote—its worst result since 1950.

Mirroring developments on the national stage where small parties have eaten into the dominance of traditional ones, the left-leaning Greens got their best result ever in the state—17.9%—and the far-right Alternative for Germany, or AfD, was credited with 10.6%.

If confirmed, the result marks a twin blow to Ms. Merkel's rule. In addition to the disappointing showing for the CSU, her center-left government partner in Berlin, which has been hemorrhaging voters for months, dropped into single-digit territory in Bavaria for the first time in its post-World War II history. The Social Democratic Party has been under pressure to pull out of the coalition as some members say it is eroding popular support.

The poor performance is likely to fuel an undercurrent

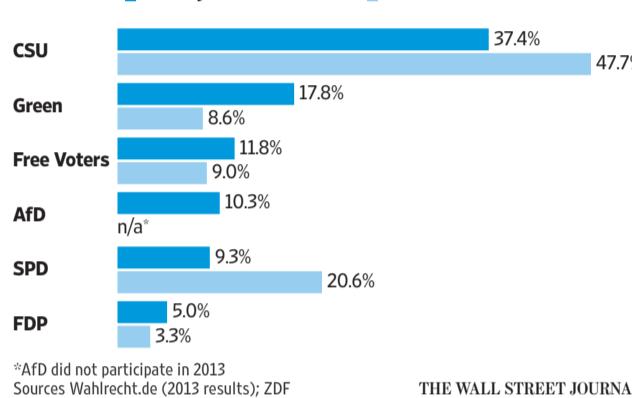


Markus Söder, Bavaria's premier, blamed discord among conservatives for his party's poor results.

SEAN GALLUP/GETTY IMAGES

## Political Fragmentation

The CSU, Bavarian sister party to Angela Merkel's CDU, lost ground in Sunday's state elections to the smaller left-leaning Green and anti-immigrant AfD parties. Preliminary results:



of dissatisfaction with Ms. Merkel that has been swelling in her conservative camp since she opened Germany's borders to hundreds of thousands of refugees in 2015.

The decision sparked an uproar in the CSU, which fights national elections with the CDU as one party, and split Ms. Merkel's own party. It also drove many conservative vot-

ers toward the AfD, according to multiple surveys and election results.

Senior conservative politicians had predicted this week that an electoral rout for the CSU and a bad performance for the CDU at a separate election in the state of Hesse in two weeks could exhaust her support within the party.

"Voters are abandoning us chiefly because of Merkel. I hope she will step down—she is a woman of the past, not a woman of the future," said Armin Gastl, CSU leader in the central Munich constituency. "This is the twilight of the chancellor."

While there is no clear contender to succeed Ms. Merkel as party chief, she may face a rebellion from delegates at the party's convention in December when she seeks re-election as CDU chairwoman.

This month's regional elections "will certainly have an

impact on national politics and on the reputation of the chancellor," Wolfgang Schäuble, the CDU speaker of the lower house and a former Merkel finance minister, said this week. "They could bring big changes."

The election showed that the CSU's strategy of confronting the chancellor over her immigration policy had failed to stop the ascent of the AfD, even though the party scored below its national average in opinion polls.

The party's harsher anti-immigration rhetoric and internal quarrels also pushed many voters to the more moderate Greens. This could embolden allies of Ms. Merkel in the CDU who have pointed to the strength of the Greens as evidence that the party's future still lies in her centrist brand of conservatism.

In front of a polling station at a Catholic institution that hosts refugees, a 56-year-old former CSU voter who only wanted to be named as Robert said he had voted for the Greens.

"CSU went fishing for votes on the far-right fringe and they alienated normal people," he said before the results were announced. "I do hope they will lose the majority to teach them a lesson."

The Social Democrats' brutal loss is likely to strain Ms. Merkel's coalition. Many supporters would prefer their party spend time in opposition and move its platform radically to the left. The party reached an all-time low of 15% in national polls last week.

"Continuing as before is not an option!" Ralf Stegener, the party's vice chairman, tweeted.

# Russians Voice Discontent At Polls

By ANN M. SIMMONS

MOSCOW—The rare defeat of Kremlin-backed candidates in recent regional elections and a slump in President Vladimir Putin's poll ratings signal rising social discontent among Russians.

Opposition contenders for governor trounced candidates supported by Mr. Putin last month in a region east of Moscow and another in Russia's Far East, while the Kremlin's favored candidate dropped out before the runoff in a third region, in Siberia. In another region, on Russia's Pacific coast, a second runoff vote is planned after the results of the first runoff were declared invalid due to electoral fraud.

Ruling-party candidates won 18 other regional races, a sign of the continued strength of the Kremlin and its allies.

The defeats last month pose a challenge to the Kremlin's

*The recent defeats pose a challenge to the Kremlin's image of invincibility.*

image of political invincibility, said Dmitry Oreshkin, a Moscow-based political analyst. "The problem isn't the defeats, it's the perception of these defeats," he said.

The share of Russians who express trust in Mr. Putin has fallen from 59% in November 2017 to 39% last month, according to surveys by the Levada-Center, a Moscow-based independent polling organization. The share of Russians expressing distrust in Mr. Putin rose to 13% from 7% over the same period.

The Kremlin has played down the unexpected defeat of some of its candidates for governor. Presidential spokesman Dmitry Peskov praised the electoral process as "open, fair and competitive."

And in June, Mr. Peskov told reporters that the president wasn't "poring over his ratings," and that the main thing for him was "to continue working and carrying out his duties as head of state."

Mr. Putin easily won re-election to a new six-year term in March, and rising living standards and Russia's prominent role on the world stage during his almost 19 years in power have helped boost his popularity and contain discontent over limited political freedom.

But the quality of life for many citizens has declined recently and purchasing power has fallen, as the Russian economy faced pressure from Western sanctions.

"Russians are taking any opportunity to express their dissatisfaction," Garry Kasparov, chairman of the New York-based Human Rights Foundation, said.



The prime minister's complex in Putrajaya, Malaysia

offered local favorites such as beef rendang and coconut rice topped with chicken curry.

With Mr. Mahathir back at the helm, Putrajaya might finally become the city he planned.

He recently made it the focal point of Malaysia's annual independence-day celebrations, which are usually held in Kuala Lumpur. Instead of the usual speeches, he insisted on military parades and a fly-past of air force helicopters down the main avenue, which swoops from the onion-domed Prime Minister's Office past the Putra Mosque to the futuristic Putrajaya International Convention Center.

More shops are opening, and a new metro line is being built that will connect the city with the business district in downtown Kuala Lumpur.

The Mahathir name seems to be helping: Officials say rising numbers of tourists are visiting after May's historic election.

"Business is good," said Rijina Amerandran, who runs a stall selling durian-flavored ice cream to tour groups.

"We had to see this," said one of them, Hou Junhong from Shanghai, who came to Putrajaya with his wife and daughter. "It's where the world's oldest prime minister works, don't you know?"

—Yantoulra Ngui contributed to this article.

## Malaysia's New Guy Is 93

Continued from Page One  
multibillion-dollar corruption scandal and has pleaded not guilty to charges brought against him.

He has lost little of his appetite for the minutiae of government since May's election win, or for picking fights.

"I had a big quarrel with the previous prime minister, so all the time my brain was actively thinking about ways and means to change the government," he told a conference on aging last week. "It's good for old people to read, to write, and also to quarrel. It exercises your brain."

Among other quarrels, he has accused China of taking advantage of Malaysia by entering what he says are lopsided infrastructure deals that will leave Malaysia billions of dollars in debt. He has rekindled his antipathy toward Israel, portraying it as the source of Middle East conflicts.

He has appointed himself chairman of one of the country's main sovereign-wealth funds. At one point, Mr. Ma-

hathir tried to take on the job of education ministry too before some members of his political coalition said it would break their election pledge to prevent the prime minister holding more than one role.

One cabinet minister said he felt his heart skip after Mr. Mahathir said he wanted to start a new national private-car project after his earlier venture was sold to Chinese investors. The minister was relieved to find his boss had meant only to encourage Malaysian companies to follow in his footsteps.

Speculation among political analysts is growing over when Mr. Mahathir will hand power to the former opposition leader, Anwar Ibrahim, as he has promised to do.

But what really piques his interest is Putrajaya, a town of roughly 90,000 people that many Malaysians consider a bit of a cultural backwater. It is populated largely by bureaucrats and their families.

People who know Mr. Ma-

hathir say he regards the city as his true legacy, a counterpoint to Brasilia or Canberra and a way to demonstrate Malaysia's rising economic power and reflect its role as one of the Islamic world's most dynamic nations.

It hasn't quite turned out the way he hoped—at least not yet.

Mr. Mahathir's plans for a

monorail system were scrapped after he retired in 2003, leaving unfinished tunnels and a bridge adrift in the middle of an artificial lake. It is, he said, "the world's only suspended suspension bridge."

He said it bothered him that the city's residents don't stroll around Putrajaya's broad main avenue in the evenings, preferring to drive. "I wanted to build a boulevard like the Champs-Élysées in Paris, with side roads and lots of shops," he said.

"People would go to and fro

walking and having coffee in cafes and all that. But civil servants, they want to be exclusive. They didn't want anyone there. I told them if you do that then the whole town goes dead and it becomes dan-

gerous."

Mr. Mahathir supported

plans to open a Hard Rock Café franchise here a few years ago, as long as it didn't offer any entertainment he described as "obscene." The investors didn't push ahead.

There is a new shopping mall with an ice-skating rink, but it is outside the city limits.

Some tourists who make

the trip from Kuala Lumpur,

less than an hour's drive away,

are a little perplexed, too. "I

thought there would have

been more to eat," said Tessa

Smeets from the Netherlands

as she strolled around near

the Palace of Justice with her

husband and two young sons.

Another visitor suggested

they try the canteen around

the back of the building, which

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## WORLD NEWS

# Pope Elevates a New Saint

Conservatives had opposed canonization of El Salvador's slain Archbishop Romero

BY FRANCIS X. ROCCA

ROME—Pope Francis declared the late Archbishop Oscar Romero a saint, bestowing Catholicism's highest honor on a hero to many Latin Americans and progressive church members after years of resistance from influential conservatives.

Archbishop Romero "left the security of the world, even his own safety, in order to give his life according to the Gospel, close to the poor and to his people," the pope said in his homily.

Sunday's canonization epitomizes the agenda of the first Latin American pope, whose preaching emphasizes social and economic justice, especially in the developing world.

Thousands of pilgrims from Archbishop Romero's El Salvador, where he has long been hailed unofficially as a saint, were in the crowd attending the ceremony in the Vatican's St. Peter's Square. Among those present was the country's president, Salvador Sánchez Cerén.

Archbishop Romero was killed by gunmen in 1980, while celebrating Mass in San Salvador, at the start of a 12-year civil war which eventually left 75,000 dead. His killers have never



Nuns in San Salvador celebrated the impending canonization of Oscar Romero on Saturday.

## Pontiff Dismisses Two Chilean Bishops

Pope Francis defrocked two retired Chilean bishops accused of sexual abuse of minors.

The Vatican said Saturday the pope had dismissed from the priesthood Francisco José Cox Huneeus, an 84-year-old retired archbishop of La Serena,

and Marco Antonio Ordóñez Fernández, 53, a retired bishop of Iquique. The two men will be forbidden from celebrating Mass, administering the sacraments or identifying themselves as priests. Neither Mr. Cox nor Mr. Ordóñez could be reached for comment. In the past month, the pope has defrocked four prominent Chilean priests accused of sex abuse.

—Francis X. Rocca

been tried, but in 1993, a United Nations-sponsored truth commission said the killing had been ordered by Roberto D'Aubuisson, a former army ma-

jor and head of the right-wing Arena party, who died in 1992.

The archbishop, who had preached against military violence, political repression and

economic inequities, was upon his death revered as a martyr by devotees in his country and abroad. The Vatican took 35 years to recognize his martyrdom, declaring him "blessed"—the church's highest honor short of sainthood—in 2015.

Sunday's ceremony also marked the canonization of six other saints, from Italy, Germany and Mexico.

Best known among the other new saints is Pope Paul VI, who led most of the Second Vatican Council, from 1963 to 1965, and ushered in many of the subsequent modernizing changes to the church, in areas including worship and relations with other religions.

# Allies Soften Tone on U.S. Trade Policy

BY JOSH ZUMBRUN

BALI, Indonesia—The International Monetary Fund kicked off its annual gathering with a stern warning about protectionism, downgrading its global growth outlook in part because of trade conflicts.

It ended it with central bankers and finance ministers taking a much less dire and confrontational tone than

America's trading partners had after previous meetings.

The talks came against the backdrop of tough rhetoric from Washington about the trading practices of U.S. allies and open threats of new tariffs on cars. This time, officials gathering in Bali took some comfort from progress resolving many trade disputes even as a standoff between the U.S. and China has escalated.

Speaking to reporters before departing Indonesia on Saturday, German Bundesbank President Jens Weidmann said he had seen "a certain change in mood," and recent breakthroughs like the trade agreement between U.S., Canada and Mexico "have made this scenario of an uncontrolled escalation a bit less probable."

The tone was a change from the June meeting of the Group of Seven industrialized nations, which ended with a strong, joint condemnation of the U.S. by the other members. The U.S. has wrapped up negotiations with Mexico and Canada over a trade deal to replace Nafta, has put auto tariffs on hold while it holds talks with the European Union, agreed to enter bilateral talks with Japan and has finalized a free-trade deal with South Korea.

## WORLD WATCH

### PORUGAL

#### Cyclone Leslie Hits, Injures Dozens

A weakened hurricane Leslie slammed into the coast of Portugal, leaving 27 people injured as it uprooted trees, brought down power lines and smashed store windows with gusting winds and heavy rain.

More than 60 people were forced to leave their homes by the storm and over 300,000 people suffered power outages overnight, Luis Belo Costa of Portugal's National Protection Agency said. None of the injuries were life-threatening, he said.

Leslie had been downgraded from a Category 1 hurricane to a post-tropical cyclone with winds of 70 miles an hour by the time it landed on Portugal's Atlantic coast late Saturday.

But state broadcaster RTP said Leslie's wind speeds reached 105 mph in the coastal town of Figueira da Foz, 125 miles north of Lisbon. Portugal's weather service had issued red warnings for high winds or dangerous coastal conditions for 13 of its 18 mainland districts, including Lisbon.

Winds sent trees crashing onto cars and sidewalks in the Portuguese capital and in the northern city of Porto.

Leslie moved east Sunday across the Iberian Peninsula to Spain.

—Associated Press

### TURKEY

#### 22 Migrants Killed In Truck Crash

At least 22 migrants, including children, were killed in a truck accident, Turkey's official Anadolu news agency said.

The migrants were in a truck in the western province of Izmir that rolled over off a bridge, the report said. Their nationalities weren't given.

Hundreds of thousands of migrants have set out to sea from Turkey in the past few years to try to reach neighboring Greece, which is a member of the European Union.

—Associated Press

### ISRAEL

#### High Court Halts U.S. Student's Deportation

Israel's Supreme Court agreed to hear the appeal of an American graduate student who is fighting an expulsion order over her involvement in the boycott movement against Israel.

Lara Alqasem has been detained since arriving Oct. 2 on a student visa. She will be allowed to remain pending the appeal, set to take place Wednesday. A lower court rejected her appeal to remain in Israel on Friday.

She is registered to pursue a master's degree in human rights at Israel's Hebrew University.

—Associated Press



A car in Figueira da Foz damaged by cyclone Leslie, whose wind speeds reached 105 mph in the coastal Portuguese town.

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LORRAINE HARITON

President and CEO, Catalyst

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

► For additional information on the series and to request an invitation, visit [FutureOf.wsj.com](http://FutureOf.wsj.com).

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## FROM PAGE ONE

# Allegation Reveals Dilemma

*Continued from Page One*  
nor was never scheduled. And months later, the man, Albert J. Alvarez, was still working for the state, as chief of staff at the New Jersey Schools Development Authority. Mr. Alvarez resigned his position Oct. 2, the same day the Journal emailed him for comment.

"At each turn, I've just felt so disappointed," Ms. Brennan said in an interview. "I tried everything. And none of it worked. If I can't get any justice, I just don't seriously know who can."

Mr. Alvarez's attorney, John Hogan, said his client "absolutely, positively denies these allegations of sexual assault." He declined to comment further on any aspect of Ms. Brennan's account. Neither Mr. Alvarez nor his attorney responded to additional attempts to reach them by phone or to an email with detailed questions.

After his resignation, Mr. Alvarez was named in local and national press reports about the allegation. Ms. Brennan spoke publicly about the alleged assault for the first time for this article.

New Jersey Republicans have called for an investigation into Mr. Alvarez's hiring, and the state Senate's Democratic leadership said in a statement they were disturbed by the allegations.

On Friday, Gov. Murphy's spokesman said his office received a separate accusation on Thursday against Mr. Alvarez. The accusation, which was referred to the New Jersey attorney general's office, concerned an incident that allegedly occurred in 1999 or 2000, the spokesman said. Neither Mr. Alvarez nor his attorney responded to a request for comment on the allegation.

## After #MeToo

For all the attention given to allegations of sexual assault in recent months, they remain difficult for the criminal-justice system. Such crimes often produce no conclusive evidence, making them hard to investigate and prosecute. Conflicting accounts can be the only material officials have to work with. Prosecutors tend to decline to pursue cases deemed unlikely to win a conviction.

That can leave accusers feeling they are denied justice. The accused, meanwhile, can still experience life-altering impacts from the allegations alone, including a damaged career and stained reputation.

Criminal-justice officials are now considering new ideas about how to handle such cases. More than a dozen states have passed legislation in the past two years aimed at improving the handling and testing of rape kits, according to the National Conference of State Legislatures. Proposals to broaden the legal definition of sex crimes, and to lengthen or eliminate the statute of limitations for sexual assault have passed or are pending in legislatures across the country.

New training programs for police and prosecutors working on assault cases also are being rolled out, including in Alaska and Illinois.

The governor's spokesman said the Murphys didn't find out that Ms. Brennan had accused Mr. Alvarez of sexual assault until the first week of October, when the Journal contacted the administration for comment. In a joint statement, Gov. Murphy and Ms. Murphy said they had asked the director of the Statewide Division of Equal Employment Opportunity and Affirmative Action to review how the state handles allegations of sexual misconduct.

"We are confident that this allegation was handled appropriately by the administration and that policies and procedures were properly and promptly followed. However, it is clear that the process during the transition was inconsistent with our values, and the hire should not have happened," the Murphys said. "We must now ask: how can we hold ourselves to a higher standard moving forward?"

John L. Molinelli, a former prosecutor of Bergen County, N.J., speaking generally, said



*'At each turn, I've just felt so disappointed...I tried everything. And none of it worked. If I can't get any justice, I just don't seriously know who can.'*

**Katie Brennan said she was sexually assaulted but that prosecutors told her they didn't believe they could win a conviction in the case.**



Trenton's capitol building. The man accused is a former campaign staffer for New Jersey Gov. Phil Murphy, and worked for the state.

sex-crime cases are notoriously difficult to take to trial. In order to move forward with charges, prosecutors must reasonably believe that they can prove the case in court.

"Even if they believe he did it," Mr. Molinelli said, "do they have the evidence that any reasonable prosecutor can believe would sustain a prosecution?"

Helpful information includes the victim confiding in a third party soon after the alleged assault, other victims coming forward, inconsistent statements from the defendant or physical corroboration such as bruises or scratches, Mr. Molinelli said.

### 'I just bawled'

Ms. Brennan reported her assault to authorities, went to the hospital for a sexual-assault examination and immediately told friends and family of the alleged attack.

By last fall, Ms. Brennan said she felt confident that the Hudson County prosecutor's office would arrest Mr. Alvarez. The #MeToo movement had just taken off, prompting many women to step forward with previously unreported stories of sexual assault and harassment, some dating back decades.

She said she was crushed when she found out in early December that county prosecutors wouldn't move forward.

"I closed my office door and I just bawled," she said. "I felt like I wasn't heard."

Ms. Brennan said Assistant Prosecutor Jane Weiner told her a sexual-assault examination performed two days after the alleged attack found saliva and DNA but it was deemed not strong enough. Ms. Brennan said prosecutors also said the alleged assailant claimed the encounter was consensual.

A spokesman for the Hudson County prosecutor's office said the office doesn't comment on its investigations.

The special-victims unit in the Hudson County prosecutor's office investigated 365 cases last year, including adult-sex crimes, child-sexual abuse, physical-abuse and others, according to a spokesman. Of those, prosecutors charged 81 defendants, which led to 11 defendants immediately plead-

ing guilty and 65 indictments. It isn't clear how the 65 indictments were resolved. The spokesman said those statistics weren't readily available.

There are no national statistics on the number of sexual-assault cases that end in arrests, prosecution or conviction, said Cassia Spohn, director of the School of Criminology and Criminal Justice at Arizona State University. Federal statistics gathered from local police departments don't detail how many cases are brought to prosecutors, she said.

### Consensual defense

The advent of DNA testing has made it harder for defendants to claim sexual encounters never happened. Now, the most common defense in sexual-assault cases is saying the encounter was consensual, said Patti Powers, who served as a senior deputy prosecuting attorney in Washington state for 27 years and who now works for AEquitas, a nonprofit organization that provides training on effective prosecution practices for sex-crime cases.

Oklahoma's legislature re-wrote the state's rape statute in 2016 after a court ruled that an intoxicated and unconscious teenage victim couldn't have been forced to perform oral sex, said Ben Fu, a former special-victims unit director for the Tulsa County district attorney's office. Under the

prior law, performing certain sex acts on intoxicated people didn't constitute forcing them to do those acts.

"We would have jurors go out of courtrooms not at all disputing what happened, but arguing about whether it met their personal definition of force," Mr. Fu said, referring to sexual-assault cases.

Michigan state legislators moved forward with a raft of bills on sexual assault, including one that would allow prosecutors to use accusations from other victims as corroborating evidence in court.

**New Jersey's GOP has called for an investigation into the hiring of the accused.**

In Maryland, a similar law took effect in July. It allows prosecutors in certain circumstances to use prior accusations to counter a defendant's claim that an encounter was consensual. Marilyn J. Mosby, state's attorney for Baltimore City, said she and other advocates spent five years lobbying for the legislation before the #MeToo movement helped get it passed. Ms. Mosby said her office is already planning to use the provisions of the new law in four pending cases.

In Illinois, a law requires police officers to undergo at

least 40 hours of mandatory sensitivity training every five years to help them better investigate and interview sexual-assault victims.

Ms. Brennan realized sexual-assault cases are difficult to win. "I wanted to try anyway," she said. "I wanted to have my day in court."

### The accusation

In April 2017, after a gathering of Murphy campaign staffers at a bar in Jersey City, Mr. Alvarez, who was then the campaign's outreach director for Muslim and Latino communities, offered to drive Ms. Brennan home and then asked to use her bathroom and have a drink of water before continuing the drive to his own home, she said.

Once inside her apartment, Ms. Brennan said, he pushed her onto a couch and forced himself on top of her. She said he pulled down her white V-neck T-shirt in order to put his mouth on her breasts before reaching behind her and shoving his hand down her pants and putting his fingers inside her vagina.

"I say, 'Stop, why are you doing this?'" Ms. Brennan said. "And then I straight up said: 'This is not consensual.'"

At that point, Ms. Brennan said Mr. Alvarez pulled off her pants and underwear and took off some of his clothes before thrusting onto her in a way that made her believe he was trying to force sexual intercourse. She said she was able to kick him off and run across the apartment to lock herself in the bathroom.

She said Mr. Alvarez left, and that she immediately called her husband. She said she then called her best friend.

Both her husband, Travis Miles, and friend, Katy Baldwin, confirmed Ms. Brennan told them she had been attacked. Her friend said Ms. Brennan was still trembling the evening after the assault.

The next day, Ms. Brennan called the police. The day after that, she went to the Jersey City Medical Center Emergency Department to be evaluated for sexual assault, hospital and police records show.

She FedEx-ed a short letter to Mr. Alvarez on April 17,

which was reviewed by the Journal, saying he had sexually assaulted her and asking him to never contact her again. On the advice of a therapist, she wrote down a detailed account of the events.

### Waiting

Ms. Brennan spoke to Hudson County prosecutors and waited for months, calling in every so often to check up on the investigation.

Over the summer of 2017, Ms. Brennan signed up with the Murphy campaign as a volunteer policy adviser. She said she didn't want to let the assault stand in the way of her goal of working for the campaign and Mr. Murphy's administration, should the Democrat win. She said she wasn't in the office every day but feared running into her alleged attacker, and did on occasion.

In late November, Ms. Brennan believed that the prosecutor, who she said had told her a decision was near, was close to charging Mr. Alvarez. By this point, Mr. Murphy had been elected New Jersey's next governor and Ms. Brennan and Mr. Alvarez were both working on his transition committee.

Ms. Brennan believed Mr. Alvarez's arrest would generate news coverage, and she allowed a friend that worked on the team to warn transition counsel that Mr. Alvarez might be charged.

A senior administration official said that members of the transition, including the governor's chief of staff Pete Cammarano, were aware of a sexual-assault accusation against Mr. Alvarez. They didn't know that the alleged victim was Ms. Brennan, the official said.

Transition officials learned that law enforcement had investigated the accusation against Mr. Alvarez and didn't pursue charges, the governor's spokesman said. "Following a clear background check, Mr. Alvarez received an offer of employment in state government," he said.

### Matter is referred

Earlier this year, in March, Ms. Brennan told Mr. Murphy's chief counsel, Matt Platkin, that she was sexually assaulted, allegedly by Mr. Alvarez. A senior administration official said Mr. Platkin referred the matter to the chief ethics officer in the governor's office and recused himself from the investigation because he knew both Ms. Brennan and Mr. Alvarez. The ethics officer then referred the matter to the attorney general's office, the official said.

Mr. Platkin instructed Mr. Alvarez's then boss, New Jersey Schools Development Authority Chief Executive Charlie McKenna, in April to tell Mr. Alvarez it would be a good idea for him to "separate himself" from state employment, the official said.

Mr. Alvarez told Mr. McKenna he would start looking for jobs, but a timeline for his departure wasn't specified, Mr. McKenna said. "He wasn't being fired, he wasn't being ordered to leave," he said. "It was just a conversation where I said, 'I was told that this would be a good idea.'"

One of the senior administration officials said advising Mr. Alvarez to leave was legally the most they could do against an employee at a state authority.

No one told Ms. Brennan that Mr. Alvarez had been asked to leave, and on June 1 she emailed the governor and first lady, Jonathan Berkman, a partner at the law firm Perkins Coie LLP, who served as an attorney for the campaign, called and told her Mr. Alvarez would be leaving his job.

Three months later, Mr. Alvarez was still working at the development authority. Ms. Brennan said learning this prompted her to speak publicly about the alleged assault.

Ms. Brennan said she wants to see changes in how sexual-assault allegations are handled in New Jersey. She said it should be easier for prosecutors to pursue these cases in court, and the civil statute of limitations should be longer than two years. "People need to do better. Society needs to do better," she said.



Baltimore City State's Attorney Marilyn J. Mosby said she and other advocates spent five years lobbying for new legislation.

# GREATER NEW YORK

## Face Screening Raises Concerns

**City councilman wants companies to disclose whether and how they use the technology**

By ZOLAN KANNO-YOUNGS

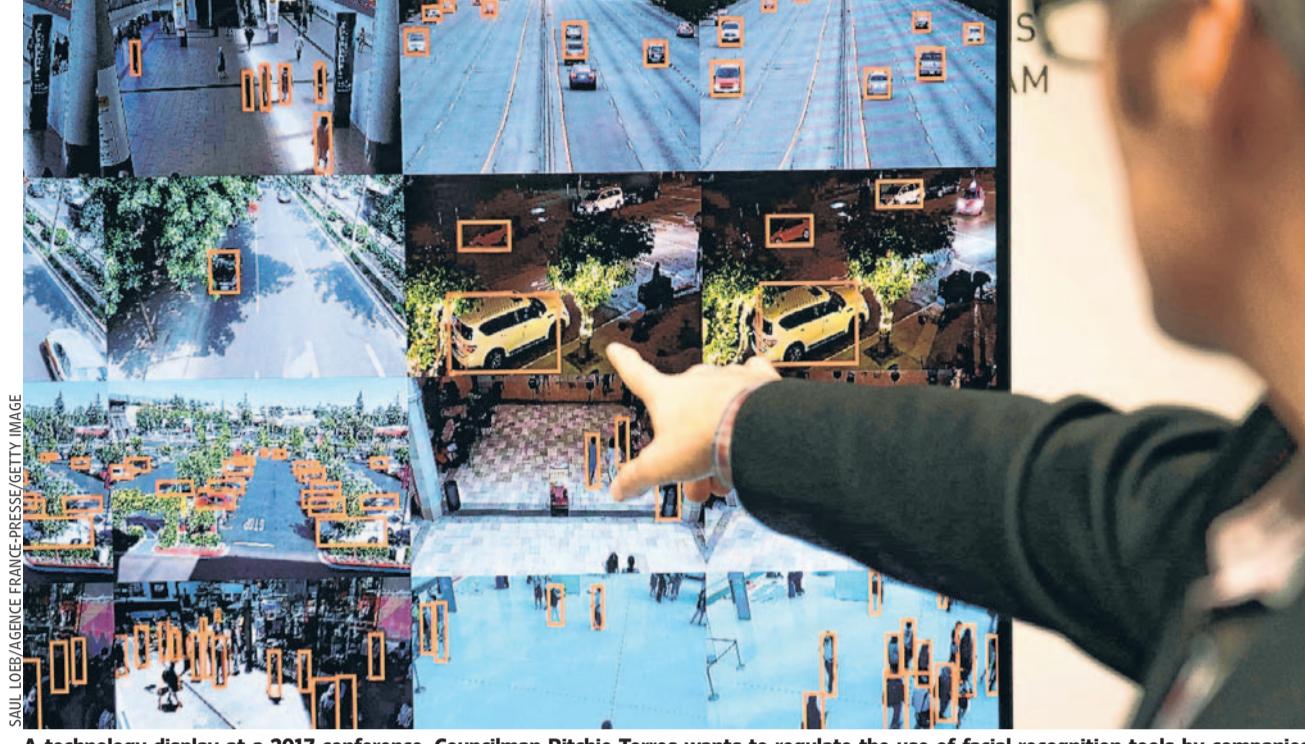
A New York City councilman will introduce legislation this week requiring businesses to disclose if and how they use facial-recognition technology, potentially giving a glimpse into how widespread use of the tool is in the private sector.

The bill, drafted by Ritchie Torres, a Bronx Democrat who heads the council's Committee on Oversight and Investigations, would be one of the first attempts to regulate the technology's use by businesses in the city.

Companies would be required to disclose if they are using it by posting a sign near a store entrance or publishing an online post, according to a draft of the legislation provided to The Wall Street Journal. The companies would also be required to tell the public what information they collect and share from the technology, and how long they store the information. They would also have to draft a policy governing the tool.

Currently, no New York City law requires private companies to disclose how they use facial-recognition technology, according to Mr. Torres and experts in the technology.

The New York Police Department, which is currently fighting a public-records request in court over its use of the tool, feeds images gath-



**A technology display at a 2017 conference. Councilman Ritchie Torres wants to regulate the use of facial-recognition tools by companies.**

ered by detectives into a mugshot database and the technology sends back hundreds of possible matches. A group of detectives then determines a possible match.

Mr. Torres said companies often use the technology as a security tool, but it could evolve into collecting data on customers and their habits.

"It could be easily repurposed for profit," Mr. Torres said. "Companies would be required to answer those questions."

Businesses also use the tool for security by saving an image of someone they don't want in the store, such as a shoplifter,

and matching it against footage of customers entering the premises. Companies also use it for commercial purposes, such as researching shopping trends, according to Carl Szabo, vice president of NetChoice, an e-commerce trade association supporting the use of facial recognition by businesses.

State laws in Illinois and Texas require businesses to obtain consent from customers before using facial-recognition technology, something Mr. Szabo said goes too far. However, he said Mr. Torres's bill would further transparency and possibly calm the fears of consumers.

"This is all stuff that could be done by just someone sitting there and looking at everyone coming in," Mr. Szabo said. "The famous saying is 'know thy customer.' This is the digital version of know thy customer."

Mr. Torres said he was inspired to draft the bill after reading reports that Madison Square Garden used facial-recognition technology. A spokesman for the Madison Square Garden Company said it does use facial recognition "to make it the safest place possible."

The spokesman declined to comment on how the venue uses the tool and on the legislation. But it is "happy to

work with the City Council when and where appropriate."

Chris Dunn, associate legal director for the New York Civil Liberties Union, said the public disclosure of the technology is imperative given that most people don't know if their data has been captured.

Determining whether a company uses the technology is difficult because it runs on infrastructure that has sometimes already been installed, like surveillance cameras, he said. "We're talking about software that's already existing in infrastructure, which makes the disclosure of facial-recognition technology important."

## Police Seek Three Men After Fight

By JIMMY VIELKIND

Police said Sunday they are looking to identify three men who were filmed in a scuffle that broke out after the leader of a far-right group spoke Friday night at a political club on Manhattan's Upper East Side.

The fight erupted after Gavin McInnes, a conservative commentator, re-enacted at the Metropolitan Republican Club the 1960 assassination of the leader of Japan's socialist party, then gave a speech "making fun of" liberals and mainstream media, Mr. McInnes said in an email.

Detectives said they are reviewing video footage of an incident near the club showing a group of people beating and kicking a person. The person being hit had taken someone's "MAGA" hat, short for the Make America Great Again slogan of President Trump's campaign, the video showed.

The melee took place on East 82nd Street between Lexington and Park avenues around 8:40 p.m., according to Sandi Bachom, a freelance filmmaker who made the video.

Mr. McInnes said in the email that the group shown in

*The incident occurred after the leader of a far-right group spoke at a Republican club.*

the video included members of the Proud Boys, a group led by Mr. McInnes that describes itself as "Western chauvinist." He said members of the group had been antagonized by someone they knew to be an antifa protester.

"It was a hell of a beating but that's what you get when you antagonize a group of people and relentlessly attack them for 24 hours," Mr. McInnes wrote.

People had gathered outside the club throughout the speech Friday to protest Mr. McInnes, police said. Police charged three people with robbery and assault in connection with another scuffle after the event.

The Republican State Committee said the clubhouse was vandalized before Mr. McInnes's speech by people who left an anarchist symbol on the door and a note that said "this is only the beginning." Authorities are investigating.

Gov. Andrew Cuomo, speaking on a Sunday conference call, called the Proud Boys "thugs" engaged in an "incendiary, vicious political tactic" designed to sow discord ahead of the midterm elections.

Republican State Committee spokeswoman Jessica Proud attacked Mr. Cuomo for "recklessly jumping to conclusions" and not speaking up about the vandalism earlier.

## Condo Investors Turn to Long Island City

By JOSH BARBANEL

As apartment sales slump, fewer investors are snapping up new condominiums in prime Manhattan locations, but they have been on the prowl for bargains in less expensive neighborhoods, such as Long Island City in Queens.

In Manhattan, many investors have been scared off by high prices, weakening sales and flat or declining rents, brokers say. But in Long Island City, at least a third of all new condos sold since 2017 have been purchased by investors, according to a new study of sales there.

That is a far higher share of investor sales in Long Island City, a once-gritty neighborhood just across the Ed Koch Queensboro Bridge from Midtown Manhattan, than in new developments across the city, and even in Long Island City a decade ago.

Many of the new investors in Long Island City, and other similar locations, are looking for lower-priced apartments—those with tax abatements and low maintenance cost—in places where rents and sale prices have been rising, said Patrick W. Smith, a broker at Stribling & Associates, who has studied investor sales trends there.

"There is a significant discount compared to Manhat-



**Buyers are betting on the future of the once-gritty neighborhood.**

tan," he said. Investors, he said, are drawn to waterfront parks and new restaurants, just as owner-occupants are.

Eric Benaim, founder and chief executive of Modern Spaces, which represents condo developers at the Harrison LIC, the Monarch, the Jackson, and other new developments in Long Island City, said that investors aren't looking to buy and flip, but are betting on the future of the neighborhood.

"They like it because they get good rents when they rent

it out and they believe in the appreciation of prices in the neighborhood," he said.

Measuring investor purchases is a knotty problem. Jonathan Miller, an appraiser and president of Miller Samuel Inc., said that during a peak luxury market around 2014, about 25% of new development sales were by investors, based on an internal survey of brokers at closing in one large Manhattan-based brokerage.

More recently, the same survey showed the share fall-

ing roughly in half, he said. Many of these earlier investors bought expensive Manhattan apartments and made them luxury rentals, causing a glut of such premium units. Since then, many international investors have left the playing field, Mr. Miller said.

The new figures for Long Island City by Stribling & Associates count a purchase by an investor if the same new unit was listed for rent within six months of the closing. It excludes investor units that may have been

rented without a broker.

During the first wave of development from 2006 to 2010, 8% of purchasers were by investors, the analysis found. Year to date in 2018, 33% were investor purchases.

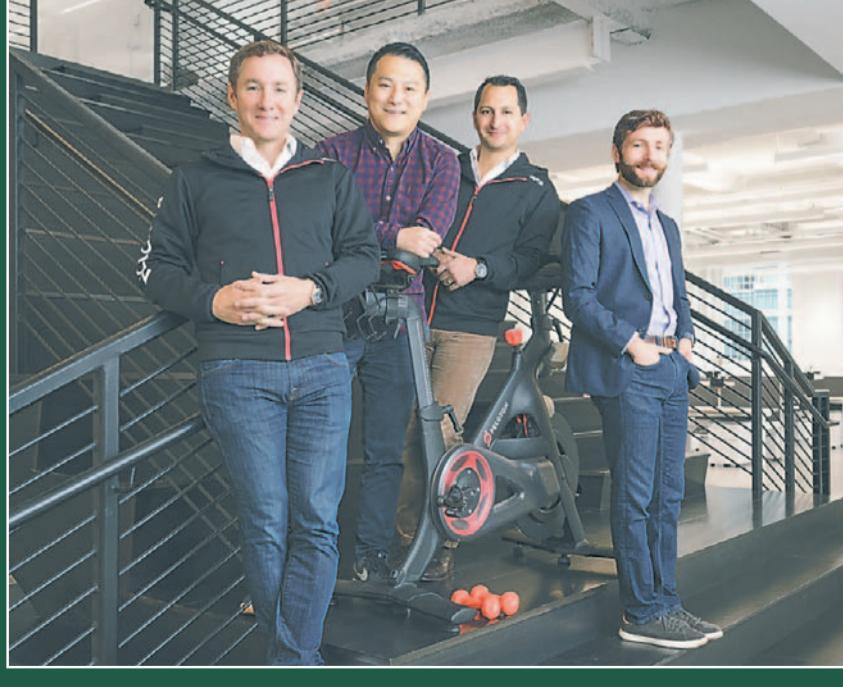
Rising mortgage rates have raised the cost of ownership of an apartment, but about half of investor sales were cash only, without an initial mortgage, compared with 20% for owner-occupied units. Investor units were also more likely to be less-expensive studio and one-bedroom apartments than owner-occupied apartments.

Andrea Pedicini, a broker at Citi Habitats who works with many Italian investors, said he favors lower-priced resale apartments, and new developments outside of Manhattan.

Mr. Pedicini said his investors are typically looking for a 2.7% annual return on their investments, but in Long Island City, investors who purchased two apartments could expect a 3.5% return, while they wait for their condos to appreciate.

To get the higher return, investors are relying in part on tax abatements, including a program known as 421-a that reduces tax bills that would otherwise take a big bite out of rental income.

Most new condos in Long Island City have abatements but some newer ones don't.



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## GREATER NEW YORK

# Getting a Taste From Out-of-Town Chefs

New York venues are offering events showcasing restaurateurs from around the country and the world

BY CHARLES PASSY

When it comes to dining out, New Yorkers have their pick of some 25,000 restaurants, according to the latest estimates.

But these days, a number of locals seem just as interested in enjoying the dishes of chefs from across the U.S., if not the entire world. The twist, however, is that they don't have to leave the city to do so.

More restaurants and venues are offering events with out-of-town chefs, ranging from elaborate multicourse dinners with triple-digit price tags to fast-casual meals. Black Square Pizza, a newcomer in the Meatpacking District, even has plans to launch a program with visiting pizzaioli—pizza chefs—starting in the coming weeks.

And this month, Sushi Noz, an Upper East Side dining spot that opened earlier in the year, is launching what it bills as the "Japan Series" featuring Michelin-starred chefs from the namesake country. The cost is \$400 per person.

The high price hasn't deterred patrons. Sushi Noz owner Josh Foulquier said the first event, set for Oct. 26-27, sold out almost instantly and now has a waiting list.

"The open-mindedness of diners in New York is making all this possible," he said.

This year's New York City Wine & Food Festival, which concluded Sunday, hosted a record number of diners—41—with most featuring out-of-town chefs. All but one of the events sold out, said festival founder and director Lee Schrager.

The trend isn't entirely new. The James Beard House, the Greenwich Village home of the late American culinary great, has been offering events showcasing out-of-town chefs ever since Wolfgang Puck cooked a meal there in 1987 as a fundraiser.

The house, run by the nonprofit James Beard Foundation, now offers about 200 dinners a year. Recently, it has put added emphasis on featuring prominent international chefs as part of the mix, having hosted dinners in the last few months with Italy's Massimo Bottura and Thailand's Gaggan Anand.

The latter chef, whose flavors are influenced by his native India, offered a memorable meal with an all-emoji menu—no written descriptions of the dishes, just symbols.

Diners seemingly relished each of the 17 courses. And they didn't balk at the \$500



Thailand's Gaggan Anand, second from left, prepared a dinner at the James Beard House in Greenwich Village in September.

price tag, either.

"It's cheaper than flying to Thailand," said Adam Goodfriend, an Upper East Side resident who attended the event.

Chefs Club, the four-year-old Nolita restaurant that showcases chefs from all over, has expanded and tweaked its format. Last

year, it unveiled Chefs Club Counter, a nearby spinoff

spot that focuses on fast-casual fare. It has also started to offer extended residencies, giving chefs and restaurateurs more time to familiarize themselves with the city.

For the out-of-towner, the payoff in coming to New

York is usually about gaining media exposure and making contacts and connections.

Hagop Giragossian, a partner in Dog Haus, the hotdog-centric, California-based fast-casual chain that concluded a summer run at Chefs Club Counter last month, said he was glad to

break even during his residency. And as a result of his time in the city, the chain lined up a new franchisee in upstate New York.

For Mr. Giragossian, the real reward was just getting to live the fantasy of being a New York restaurateur. "I felt like I was on a movie set."

## GREATER NEW YORK WATCH

UPSTATE LIMO CRASH

## Calls for New Safety Standards Increase

The day after mourners in Amsterdam, New York, said last goodbyes to eight of 20 victims of a limousine crash—four sisters and four other relatives—the Senate's top Democrat called on federal regulators to formulate new safety standards for the vehicles.

Sen. Chuck Schumer on Sunday pointed to gaps in safety data and singled out the National Transportation Safety Board, which he said hasn't thoroughly investigated a limousine crash in the past three years.

His criticism comes a week after the stretch limo loaded with 18 people on their way to a birthday party for one of the occupants ran a stop sign and crashed at the bottom of a hill

in the town of Schoharie. Everyone in the limo died, including the four sisters, along with two pedestrians.

Mr. Schumer called on the NTSB to investigate every stretch limo crash that has occurred in the U.S. and use the data to make recommendations for safety standards.

Eric Weiss, a spokesman for the NTSB, declined to comment.

—Associated Press

## WILDLIFE

## New Jersey Annual Hunt Kills 139 Bears

A total of 139 bears were killed during the six days of New Jersey's annual black bear hunt, a steep drop from last year's total following restrictions imposed by the governor.

Democratic Gov. Phil Murphy this year barred bear hunting on

state-owned lands, removing roughly 40% of the lands where bears were hunted over the past eight years.

In 2017, according to data from the state Department of Environmental Protection, 244 bears were killed during the six-day hunt that opened the season. After a second scheduled six-day hunt and a four-day extension, a total of 409 bears were killed for the year.

Mr. Murphy has said that New Jersey will pursue more nonlethal methods to manage the state's black bear population.

Groups that favor hunting have challenged the governor's executive order in court.

State officials call the hunt needed to maintain the population and increase public safety. Critics call it a recreational trophy hunt.

—Associated Press

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# LIFE & ARTS

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

## The New Father-Son Sex Talk

The #MeToo era has made a difficult conversation even more complex. But dads can and should persist. Here's how.

**W**hen Michael Kawula was 14 years old and dating his first girlfriend, his dad brought up the topic of sex for the first—and last—time: He rolled up a copy of a Playboy magazine and stuffed it in his son's Christmas stocking.

"That was the end of my sexual education from my dad," says Mr. Kawula, a 45-year-old entrepreneur from Trinity, Fla. With his own son, now 16, Mr. Kawula says he tries to be much more open. Talking about sex with our boys "is a conversation that needs to be had," he says, "even more so today than in the past."

The #MeToo era is a complex moment to come of age sexually. A necessary dialogue has opened up about sexual misconduct. Yet the conversation has been divisive, confusing and sometimes ill-informed. And research shows parents are not giving their children adequate guidance about sex and relationships.

A May 2017 report from the Harvard Graduate School of Education, called "The Talk," surveyed more than 3,000 18- to 25-year-olds and found that misogyny and sexual harassment are pervasive among young people. Eighty-seven percent of female respondents reported experiencing at least one of the following: being catcalled, touched without permission by a stranger, insulted with sexualized words by a man, insulted with sexualized words by a woman, having a stranger say something sexual to them, and having a stranger tell them they were "hot." Yet 76% of respondents said they had never had a conversation with their parents about how to avoid sexually harassing others.

The report also stated that a majority of respondents said their parents had never spoken to them about consent, including "being sure your partner wants to have sex and is comfortable doing so before having sex," the "importance of not pressuring someone to have sex with you," and the "importance of not having sex with someone who is too intoxicated or impaired to make a decision about sex." Almost 60% of respondents had never talked with their parents about the importance of "being a caring and respectful sexual partner." Yet a large majority of respondents who said they did have these types of conversations with their parents described them as influential.

Psychologists say that both mothers and fathers should talk to their children about sex. But boys may be harder to reach—they're less communicative and responsive, and may not understand #MeToo issues or think they apply to them. Fathers, in particular, bring something unique to the discussion with their sons. "Most boys look to their fathers for what it means to be a man and how men should treat women," says Mark T. Morman, a professor of communication at Baylor University in Waco, Texas, who has spent 20 years studying male relationships.

"Most fathers father the way



### How to navigate 'the talk'

**T**alk early and often. This discussion should be an ongoing dialogue that starts as soon as your son is curious about sex and continues for years.

**Look for teaching moments.** It could be something in the news or a film or TV show. Analyzing the choices made by familiar characters, such as the Avengers, can be a good way to discuss values without getting personal, says Andrew P. Smiler, a therapist in Winston-Salem, N.C., and author of "Dating and Sex: A Guide for the 21st Century Teen Boy." You might ask: "What do you think about how Tony Stark treats women?"

**Listen.** Don't lecture, judge or get angry. And don't discourage your son from sharing his emotions. "The

minute you fire back, he is not going to talk to you about this again," says Mark Morman, a professor of communication at Baylor University in Waco, Texas, who studies male relationships.

**Focus on values and self-respect.** Discuss what it means to treat a partner with respect and honesty.

**Explain consent.** Make sure your son understands that it can change from day to day or even moment to moment. It's not always verbal. Silence is not a yes. Teach your son to respect the answer.

**It's OK for him to say no.** Make sure he knows he shouldn't be pressured into having sex he doesn't want, either.

**Teach your son to discuss expectations with a partner.** Explain that being clear up front about the emotional context of the sex is responsible and will

help prevent hurt feelings later.

**Focus on your son.** It's not about you. Concentrate on the pressures your son faces. And be careful discussing your regrets or mistakes.

Your son may think that because you turned out fine, the mistakes didn't matter.

**Don't assume.** Your son may have not had sex or done things you think he has. And he may not be attracted to the gender you think he is.

**Don't scare him.** Instead of focusing on what can go wrong, focus on what to do right. Studies show there is no rash of false reports, where boys are wrongly accused of sexual assault.

**Be a role model.** Sons learn from their fathers how to treat women and how to behave in a relationship.

of legal age and sound mind," Mr. Domitz says.

Focus on the emotional content of sex, not the mechanics. You want your son to understand that the real purpose of sex is intimacy and connection. "Keep the focus on your son and self-respect," says Dr. Morman. "Ask your son who he wants to be—the man who treats women well? Or the drunk fraternal guy who mistreats girls?"

Talk about the pressure girls feel to be attractive and liked and more sexually available than they might really want to be. "You can explain that just because a girl is acting seductive or dressed a certain way does not mean she wants to have sex with you," says Joshua Coleman, a psychologist in Oakland, Calif., and senior fellow with the Council on Contemporary Families.

Mr. Kawula has spent a lot of time thinking about what he wishes his father had told him about sex. When his son had his first girlfriend, at age 13, he initiated a long conversation while on vacation. He told him about how he'd dated a senior girl when he was just a freshman in high school, how she encouraged him to have sex on prom night, and how he'd felt unprepared and confused and had refused.

"I also made it clear that you are getting to that age where you will be wanting to do things, and I understand that, but I want you to know you can come and talk to me about this stuff," Mr. Kawula says. Since that chat, Mr. Kawula says he's talked to his son about mutual consent, as well as the need to stick up for anyone who might be in danger. And he says he works hard to be a good role model: He makes sure to speak to his wife and daughters with respect and give them his full attention when they speak.

"I try to lead by example," he says.

### UP NEXT

## LIFE AFTER 'ROSEANNE'

BY JOHN JURGENSEN

**IT'S THE SPINOFF** forced into existence by a flameout.

Starting Tuesday night on ABC, "The Conners" will attempt to stand on its own as a family sitcom without the namesake character of "Roseanne," which imploded last May when the network fired star and producer Roseanne Barr after she posted a racist tweet. She relinquished any financial and creative stake in the spinoff, which allowed the cast and crew of "Roseanne" to carry on with "The Conners."

ABC is trying to keep the momentum "Roseanne" earned as the highest-rated primetime series of last season. Curiosity will initially draw viewers who want to find out how the character has been written off. (Ms. Barr has said her character, who dealt with a pill problem

last season, dies of an opioid overdose; ABC is guarding plot details.)

But after explaining the character's disappearance, writers had to reconstruct the show without its previous center of gravity. The success of "Roseanne," celebrated by President Donald Trump, held symbolic importance to many fans who rallied behind Ms. Barr's character as a working-class woman who didn't suffer fools or elitists.

In the new season, Dan Conner (John Goodman) takes a more active role in running the family, along with daughter Darlene (Sara Gilbert).

And without Roseanne's voice on the show, others will be amplified. "With Dan being able to express his views more openly this year," says executive producer Dave Caplan, "audiences will see there's a lot of overlap in what he and Roseanne believed."



'The Conners'—successor to last season's No. 1 rated 'Roseanne'—will debut on ABC Tuesday night without Roseanne Barr.

## LIFE &amp; ARTS

## INFLUENCERS

# Barbara Kingsolver's Purple States

The novelist sees aspects of red and blue politics in 'every household, every marriage'

BY ELLEN GAMERMAN

**PRESIDENT DONALD** Trump may be the biggest recurring character in American fiction today.

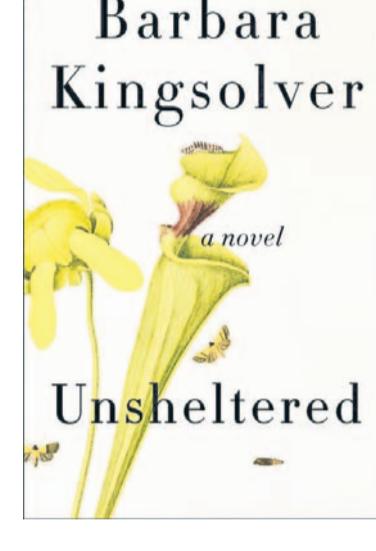
Barbara Kingsolver's new book out Tuesday, "Unsheltered," like some recent works by best-selling novelists including Salman Rushdie and Gary Shteyngart, features a Trump-like figure popping out of the scenery every so often. In her book, Trump goes unnamed.

The novel is set over two centuries in the same falling-down house in Vineland, N.J.

In the contemporary storyline, out-of-work magazine writer Willa takes in her infant grandson—whose mother has killed herself and whose father has all but gone AWOL—while the family grapples with their unstable financial future. Under Willa's roof, the opinions of red state and blue state clash in the form of a conservative father-in-law tethered to an oxygen tank and a daughter who occupied Wall Street and speaks wistfully of Cuba.

In alternating chapters, Ms. Kingsolver lays out another fractious period of the country's history, the 1870s, when Charles Darwin was challenging long-held ideas about the origins of humanity.

This half of the book includes real figures like Mary Treat, a naturalist who corresponded with Darwin and tried experiments like keeping her finger in a Venus flytrap for a day just to see if it would get eaten. (It didn't.) Another actual character: real-estate developer Charles Landis, who founded Vineland as a would-be utopian community and later shot a newspaper editor in the head for running a negative story about his wife. Into this mix comes the fictional Thatcher Greenwood, a professor whose beliefs in Darwinism



set him up against the town's ruling class.

Ms. Kingsolver, a 63-year-old native of rural Kentucky who grows vegetables and raises sheep on her working farm near Abingdon, Va., worked on the book while the presidential primaries heated up in the background. She spoke with the Journal about novels in the age of Trump. Edited excerpts:

**Why does your book include several references to Trump?**

I began this novel and he kind of walked right into it.

**What inspired the novel?**

Trouble inspires me, the things that make me worry, the things that I lie awake thinking about. For several years I was thinking about how we seem to be coming to an incomprehensible time. It feels like the end of the world as many of us have known it, for better and for worse. It feels like the familiar shelters we've counted on all our lives are failing us.



Barbara Kingsolver, at her home in Virginia last month, says she sometimes dreams about the characters in her novels.

EVAN KAFKA FOR THE WALL STREET JOURNAL

I had the idea to write about that paradigm shift, about how it is and why it is that we hold on so tightly to the solutions that have worked in the past but clearly aren't going to work in the future. It's interesting to look back at other times when people have done that. With the advantage of hindsight, they look so quaint and ridiculous.

**After you knew the theme of the book, how did you find the story?**

It was a novel in search of a location and a set of characters. I probably spent three or four months trying to organize this novel around [Darwin supporter and botanist] Asa Gray. It's like dating that guy who looks so perfect on paper but wasn't doing it for me. It really did take several years before I found Mary Treat and then I just felt, "This is the lightning rod. This is going to take me straight there." And I was also prepared to drop everything and get on a plane and spend a couple of weeks in Vineland.

**Do you dream about your characters?**

I do, and more often I wake up hearing them speak, which I know sounds odd. People take drugs for that. But it's a fascinating life, being a novelist. It's a kind of controlled schizophrenia when I'm deeply into it. I watch a movie in

## The Author Inspired by Trouble

**Name:** Barbara Kingsolver

**What She Does:** Write

**How She Got There:** She was always writing—poems, stories, a novel before she turned 20—but she never planned to be an author. "I didn't know that was an option." She studied biology and worked as a scientist but kept writing. Eventually, she showed the work to friends and sent queries to editors and the writing took over.

**Her Big Break:** She was pregnant with her first child and had terrible insomnia. "While everybody else I

knew was sleeping, I wrote." Just after she shipped off the manuscript for her first book, "The Bean Trees," she went into labor. When she came home from the hospital, she learned she had a book contract in a message on her answering machine. "I became a mother and an author on the same day. In the domain of big breaks, that's epic."

**Her Obsession:** Poetry. "I've just finished a novel with a two-century scope. Poems are the size of a minute, a heartbeat. The perfect next thing."

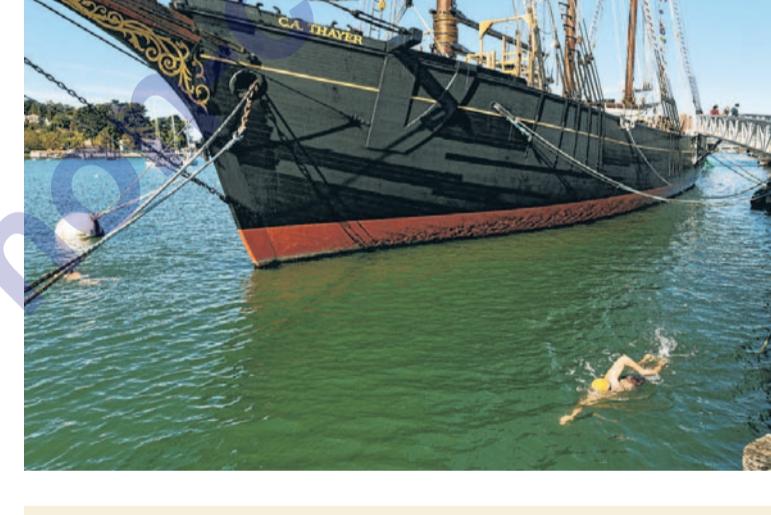
county is purple, every household, every marriage is some shade of purple.

**Do you expect more novels to grapple with today's political dramas?**

I think it was Mary Oliver who said, "The poet is speaking to the person who will read this 50 years after I'm dead." I didn't get that exactly right. That is exactly the way I see it. So I would be very happy for 100,000 people to read this book next month, that would delight me, but I'm also writing for hundreds of thousands of people who will come later. In some ways, that's why I set the novel in two separate centuries, because I want to talk about what is timeless.

**WHAT'S YOUR WORKOUT?** | By Jen Murphy

## A SWIM TO FRANCE AND BEYOND



### Your First Steps Into Open Water

**F**eeling disoriented in open water is what most often leads to anxiety and panic attacks among new open-water swimmers, says Paula Newby-Fraser, an eight-time Ironman world champion and coach based in San Diego.

Sighting, where swimmers lift their heads above water to scan for landmarks that help them keep on course, is a crucial skill to practice, she says. "This can be learned in a pool by doing laps and integrating a headlift to glance forward." Practicing this skill in open water helps swimmers feel in control and stay on course, she says.

The turn at the end of each lap in a pool provides the lower back a regular rest, she adds. "Experiencing more prolonged swimming without

the turns will prevent athletes from being surprised by back discomfort and potentially the need for strength in these associated muscle groups, to prevent cramping," Ms. Newby-Fraser says.

David Zovickian, a Dolphin Swimming and Boating Club member in San Francisco who has helped people train for the English Channel, suggests new open-water swimmers start 20 to 30 yards off shore—close enough to stand if they start getting panicked or fatigued. He says people in boats are more of a risk than sharks. "As a swimmer, you have a low profile in the water," he says. A support in a kayak, rowboat or inflatable boat is essential for safety, he adds, and more visible to other boaters in the water.

ways with a support team of kayakers and a motorboat. He says the long swims especially helped prepare him for the cold.

During workouts he focused on lengthening his swim stroke and slowing down his kick. "Over hours, an inefficient stroke and kick can be quite a drain of energy," he says.

sert like a teenager," he says. "Ice cream, cookies and brownies were all part of my eating plan." He tried to have an energy or protein drink every 30 minutes during his big swim and would eat a banana or canned peaches every 90 minutes.

### The Gear & Cost

Gear is minimal, as the Channel Swimming Association forbids the use of a wetsuit or any type of buoyancy or thermal aid. Mr. Edwards wears a TYR swimsuit (\$40) and TYR corrective optical swim goggles (\$22), and a swim cap. He clips a green light made by Adventure Lights (\$18) onto his goggles to stay visible. Annual membership for the Dolphin Swimming and Boating Club is \$485.

### The Playlist

"I love the silence of swimming," Mr. Edwards says. "It's such a quiet space to be in the moment, and the only opportunity for me to live in my own head without input from music, email, the internet."

### The Workout

Mr. Edwards swims four mornings a week at 6:30 a.m. for 45 minutes in Aquatic Park Cove in San Francisco Bay. When he started training for the English Channel, he trained for an hour five days a week. On weekends he'd swim anywhere from two to six hours, usually with a training partner and all-

Randy Edwards trained in the San Francisco Bay for his July 15 swim across the English Channel, which he completed in 16 hours and 45 minutes.

Open water provides swimmers no guidance like they might get from lane dividers in a pool. "You have to lift your head a lot," Mr. Edwards says. "That's a huge energy loss over time, so I had to learn to swim near the support boat."

His longest training swim was a crossing of the width of Lake Tahoe, about 11 miles. To practice for the midnight English Channel start, he left at 3 a.m. The crossing took him 5.5 hours.

### The Diet

Mr. Edwards has a bowl of oats with flax seeds, chia seeds, chocolate chips and peanut butter pre-swim. "It's like a homemade energy bar," he says. Post-workout he has dried fruit or a banana. Lunch is usually a salad with protein. His wife is a runner and prepares healthy dinners like fish or chicken with quinoa and vegetables.

During the lead-up to his English Channel swim, Mr. Edwards was voracious. "The best part about training was that I could eat des-

JASON HENRY FOR THE WALL STREET JOURNAL

## LIFE &amp; ARTS

## ART REVIEW

# Modernism's Missing Link?

The Guggenheim Museum argues for the little-known Hilma af Klint as an early, overlooked pioneer of abstract art

BY LANCE ESPLUND

New York

**AN AURA** of the occult, an air of whimsy and a sense of unbridled experimentation permeate the exhibition "Hilma af Klint: Paintings for the Future," which occupies most of the Solomon R. Guggenheim Museum's rotunda. This first comprehensive Af Klint solo exhibition in the U.S. displays her prolific variety and has an agenda: It demands that we rethink, re-evaluate and revise the lineage of art history.

Curated by the Guggenheim's Tracey Bashkoff, with the assistance of David Horowitz, the show comprises more than 170 paintings, drawings and copiously illustrated notebooks by the Swedish artist and mystic who, though still relatively unknown today, was among the first European modernists to work abstractly. But here the term "work abstractly" needs an asterisk: Grand claims for Af Klint (1862-1944) as visionary and revolutionary surround this exhibition. The show intends to place her in the company of pioneering abstractionists such as Wassily Kandinsky, Kazimir Malevich and Robert and Sonia Delaunay, from which, the argument goes, she has been wrongly excluded. Yet part of Af Klint's obscurity has to do with the artist herself. Believing that the public was not yet ready for her spiritually informed art, Af Klint exhibited only a few of her abstractions during her lifetime. She also stipulated, in 1932, that her work not be shown for 20 years following her death.



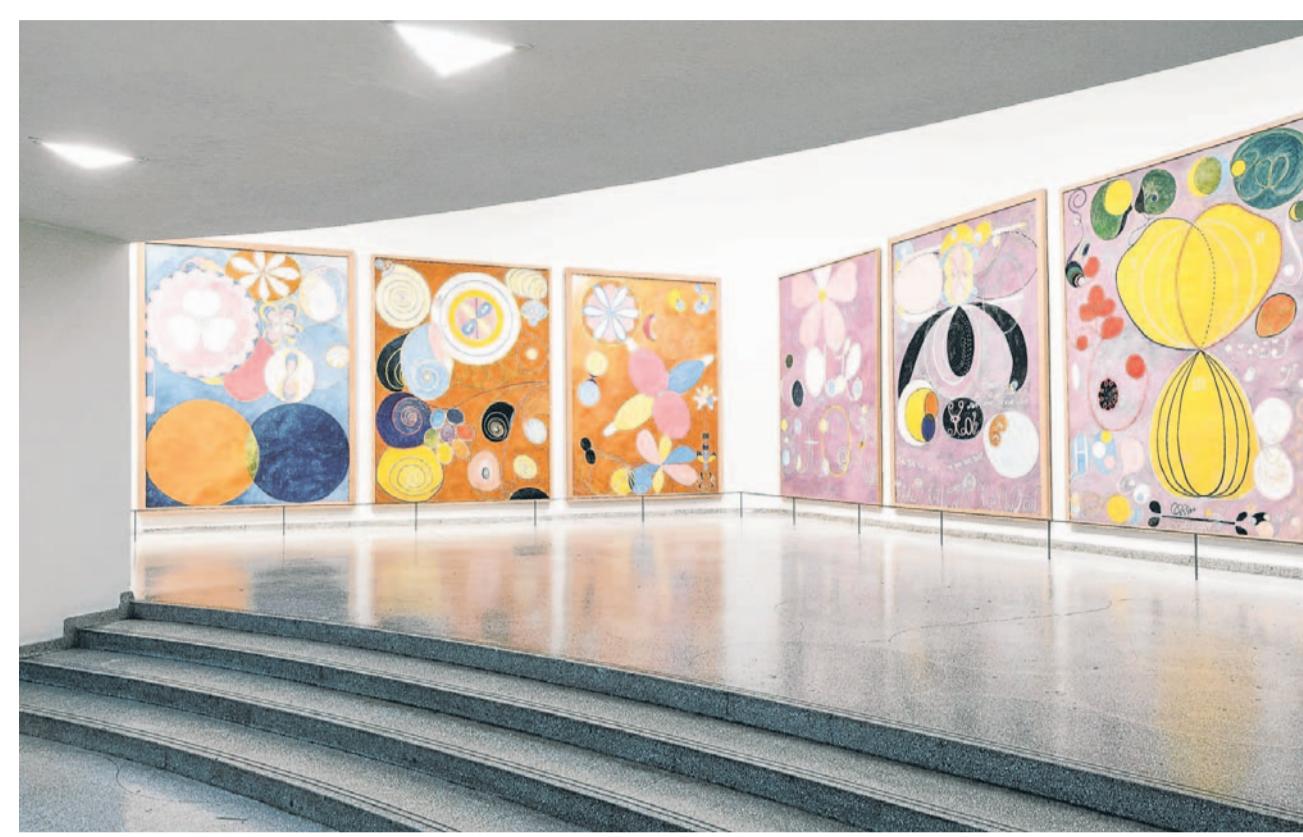
The first major show of her abstract art was in 1986.

Born in Stockholm, Af Klint studied painting at the city's Royal Academy of Fine Arts and established herself as a respected portraitist and professional illustrator for publications on science and design. A diviner as much as an artist, she sought transcendence and cosmic knowledge. Channeling spirits while she painted, Af Klint used art as both her mystical portal and as a visual journal of her journey, which imbues even her mural-sized paintings with the quality of schematics, charts and diary entries. Through séances, Af Klint claimed to have encountered guides who gave her a "great commission" that led her away from representation into abstraction.

This commission included the 193 abstract pictures in her monumental cycle "The Paintings for the Temple" (1906-15), which culminated in three large "Altarpieces," all of which were to be housed in a multilevel "temple" made of stacked rings connected by a spiraling path. And as you ascend the ramp of the Guggenheim—which Frank Lloyd Wright conceived as "a temple of spirit" to showcase works by Kandinsky, among others—Af Klint's spare, hard-edged, geometric and biomorphic abstractions at first seem to be right at home.

"Paintings for the Future" includes a handful of Af Klint's early representational works made prior to 1903, when she began, through spiritual interpretations of natural forms, to work abstractly. Among the few early realist pieces included here are botanical studies; some brooding, monochromatic portrait drawings; and the somber oil painting "Summer Landscape" (1888). In these stiff, tight pictures, as in most of her later work, forms lack weight, presence and movement; colors lack luminosity and spatial tension. The dynamic watercolor study of a mushroom, "Mörel" (1890s), with its writhing fleshy cap and gills, is a notable exception.

The show focuses instead on the artist's breakthrough



Clockwise from above:  
Installation view: 'Hilma af Klint: Paintings for the Future'; Hilma af Klint's 'Summer Landscape' (1888); 'Group X, No. 1, Altarpiece' (1915); 'Group IX/SUW, The Swan, No. 17' (1915); **Af Klint in the 1910s**

period, 1906-20, when Af Klint arrived at pure abstraction. This curatorial angle, emphasizing Af Klint's innovation rather than her evolution, feels unnatural and impatient. Although the show backtracks briefly to Af Klint's early figuration, it opens immediately with a series of 10 roughly 10-by-8-foot abstract tempera paintings, from 1907, that explore the ages of man.

These large paintings, each a single-colored, scumbled, airy field—often of light blue, or orange, or lavender—are crowded with jovial circles, spirals, mandalas, egg shapes, flowers, symbols, letters and squiggles. Suggesting amoebas or balloons, their forms float and meander like enormous 1960s flower-power doodles, and would fit in among the work of the contemporary Japanese pop artist Takashi Murakami. The strongest of the bunch is "Group IV, The Ten Largest, No. 10, Old Age," a pinkish-tinted white field in which a white cross, at the center of an otherwise primary-colored grid, presses forward in the plane. Conversely, most of Af Klint's abstract shapes—without discernible formal purpose—feel merely placed and inert.

Further up the ramp, and unusual here, is the modest, primary-colored "Group IX/SUW, The Swan, No. 17" (1915). A target of concentric circles in a flat red field, with a tiny triangle at its center, it achieves purity and equilibrium.

Generally, though, Af Klint's abstractions, at once esoteric and provincial, are a personal means, not a universal end. Viewers are put in the position of voyeurs—not fellow travelers on her spiritual quest. Her cryptic abstractions—fueled by a host of private, occult and religious sources—are intriguing, sometimes fascinating. Af Klint was the first modernist abstract painter. But, unlike her revolutionary contemporaries, such as Sonia Delaunay—the second modernist abstract painter—Af Klint remained an illustrator who decoratively applied (rather than formally explored) her newfound vocabulary. Af Klint definitely deserves our attention, but her curious life and oeuvre remain a footnote to the history of modernist abstraction.

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

**Hilma af Klint: Paintings for the Future**  
Solomon R. Guggenheim Museum, through April 23, 2019



FROM TOP: SOLOMON R. GUGGENHEIM FOUNDATION; PRINS EUGEN'S WALDEMARSUDDE; THE HILMA AF KLINT FOUNDATION/MODERNA MUSEET, STOCKHOLM (3)





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## SPORTS

NFL

## RIVERS: SHARP AS EVER

BY ANDREW BEATON

There was every reason to be skeptical of the Los Angeles Chargers before the season. They haven't made the playoffs since 2013, their franchise quarterback is aging and the injury bug seems to strike the team's most important players at inopportune times.

But in a week that exposed the deterioration of one veteran quarterback, another made a statement: Philip Rivers has at least one more run left in the tank.

Playing against the Browns and one of the most exciting young quarterbacks in the NFL, Baker Mayfield, Rivers and the Chargers trounced Cleveland 38-14. Rivers completed 11 of 20 passes for 207 yards and two touchdowns with one interception.

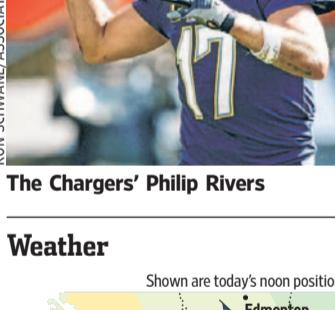
The win improved the Chargers to 4-2. It also set up a clear contrast between Rivers, 36 years old, and the quarterback he was traded for before either of them played a professional snap.

During the 2004 NFL Draft, Eli Manning went No. 1 overall, technically to the Chargers, but he was quickly traded to the Giants for the quarterback they took with the No. 4 pick: Rivers.

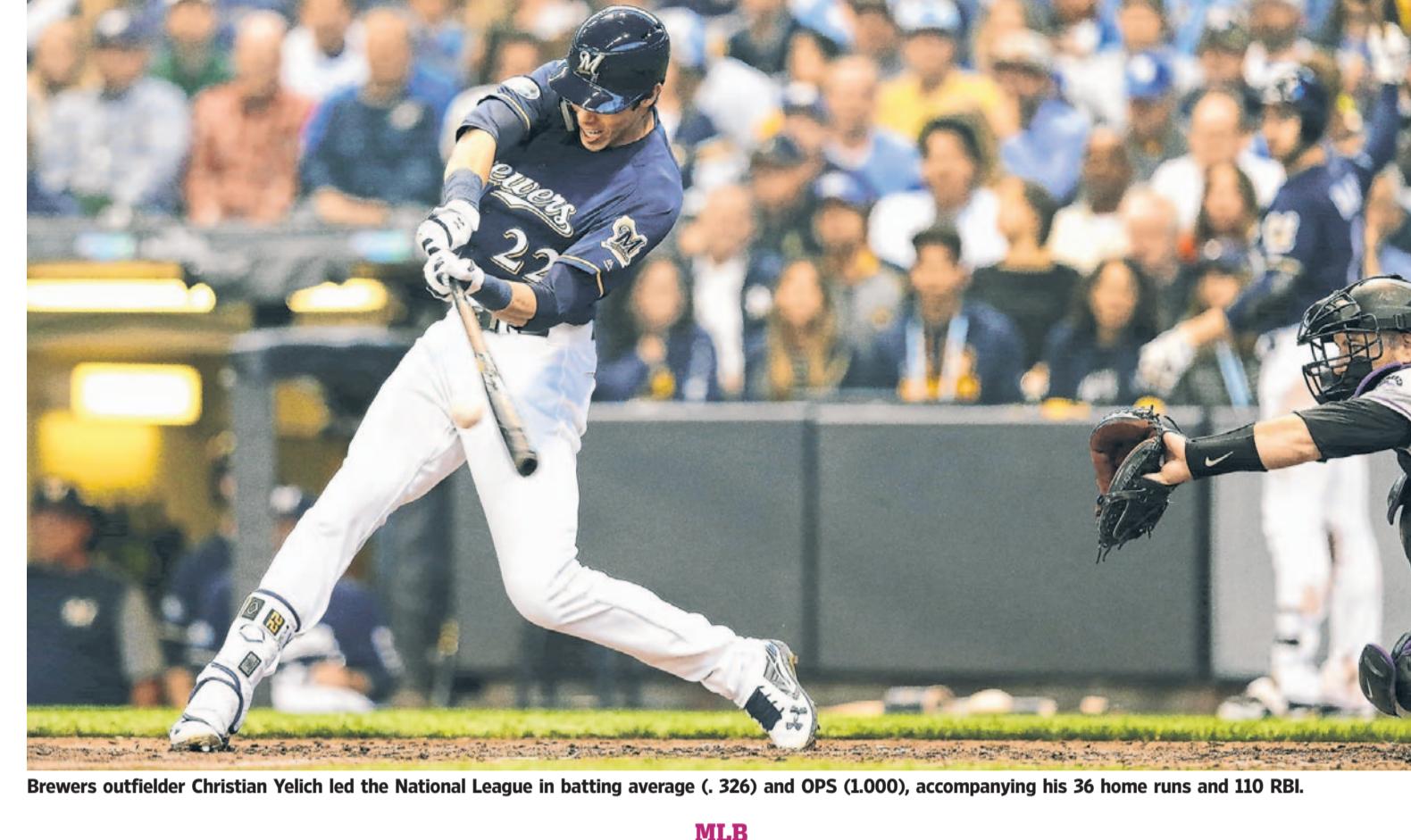
Since then, Manning has led the Giants to two Super Bowl wins while Rivers has consistently been among the best quarterbacks in the game, though he has never reached a Super Bowl.

In his 15th season, Rivers is on pace for one of the most productive seasons of his career. He has thrown for 15 touchdowns with only three interceptions with one of his highest completion percentages.

Rivers has looked like the best version of himself—which is a Hall of Fame-caliber quarterback who can make the Chargers one of the most dangerous teams in the league.



The Chargers' Philip Rivers



Brewers outfielder Christian Yelich led the National League in batting average (.326) and OPS (1.000), accompanying his 36 home runs and 110 RBI.

DYLAN BUELL/GETTY IMAGES

MLB

## The Most Valuable Brewer

Christian Yelich transformed into a superstar this season by making subtle tweaks to his game

BY JARED DIAMOND

Christian Yelich seemed like a good candidate to join baseball's "fly-ball revolution" as he arrived for his first spring training with the Milwaukee Brewers earlier this year. He connected with the ball very hard—but into the dirt. Yelich hit grounders more frequently than almost any major-league player from 2013 through 2017, with more than 59% of his batted balls over that span struck down onto the infield turf.

Given his remarkable hand-eye coordination and freakish natural talent, the thinking went, Yelich could join J.D. Martinez, Justin Turner and others who have transformed themselves into superstars by radically overhauling their swings to generate lift and hit more home runs.

Yelich resisted. His approach at the plate worked for him, propelling him to a .290 batting average over five seasons with the Miami Marlins. He worried about adding his name to a more ignominious club: players who tried to follow in the footsteps of Martinez and Turner—and inadvertently destroyed their careers.

"There's always that fear of getting worse," former Marlins manager Mike Redmond said. "It's just human nature to say, 'Hey man, maybe this is good enough.'

Over the past six months, Yelich proved that he could do so much more than he ever demonstrated in

Miami. He led the National League in batting average (.326) and OPS (1.000), accompanying his 36 home runs and 110 RBI, a performance that will likely earn him the MVP award. His brilliance helped bring the Brewers to the National League Championship Series against the Los Angeles Dodgers, which heads into Monday's Game 3 tied at one win apiece.

He accomplished all that not by succumbing to the pressure to revamp himself, but by making subtle tweaks on his own terms to add power without losing his identity. Yelich's ground ball rate fell to about 52% this year—not an enormous drop-off, but enough to turn a very good hitter into an elite one.

"This wasn't J.D. Martinez," Brewers general manager David Stearns said. "He felt pretty comfortable that if he stuck with what he was doing, he would continue to grow."

The 26-year-old Yelich won't delve too deep into the specifics of his adjustments, other than to say they are more mental than mechanical. "It's going to take us a lot longer than the time we have here to explain it," he said.

But he will say, emphatically, that none of his improvement stemmed from a concerted effort to increase his launch angle, the buzzword used these days to explain any unforeseen power surge.

In fact, when a reporter dared to invoke the term "launch angle" in a recent news conference, Yelich

started shaking his head vigorously even before the end of the question. "I never talked about launch angle, never mentioned launch angle," Yelich said. "I know there's a lot of people probably hoping that I would say that because that's just the trend in baseball. But it wasn't the case."

Indeed, Yelich's average launch angle in 2018 registered at 4.7 degrees—the same as 2017 and still among the lowest in the sport. A deeper look at the data, however, reveals where Yelich changed.

From 2015 through 2017, when Yelich hit a ball with an exit velocity of 100 mph or harder, the best possible contact, it was a grounder nearly half the time. This season, that figure plummeted to 39%. In other words, when Yelich sees a pitch he can crush, he no longer beats it down, but rather smashes it toward the fence. Now, when he hits the ball hard, he does serious damage in the air.

"It's just understanding yourself as a player," he said.

It didn't happen right away. He hit just 59 home runs in his 643 games with the Marlins, or one every 42 at-bats. By way of contrast, his teammate, Marcell Ozuna, homered every 26 at-bats over the same span. To the Marlins, however, that didn't matter, because Yelich continued to post a high average and deliver an OPS about 21% better than league average.

The grounders didn't deter the Brewers, either. They sent four pros-

pects to the Marlins to acquire him in January, a deal Stearns described as "the largest amount of prospect value the Brewers ever gave up in a single trade in the history of the franchise."

The Brewers recognized Yelich's unideal batted ball profile, but like the Marlins, they didn't want to touch him much. His consistent hard contact attracted them, and they "never had a conversation with him when he got here about his ground-ball rate," Stearns said.

For sure, the Brewers expected more thump out of Yelich. Plucking him out of cavernous Marlins Park, where the massive outfield swallows fly balls and incentivizes grounders, for the friendlier confines at Miller Park almost guaranteed it. Yelich admitted, "You have that in your head subconsciously when you play in a bigger ballpark."

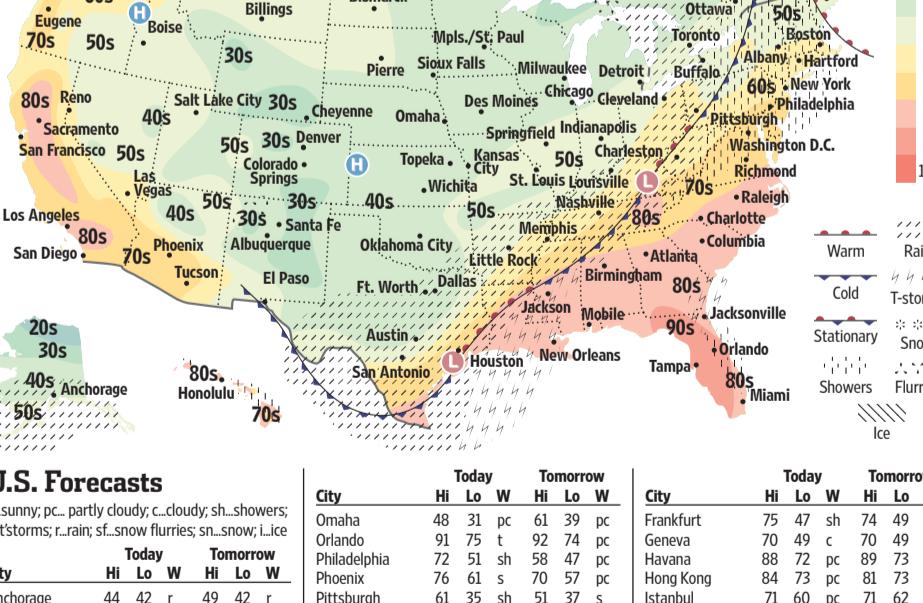
Yelich took care of the rest on his own, leading to a dream season. He carried the Brewers to the playoffs for the first time since 2011, hitting .367 with 25 homers and a 1.219 OPS after the All-Star break. He recorded three hits in Milwaukee's victory over the Chicago Cubs in the NL Central tiebreaker and has an .833 OPS so far in his first postseason.

And with a few more wins, it could end with the Brewers' first championship since 1982.

"What we've seen this year is a continued evolution of a very talented individual who's still learning about his swing," Stearns said. "That's been pretty special."

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

Today Tomorrow

Hi Lo W Hi Lo W

Anchorage 44 42 r 49 42 r

Atlanta 85 67 pc 82 63 pc

Austin 55 49 r 53 50 r

Baltimore 73 50 sh 60 47 pc

Boise 57 34 s 61 37 s

Boston 64 48 c 58 45 s

Burlington 58 40 sh 53 43 pc

Charlotte 82 65 c 78 64 c

Chicago 49 32 pc 55 39 pc

Cleveland 59 37 r 55 42 pc

Dallas 46 43 r 47 45 r

Denver 42 23 s 53 28 s

Detroit 54 35 pc 53 40 pc

Honolulu 86 74 pc 86 74 pc

Houston 77 60 r 64 57 sh

Indianapolis 51 32 r 54 39 s

Kansas City 48 28 pc 57 37 s

Las Vegas 69 51 s 73 52 s

Little Rock 59 45 r 48 44 r

Los Angeles 80 57 s 82 58 s

Miami 89 82 pc 90 81 pc

Milwaukee 47 34 pc 56 37 pc

Minneapolis 68 45 s 52 32 s

Nashville 88 74 pc 86 69 t

New Orleans 68 49 sh 57 46 s

New York City 49 38 c 54 41 pc

## International

Today Tomorrow

Hi Lo W Hi Lo W

Amsterdam 70 56 c 70 54 pc

Athens 71 60 p 73 59 pc

Baghdad 100 74 p 98 76 c

Bangkok 90 79 sh 92 78 c

Beijing 64 48 c 63 46 r

Berlin 70 49 pc 70 50 s

Brussels 72 55 c 72 54 pc

Buenos Aires 78 59 s 79 61 s

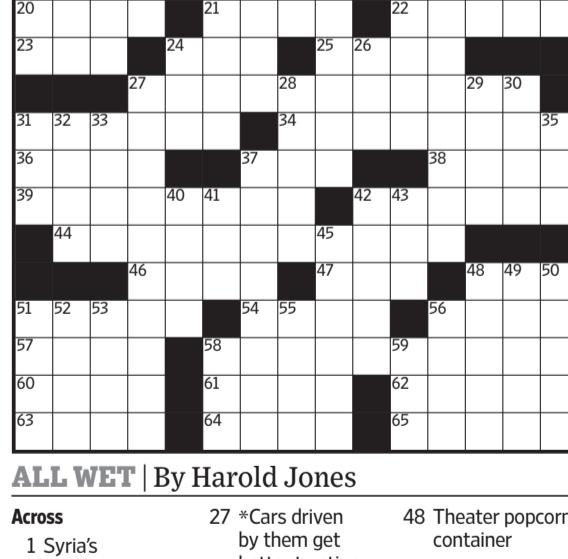
Dubai 94 81 s 93 82 s

Dublin 54 45 pc 59 45 r

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## The WSJ Daily Crossword | Edited by Mike Shenk



## OPINION

# Cuba Holds the Keys to Venezuela

AMERICAS  
By Mary Anastasia O'Grady

Retiring Sen. Bob Corker, chairman of the Foreign Relations Committee, went to Latin America last week to "get a sense of a way forward" in U.S. relations with Venezuela. Unfortunately, the Tennessee Republican took a wrong turn and ended up in Caracas. He should have gone to Havana.

Venezuela is now a wholly owned subsidiary of Cuba's 59-year-old military dictatorship. Without the full support of Cuba's sophisticated intelligence and advanced police-state methods, Venezuela's *chavismo* would have been overthrown years ago.

Mr. Corker should have known that calling on Venezuelan dictator Nicolás Maduro was worse than a waste of time and taxpayer resources. It was a favor to the Castro regime—yes, Raul still runs things—which for years has been promoting "dialogue" with the U.S. and the European Union as a way of buying time to tighten its grip on its satellite, Venezuela.

On the day of Mr. Corker's visit, Fernando Albañez, a member of the Venezuelan opposition, was eliminated in what had all the earmarks of a political murder. The 56-year-old Mr. Albañez had been arrested at Simón Bolívar International airport in Maiquetía by security agents on Oct. 5. Three days later he died at the Cara-

cas headquarters of Venezuela's state intelligence agency, an arm of Cuban intel.

The dictatorship alleges that Albañez, a devout Catholic, committed suicide by jumping out a 10-story window. Catholics believe suicide is a grievous sin. According to Albañez's friends and family, he never would have contemplated it.

Moreover, as one of Albañez's political allies asked in a series of rhetorical questions in the online Panam Post, aren't the windows of the Sebin building sealed and the prisoners handcuffed? As to jumping from a bathroom window, a former prisoner who was held in that building has said two policemen always escorted him to the restroom.

Albañez's mysterious death while in custody bears a sordid resemblance to the fate of many a Cuban who refused to bend to the Castro regime, which has perfected the art of creatively disposing of dissidents. In 2011 Laura Pollan, leader of the Ladies in White, died of an inexplicable infection. Oswaldo Payá, winner of the prestigious Sakharov Prize, was killed in a 2012 car crash when the vehicle he was riding in was run off the road.

Denying water to political prisoners on hunger strikes causes kidney failure, which is how the Cuban regime killed Pedro Luis Boitel in 1972 and Orlando Zapata in 2010; the all-purpose "heart attack" strikes unexpectedly. Death by "suicide" is a police-state favorite.

Albañez was a close friend of opposition leader Julio

Borges, who is in exile in Colombia. According to the Spanish newspaper El Mundo, Albañez's friends say state security wanted its prisoner to finger Mr. Borges as the intellectual author of a drone attack against Mr. Maduro at a military parade in August.

Allegations of torture have emerged. William Jiménez, an official at the morgue where Albañez's body was taken, alleges in an online video that

## A political prisoner is killed Castro-style in Caracas by state intelligence agents.

the autopsy found water in his lungs. Colombian news outlet NTN 24 wrote about the video, noting that Mr. Jiménez also claims that Venezuela's minister of the interior ordered that the report remove that information. Mr. Jiménez is now in hiding.

A transparent postmortem would have resolved such questions. But requests for independent doctors to be on the scene were ignored. The El Mundo story cited former Venezuelan attorney general Luisa Ortega, who is also in exile and says she has "information, from inside," that Albañez drowned while being tortured.

A forthcoming research paper on "Cuba's intervention in Venezuela" by Maria C. Werlau, executive director of the nonprofit Cuba Archives,

traces the history of Cuba's conquest. She notes that in 2007 the head of Cuba's "committees to defend the revolution" claimed that they had more than 30,000 members in Venezuela. In November 2017 the Spanish news outlet EFE reported from Havana that Cuba officially claimed to have 46,000 civilians working in "almost 20 social programs" in Venezuela.

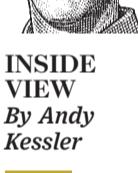
Ms. Werlau's research indicates that many of these "collaborators" are paramilitaries masquerading as social workers. Also, Cuban doctors she interviewed said they were told, before they left on missions to Venezuela, that "they must be ready to, at any time, take arms 'to defend the revolution.'

Add to these "missions" Cuban military and security agents, and estimates for the total revolutionary infiltration run as high as 100,000. Cuba also controls tens of thousands of trained and armed Venezuelan gang members who terrorize the population with impunity.

Ms. Werlau observes that the numbers aren't nearly as important as Cuba's "strategically-placed assets guarding every aspect of society and an all-encompassing electronic command of information, communications, and citizens' data." From passports to property titles to the electoral system, Venezuelan sovereignty has been surrendered to Cuba, which, Mr. Corker might bear in mind, is a close ally of Iran, North Korea and Syria.

*Write to O'Grady@wsj.com.*

# Think You're Smarter Than Your Boss?

INSIDE  
VIEW  
By Andy Kessler

Oct. 16 is National Boss Day, a Hallmark holiday if there ever was one. It's a funny holiday, because almost all employees hate their bosses—or at a minimum think they can do the job better. CEOs are especially reviled—slightly above cable installers and just below lawyers on the Rodney Dangerfield "no respect" totem pole.

Popular opinion insists that chief executives are greedy: CBS's Les Moonves paid himself \$69 million each of the last few years to air "NCIS" reruns. Or heartless: Amazon's Jeff Bezos paid meager wages until a tight labor market forced him to raise them. Or scheming: Mark Zuckerberg and Facebook know our wants and desires. Or truth-challenged: Investors in Elizabeth Holmes's Theranos learned that the hard way. Or plain clueless, like Lehman's Dick Fuld and just about every other CEO.

But where would we be without them? Despite an industry of business schools, management books and seminars, nobody can teach you how to be an effective boss, leader or entrepreneur. They're all self-taught. I'm always impressed when one is actually successful.

Most of investing is analyzing management. When I ran an investment fund, my partner and I would visit a dozen-plus CEOs a week in their offices. One rule of thumb was that if they closed their door, it was because they didn't want their staff to catch them lying to us. Silly, I know, but it worked more often than you'd think. We'd grill them on their organization—how many people report to them directly, how soon after the quarter closes do they get accounting numbers, who signs off on contracts? The answers didn't mean much; we were more interested in how the CEOs answered—confused, confident or hubristic—and seeing how good a handle they had on their teams.

We learned that running a company is like driving a tank down the middle of the road, except there are no windows so you can't see the road. There are dozens of levers and knobs to adjust the tank's direction. Your team works together to drive this machine as efficiently as possible with the fuel (capital) on hand. You're doing fine until you sense a giant tree right in your path, and you make a million small decisions in short succession as your team scrambles to adjust the levers and knobs to get around it safely. Oh, and unknown to you, a few members are plotting a mutiny to oust you.

It's not easy. Decisions come at you rapid-fire and,

like it or not, you've got to make a call, potentially without knowing the consequences for years. Meanwhile, a bigger boss or a board of directors is breathing down your neck, prepared to can you if you screw up. Sure, I'm fast to point out the flaws of CEOs, but I really do have respect for any boss who can consistently make a business grow.

## Management is a thankless task, and it can't be taught. Few people can do it well.

At a conference cocktail reception, I chatted up the CEO of a health-care company that made some esoteric device for spine surgeries. The CEO told me he started the company a dozen or so years ago, and it recently went public and now sports a billion-dollar valuation. Success by every measure. I told him I know how hard it is to pull that off. He cocked his head and asked, with a quizzical look: "Are you being serious or pulling my chain?" He was so used to people pecking at him, griping about every decision behind his back, and telling him he was born-on-third-base lucky. He added: "Everyone thinks this is so easy, that we're some overnight success."

I've had good bosses and bad ones. I've worked for the

most bureaucratic organization on earth—pre-breakup AT&T—and for the world's smallest company, myself (I hated my boss). I've found that flat organizations are better. Bosses need to be close to the information flow. Meetings are an inefficient mechanism for sharing information. New communication tools like Slack are game-changers for workers, but also for bosses and CEOs if they can harness them to help drive that tank.

General Electric is notorious for its layers upon layers of managers. Wall Street is generally flat—often your boss's boss reports to the CEO. But with that flatness comes a lot of political maneuvering. At Morgan Stanley, anyone a little too ambitious was sent to the Tokyo office, where he would have to figure out how to make his way back to New York without quitting the firm. Call it corporate "Game of Thrones."

Speaking of palace intrigue, in settling with Tesla CEO Elon Musk instead of removing him over false takeover tweets, Securities and Exchange Commission Chairman Jay Clayton said investor interests were "at the front of our minds" because "the skills and support of certain individuals may be important to the future success of a company." I think he's on to something. Tell your boss you know this is so easy, that we're some overnight success."

I've had good bosses and bad ones. I've worked for the

# I Failed the Bar, So I Became a Lawyer

By Mike Kerrigan

I'm visiting colleges with my eldest son, a high-school senior. He already has a favorite, but favorites can be deceiving. The young man doesn't realize he might like more than he knows. To teach him, I shared the story of the bar I built in college.

It was January 1993, and I had graduated a semester early from the University of Virginia. I intended to lollygag around while my buddies finished school, then join in the May graduation ceremonies. I shared the plan with my parents. They saw things differently.

"It's pretty simple," my dad said over the telephone. "If you're not a student, you're a worker."

"But the tuition I've saved is like found money," I argued.

"Yes," he agreed, "but it's my found money." That settled that. There would be no more tuition subsidy or help

with rent. A student no more, I was on my own. That foisted the mind.

The next day I went to my favorite bar, where I'd conducted the most, *ahem*, commerce in college. It seemed a good place to start my job search. I was right: They hired me on the spot, as a waiter and occasional ID-checker.

## On the importance of figuring out what not to do with your life.

Working the door at night was fun but challenging. I was tall but a buck sixty-five dripping wet, and about as intimidating as Martin Mull—not your traditional bouncer. I was also terrible at it. I once carded a 48-year-old man.

Things weren't much better indoors. As a waiter I proved a frequent spiller of soups. And despite my best efforts,

my wine service never improved. I seemed to put all bottles in a headlock, and each pour came out corky.

But fortune smiled on me that spring. A construction project—the building of an outdoor bar—was under way, right at the restaurant. I immediately traded away all my waiter shifts.

It was just skilled builder and me. He supplied the brains and I supplied the brawn. His name escapes me, although he'll never forget mine, lest he accidentally hire me again. That's not to say we didn't have a great time together, sipping surfaces while listening to bluegrass. But I was the project's weak link.

It was a big moment when we finished. There before my eyes stood a completed horseshoe-shaped bar. Helping to build it was by far the coolest thing I'd ever done. We tapped the keg, and my partner-in-labor graciously slid the first celebratory beer down the bar

to me, like in the Old West.

Alas, my sanding of the countertop had been below the craftsman's standard. Far enough below that the beer mug slid diagonally across the surface and promptly shattered on the hard ground.

We didn't say anything to each other; we didn't have to. It didn't take Gandalf to divine this was a bad omen. Within 18 months our snakebit bar was substantially rebuilt, this time without me as designated apprentice.

This brings me to the college-choosing advice I gave my son. It's often more difficult to discern what we're born to do than what we're born not to do. So rule out the impossible—the school that, like my carpentry stint, you just know isn't a good fit—then be open to the rest.

And wherever you end up, don't major in woodworking.

*Mr. Kerrigan is an attorney in Charlotte, N.C.*

BOOKSHELF | By John Buntin

# A New Kind Of Street Smarts

## The Next American City

By Mick Cornett  
(Putnam, 254 pages, \$27)

**M**idsized cities are having a moment. Last year, the nation's biggest metro areas lost residents to smaller ones for the first time since the Great Recession. Millennials in search of affordable housing are moving not just to hipster places like Seattle and Denver but to Memphis and Louisville. Even cities that have bled residents for years, such as Akron, Ohio, and Scranton, Pa., are starting to stabilize. Mick Cornett's "The Next American City" calls on midsize metros to seize this moment and secure their future. "New, exciting ideas," he writes, are "growing in these places, a true revolution is coming."

Mr. Cornett is a consequential figure in urban circles. From 2004 to early 2018, he served as the mayor of Oklahoma City. When he took office, the city was just beginning to recover from the energy bust of the 1980s. Decades of misguided "urban renewal" had devastated downtown. Many streets lacked sidewalks. The "river" that defined the southern edge of downtown lacked water. By the time he stepped down, things had changed, and not only downtown. The city had a snappy new nickname (OKC), an NBA team (the Oklahoma City Thunder), hip new neighborhoods (Bricktown, Automobile Alley), and a river, yes, with water, even with world-class rowing facilities. Every street in the downtown area had been rebuilt. So had every inner-city school in the city.

These kinds of changes require money—in the case of Oklahoma City, more than \$5 billion in public and private funding. Yet Oklahoma City accomplished this feat without permanent tax increases. That story is at the heart of "The Next American City." Oklahoma City's transformation began with a humiliating setback. In 1990 United Airlines announced a nationwide competition for the site of a vast new maintenance facility. The airline estimated that it would provide 7,000 jobs and generate nearly a billion dollars in economic activity. Oklahoma City needed a turnaround win, so Mayor Ron Norick pulled out all the stops. First, he persuaded city voters to add a one-cent surcharge to the city's sales tax for three years to help build the United facility. Then he secured an additional \$180 million in incentives from the state. Yet ultimately United chose Indianapolis. It's not that Indianapolis offered more incentives; it simply offered a more appealing city. As Mr. Cornett puts it: "Oklahoma City was an incredible place to live . . . if you were a car."

For Oklahoma City's leaders, it was a lightbulb moment. Henceforth it would focus on creating livable spaces instead of trying to create jobs. In 1993 Mr. Norick went to voters with another proposal for a temporary sales-tax increase, but this time the money was used differently. Dams put water into the dry riverbed in the center of the city. A new ballpark was built to keep the city's minor-league team and a new sports arena to serve a professional sports franchise. A new central library was constructed. Transit got an upgrade. So did the fairgrounds.

## Losing out in the contest for a corporate facility provided a lightbulb moment. Cities would have to transform themselves in some other way.

No money was borrowed to pay for these projects, and only when the sales tax raised enough revenue did the building begin. Mr. Norick called the process MAPS, for Metropolitan Area Projects. "MAPS changed everything," Mr. Cornett writes. It jump-started private investment downtown. More important, it became a formula for urban investment that conservative voters would accept. Since 1993, OKC has been through two additional rounds, one to rebuild the city's schools, the other to build a network of sidewalks, bike lanes and street-car lines. Each has involved a direct vote on a temporary sales tax for a specific project, to be overseen by citizen advisory groups.

But "The Next American City" isn't just about Oklahoma City. Among other midsize cities, it includes chapters on Albuquerque, N.M., Louisville, Ky., Des Moines, Iowa, Sacramento, Calif., Buffalo, N.Y., and the evocatively named El Dorado, Ark. (which in Mr. Cornett's telling does sound great). From their experiences, Mr. Cornett extracts some core lessons. For instance: Talent can come from anywhere. To develop a medical startup district around the Buffalo Niagara Medical Campus, Mr. Cornett notes, Buffalo turned to Pat Whalen, a retired logistics entrepreneur-turned-ski bum. Under his direction, over the course of eight years, the district went from three startups to 140. In Oklahoma City, a well-connected entry-level employee, Christy Counts, led a fund-raising effort to upgrade a local animal shelter. Another lesson: Build on civic strengths. Des Moines transformed its old central library building into the Norman E. Borlaug World Food Prize Hall of Laureates. Now, every fall, scientists and business leaders from around the world gather to celebrate the recipient of a \$250,000 prize in a building named after the native Iowan whose work sparked the Green Revolution.

The most important lesson of all: Taxpayers are more likely to pay for something if they get to approve it and oversee it, and if taxes are temporary. Oklahoma City's experience would seem to confirm the wisdom of this idea. But how far will it get other cities?

Oklahoma City did benefit from smart leadership. But it also benefited from the oil and natural-gas boom brought about by the fracking revolution. The local businessmen who brought the Sonics from Seattle to OKC (where they became the Thunder) included a billionaire co-founder of Chesapeake Energy. The rowing facilities along the Oklahoma River? That was Chesapeake Energy too, along with another local Fortune 500 company, Devon Energy. The overhaul of the streets and sidewalks of downtown? When Devon Energy decided to build a 52-story skyscraper, it paid to overhaul all of downtown too (with repayment occurring later, courtesy of tax-backed financing).

Corporate largess of this sort is something that most cities can only dream of. Oklahoma City's success looks rather different when seen in this light—the result, in part, of beneficial economic trends and benevolent corporate chieftains as well as the shrewd strategies and useful ideas that Mr. Cornett describes so well.

*Mr. Buntin is a staff correspondent at Governing magazine.*

## OPINION

## REVIEW &amp; OUTLOOK

## Who's Attacking Political Norms Now?

**A**fter the extraordinary tumult of Brett Kavanaugh's confirmation hearings ended, three normal things happened that are embedded in this country's Constitution and traditions.

The full Senate voted on the nomination, and Judge Kavanaugh was confirmed. Then Supreme Court Chief Justice John Roberts swore in Mr. Kavanaugh as an Associate Justice. Last Tuesday Justice Kavanaugh, sitting as the most junior Justice next to Justice Elena Kagan, participated in oral arguments in two cases involving the Armed Career Criminal Act.

For Democrats, this return to normalcy is intolerable. They are doubling down on their war against the new Justice.

They have several related goals: Undermine Justice Kavanaugh's authority on the Court, argue that his presence undermines the legitimacy of the Supreme Court itself, drive Justice Kavanaugh off the Court through impeachment if they win control of the House of Representatives, and, most fantastic of all, consider expanding the size of the Court if they regain control of the government.

At his political rallies, President Trump has taken to calling out "the radical Democrats." Democrats are appalled at the President's rhetoric. We can't imagine why. If the party's post-confirmation campaign against Justice Kavanaugh isn't a radical departure from the norms of American politics, we can't imagine what is.

Dianne Feinstein, speaking from her Senatorial platform on Twitter, wrote that Judge Kavanaugh's confirmation "undermines the legitimacy of the Supreme Court." Possibly Twitter's character limitations prevented Senator Feinstein from explaining exactly how the legitimacy of the Court was being undermined, but the idea has taken hold among Democrats.

Eric Holder, Barack Obama's first Attorney General, took to Twitter to assert: "The legitimacy of the Supreme Court can justifiably be questioned." Does this mean that Mr. Holder, once the nation's highest legal officer, will next call for flouting Supreme Court decisions? The last time this happened was the South's resistance to *Brown v. Board of Education* and school desegregation.

The pretext for these assertions and for the impeachment talk is that Mr. Kavanaugh "lied"

**Democrats target the 'legitimacy' of the Supreme Court.**

to the Senate Judiciary Committee. The list of alleged lies justifying impeachment is extensive, including the controversies during the George W. Bush Presidency over enhanced interrogation and warrantless wiretaps.

Six Senate Judiciary Committee Democrats have filed a Freedom of Information lawsuit to force the Bush Presidential Library to release all documents in any way associated with Mr. Kavanaugh, who served as President Bush's staff secretary for nearly three years. "They will come out," says Connecticut Senator Richard Blumenthal, "adding to the cloud and stain." Charming, as always.

The Presidential Records Act ensures that no such documents would be released before 2021. So we assume one purpose of this deep-sea fishing expedition is to put pressure on Justice Kavanaugh to recuse himself from an array of Bush-era issues that may come before the Court, effectively suppressing one of the five potential conservative votes.

Simultaneously, House Minority Leader Nancy Pelosi has filed a Freedom of Information Act request to obtain documents about the FBI's supplemental investigation into the assault accusations by Christine Blasey Ford and Deborah Ramirez.

Picking up the baton, New York Rep. Jerrold Nadler, who will run the Judiciary Committee if Democrats gain control of the House in November, said the committee "would have to investigate any credible allegations of perjury and other things." Describing the possibility of "criminal acts," Senator Cory Booker also has raised the issue of an impeachment proceeding against a sitting Supreme Court Justice.

They're merely getting started. Commentators on the left are urging Democrats to pack the Supreme Court with additional liberal Justices if they gain control of the government in 2021. There have been nine Supreme Court Justices since 1869.

After Clarence Thomas joined the Court in 1991, a handful of leftwing journalists hounded him for years. But it is an unprecedented, sad spectacle to see one of America's two major political parties dedicate itself to undermining the authority of the nation's highest Court by trying, still, to destroy Brett Kavanaugh.

Donald Trump has this one right. Democrats have become a party of political radicals.

## Jack Dorsey's Homeless Mugging

ible improvement in conditions."

Mr. Dorsey responded to the mayor's opposition by tweeting Friday that "I don't believe this (Prop C) is the best way to" help the homeless and that "Mayor Breed was elected to fix this. I trust her." Twitter users including Salesforce CEO Marc Benioff then pounced on Mr. Dorsey

for being greedy.

"Homelessness is all of our responsibility," tweeted Mr. Benioff, who touted his personal donations to help the homeless. "CEO @jack created \$50B in market cap in Twitter & Square & \$6B personally in our city & received a special Mid Market Tax Break. Exactly much have companies & personally given back to our city, our homeless programs, public hospitals, & public schools?"

Mr. Benioff's philanthropy is commendable, but San Francisco's tech employers and their employees pay billions of dollars in taxes. Last year the city budget increased by \$937 million. If businesses flee, there will be fewer jobs and less tax revenue.

Vociferous opposition by businesses and especially Amazon led to the repeal of a destructive head tax in Seattle earlier this year. If he can find the nerve, perhaps Mr. Dorsey can lead a #saveSanFrancisco campaign.

## Revolt of the Tipped Masses

**P**rogressives have made the Fight for \$15 a national issue. But Washington, D.C.'s

Democratic city councillors this month moved to overturn a mandatory minimum wage for tipped workers after bartenders, waiters and restaurant managers served up a lesson in economics.

On Oct. 2 the D.C. City Council voted 8-5 to repeal Initiative 77, a ballot measure imposing a \$15 minimum wage for all tipped workers by 2026. The wage hike was billed as a way to give workers financial stability and protect them from sexual harassment by restaurant patrons. But tipped workers realized the policy came with serious unintended consequences.

Before the measure passed in June, many restaurant workers wore buttons asking patrons to "save our tips" and "vote no on 77." When Washingtonians passed the measure anyway, the workers pushed for repeal. Though restaurants pay a \$3.89 hourly wage to tipped workers, "we choose these jobs because we make far more than the standard minimum wage" from tips, bartender Valerie Graham told the City Council.

Labor costs typically account for about 40% of a D.C. restaurant's overall expenses. The Restaurant Association Metropolitan Washington estimates that raising the minimum wage to \$15

**The Twitter CEO makes sense on taxes, gets pounded by the left.**

In response to "The Competitive World of School Lunches" (Life & Arts, Oct. 2): Other ways parents could demonstrate their love for their children and assuage mixed feelings about working outside the home is to put the phones away, teach the kids nutrition and show them how to make their own lunches. Put out a choice of healthy options, let the kids pick and pack, and gradually transition to having the kids do the whole job from start to finish.

Our daughters were responsible for making and packing their own lunches, starting in kindergarten. I am happy to say that they are doing the same with their own kids, and both daughters are now excellent cooks with wide-ranging tastes, even though they were picky as little ones.

One day, my grandson decided to have an all-fruit lunch. By the end of the day, he realized this hadn't been a good choice, as he was very hungry and cranky. Kids learn by doing. Let them!

## LETTERS TO THE EDITOR

## The President Knows What He's Doing on E15

Your editorial "That's What You Want to Hear" (Oct. 11) criticizing President Trump's decision to allow year-round sales of E15 only proves the president knows far more about fuel regulation, value-added agriculture, consumer choice and savings at the pump than the Journal does.

You're wrong in suggesting E15 hasn't been allowed in the summer because it creates smog. In fact, the EPA concludes E15 emits less ozone-forming hydrocarbons than gasoline—not more. E15 has been denied to consumers because of antiquated regulations that simply didn't envision higher ethanol blends. The de facto summertime ban on E15 is a perfect poster child for the type of unnecessary regulations President Trump has endeavored to repeal.

You also misunderstand the market for ethanol, gasoline and renewable identification numbers (RINs), credits used by refiners to comply with the Renewable Fuel Standard (RFS). Ethanol is far less expensive than gasoline today, so adding more of a higher-octane, lower-priced fuel benefits both consumers and gasoline marketers. Moreover, there is a record supply of surplus RINs available today, driven by the unprecedented number of RFS compliance waivers granted to profitable refiners by former EPA Administrator

Scott Pruitt. Those waivers reduced RFS demand by 2.25 billion gallons, causing us to wonder why the Journal believes refiners needed to get something in exchange for the regulatory relief President Trump provided ethanol.

Far from benefiting from a "potpourri of government distortions," ethanol is a cost-effective, clean-burning, value-added fuel that is stimulating investment in rural America and reducing costs at the pump.

GEOFF COOPER  
President  
Renewable Fuels Association  
St. Louis

I dare any politician who thinks ethanol-blended gas is a great idea to try to start a two-stroke engine which has been sitting all winter in a shed with old 10% ethanol-mix fuel.

You will take the piece of equipment to the curb for the next trash pickup. The E15 mix is going to be an even bigger disaster.

For the record, I got tired of buying gas-powered weed whackers and have switched to a battery-powered unit. Is the secret plan to reduce our dependence on fossil fuel to give us gas that breaks our lawn equipment?

CHRIS SOBOLEWSKI  
Collegeville, Pa.

## The Lucky Would-Be Steaks Have Done Well

In response to "Would-Be Steaks Escape Manhattan for Farm Haven" (page one, Oct. 2): We humans are overdue for a reckoning with our treatment of other animals. I'll never forget the first time I got a cow kiss at a sanctuary. A huge, gray, sandpaper-like tongue swept up my face from bottom to top, leaving me to stare into the warm, soft brown eyes of Hugo. A gigantic steer followed us across the barn and nudged us for more strokes.

The ancient Egyptian goddess of motherhood, Hathor, was often depicted as a cow or as a woman wearing cow horns. We need to catch up with the wisdom of people who lived thousands of years ago.

DEBORAH W. ELLIOTT  
Pacific Palisades, Calif.

Your article made me feel much better about my somewhat surreal encounter after the Rockefeller Center Christmas tree-lighting ceremony in 2012. While walking back to my hotel room at about midnight along a deserted street lined with metal crowd-control barricades, I passed a goat walking in the opposite direction at a brisk pace as if it was late for an appointment. I remember thinking that it had probably escaped from the back alley of a Greek restaurant and was heading back to the farm, guided by some internal compass. With any luck, it is living a comfortable life at the sanctuary you write about.

PATRICK J. RUSNAK  
Yorba Linda, Calif.

## Are Mansions on Campus a Charitable Need?

"Big Mansions on Campus" (Mansion, Oct. 5) cites an accountant who said the housing provided to college presidents isn't considered taxable if the president is required to occupy the home as a condition of employment and the home is on campus.

The relevant provision in the Internal Revenue Code also requires that the housing must be provided for the "convenience of the employer." It has been interpreted to mean that the lodging must be necessary for the proper functioning of the employer's business.

What's the business necessity for a president to live on a college's premises? To deal with emergencies? Presidents are often away raising money. To entertain? Presidents do need to hang out with potential donors, but they don't have to do it at home. The case for treating these mansions as a nontaxable fringe benefit has always been weak.

EM. PROF. ERIK M. JENSEN  
Case Western Reserve University  
Cleveland

## End Competitive Lunching With Choice, Responsibility

In response to "The Competitive World of School Lunches" (Life & Arts, Oct. 2): Other ways parents could demonstrate their love for their children and assuage mixed feelings about working outside the home is to put the phones away, teach the kids nutrition and show them how to make their own lunches. Put out a choice of healthy options, let the kids pick and pack, and gradually transition to having the kids do the whole job from start to finish.

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CAROL ZINK  
Holderness, N.H.

We wonder why college costs so much. Your article shows that Yale University's presidential residence was renovated in 2013 at a cost of \$17 million. Its estimated value is \$4 million.

EM. PROF. PORUS OLPADWALA  
Cornell University  
Albuquerque, N.M.

## Saving the Planet, Getting Bribes and Staying Poor

Reinforcing Mary Anastasia O'Grady's "Why Central America Stays Poor" (Americas, Oct. 8): Our consultancy provides services to mining and mineral-exploration companies world-wide. Until recently, we generated over three-quarters of our revenue from projects outside the U.S. and Canada, mainly Mexico, Central America and South America. In the last three years, three-quarters of our revenue is now generated from projects inside the U.S. and Canada. I suggest that the dominant motivation of that shift in revenues is the preference for safety of jurisdiction.

The opposition to mining masquerades as being based on indigenous, political, legal or environmental grounds, but the real reason is to "stay poor." No matter how profitable a mine is, and no matter how law-abiding a company is, and no matter how much money is invested, a company cannot overcome political opposition without the rule of law. One could posit that the more profitable a mine is, the more likely the owner is to lose ownership, title or mining rights.

STEVE RISTORCELLI  
Gardnerville, Nev.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"Terminated—just like that—not even a trigger warning?"

## OPINION

# Why Kill Jamal Khashoggi?

By Karen Elliott House

**T**he case of the vanished and apparently murdered Saudi activist and writer Jamal Khashoggi is a tale with a victim and villains, but no heroes.

Mr. Khashoggi, a longtime retainer of the Saudi royal family and more recently a critic of the regime, entered the Saudi Consulate in Istanbul, Turkey, Oct. 2, seeking documents relevant to a divorce. The Turkish government claims to have proof that a Saudi hit squad murdered him inside the consulate, chopped his body to bits, and dispatched the remains in a black van to a private plane headed for Saudi Arabia. Portions of this plot remain unverified but there seems little doubt Mr. Khashoggi is dead.

The primary villain apparently is Crown Prince Mohammed bin Salman, who runs every aspect of Saudi Arabia and without whose authorization nothing of consequence takes place. But this sordid episode isn't best thought of as the clash between an autocratic ruler and a democratic hero. It is more of an internecine conflict.

**The most charitable interpretation is that this was an abduction that went horribly wrong.**

Mr. Khashoggi, notwithstanding his credentials as a columnist for the Washington Post, spent most of his adult life working with and for the Al Saud family and its media properties. He also did stints for Saudi intelligence, headed for part of the time by Prince Turki al-Faisal, who later served as ambassador to the U.S. Mr. Khashoggi's early claim to fame was interviewing Osama bin Laden in 1980s Afghanistan, where both were allied with the anti-Soviet mujahedeen. Mr. Khashoggi broke with bin Laden in the 1990s and after 9/11 became Riyadh's favorite example of a reformed Islamic funda-



Protesters outside the Saudi Consulate in Istanbul, Turkey, Oct. 9.

mentalist, often produced for visiting Westerners to outline his conversion. But under King Salman and the crown prince, Mr. Khashoggi became an outcast, accused of supporting the fundamentalist Muslim Brotherhood. He moved to the U.S. in July 2017.

While Crown Prince Mohammed has made significant social and economic reforms, he has never claimed to be a democrat. Recently he acknowledged jailing 1,500 people, famously including the 300 relatives, ministers and business barons who were confined inside the Riyadh Ritz-Carlton. None of that, however, prepared those of us who knew him for the murder of a citizen in what is supposed to be the security of his nation's consulate.

Kidnapping critics and returning them to Saudi Arabia isn't new for this regime, though previously such incidents got little publicity because no one died. Perhaps the crown prince thought he could again escape any consequences. After all, Russia's Vladimir Putin has poisoned dissidents in London; China's Xi Jinping runs an archipelago of re-education camps; and Turkey's increasingly despotic Recep Tayyip Erdogan—who is leveling the charges at the Saudis—has jailed thousands with little or no international consequence. Perhaps the world will soon forget a political murder.

But there surely will be a lasting reputational price for the crown prince. With so much power over a largely pacific populace, why would he order or sanction what amounts to a mafia murder? Mr. Khashoggi wasn't leading a civil rebellion against the regime. Nor was he a widely popular focus of dissent in the kingdom. He seemed to pose no serious threat to Crown Prince Mohammad's rule.

That Mohammed bin Salman believes Mr. Khashoggi was a supporter of the Muslim Brotherhood, a transnational Islamist organization, and on the payroll of Qatar, a Saudi nemesis, seems more an excuse than a reason. Those who watch the crown prince closely say he is determined to pre-empt any hint of possible disruption before it can materialize. So Mr. Khashoggi's decision to register in the U.S. a new political organization, Democracy for the Arab World Now, perhaps funded by Saudi regional rivals, might have triggered this action.

It seems clear that Mohammed bin Salman, accustomed to issuing orders on every aspect of Saudi life without question or contradiction, wanted to silence Mr. Khashoggi. When efforts to woo him back as an adviser failed, he was captured in Istanbul, where he hoped to marry his Turkish fiancée. The most charitable interpretation is that this was

an abduction that went horribly wrong.

Now what? While the crown prince can ignore Saudi domestic opinion, he must care about his international image, especially among foreign investors, whose money he needs to realize his Vision 2030 economic reforms. Businessmen who had embraced him—such as Richard Branson, Uber's Dara Khosrowshahi and Viacom's Bob Bakish—are stepping back. Many others won't dare show up at this month's investor conference the crown prince is hosting in Riyadh. The mass incarcerations at the Ritz-Carlton a year ago had dimmed the crown prince's image. This blackens it.

While the crown prince doesn't care about media or even congressional criticism, he must care about any U.S. action that significantly alters the fundamental U.S.-Saudi relationship—which has never been based on shared moral values but rather on mutual security. In a dangerous neighborhood, Saudi Arabia depends on American security guarantees; likewise, any radical evolution in Saudi Arabia would threaten all U.S. interests in the region. Most important, President Trump and Crown Prince Mohammed share a deep distrust of Iran, so that the U.S.-Saudi security relationship seems likely to hold for now.

But Congress may block weapons sales in support of the crown prince's still-unsuccessful war in Yemen, where more than 6,000 civilians have died. Sen. Lindsey Graham has warned of a "bipartisan tsunami" in Congress if the Saudis are proved guilty of Mr. Khashoggi's murder. Congress might even go beyond Yemen and block all weapons sales to Saudi Arabia, despite Mr. Trump's opposition.

The more lasting effect likely will be a diminution of trust, leaving the U.S.-Saudi relationship resembling a loveless marriage in which neither side can afford to file for divorce.

*Ms. House, a former publisher of The Wall Street Journal, is author of "On Saudi Arabia: Its People, Past, Religion, Fault Lines—and Future" (Knopf, 2012).*

# Tariffs Are Like a Knife In a Gunfight

By Zachary Karabell

**T**ough Donald Trump defends his deployment of tariffs as a radical shake-up of world trade, he is using a dusty playbook. While the president certainly has the legal authority to impose duties, the statutes on which his administration relies are perilously out of date. They are based on an economic order that no longer exists.

Section 232 of the 1962 Trade Expansion Act and Section 301 of the 1974 Trade Act serve as the basis for tariffs on more than \$250 billion of Chinese imports, as well as duties levied earlier this year on all steel and aluminum imports. Those laws were passed during the heyday of U.S. economic dominance—a time when access to American markets was essential to dozens of countries. From the end of World War II through the 1970s, the U.S. was by far the largest economy, the largest exporter of manufactured goods, and the largest consumer of foreign goods.

**The laws that let Trump impose duties unilaterally were made for an era when the U.S. dominated trade.**

But the relative stature of the U.S. in global trade has shrunk in the past four decades, as other countries and regions have become more affluent. In 1960 the U.S. represented 40% of global economic output; today it comprises barely 20%. This makes the Trump administration's unilateral approach an anachronism—and not a winning one. Using laws and policies designed for an era that no longer exists is tantamount to deploying antiquated weapons in a modern war.

In taking this unilateral approach, the administration ignores the vast multilateral framework that has emerged since the '60s. The World Trade Organization, which the U.S. helped create, imposes firm collective sanctions, and the U.S. has won more than 90% of the 123 WTO disputes it has filed since 1995.

It should come as little surprise that the administration is using strategies employed in a different era. U.S. Trade Representative Robert Lighthizer played hardball with Japan in the 1980s as deputy trade representative. Then the U.S. successfully used Section 301 to put pressure on Japan to open its markets. But Japan then is not China now. The U.S. purchased about a third of Japanese exports in the '80s and supplied close to half of its foreign investment. American companies were still competitive in Japan's major export industries, such as cars and semiconductors. And the U.S. held more leverage as the main provider of Japan's national defense.

Facing China today, the U.S. has almost none of those advantages. China has a \$700 billion trade relationship with the U.S., including imports and exports, but it has a \$3 trillion trade relationship with the rest of the world. That makes it less vulnerable to unilateral U.S. tariffs.

The desire for a return to the mid-20th century, when America made everything and sold to everyone, is understandable but not at all realistic. To bring such a circumstance about, much of the world would have to collapse economically. The U.S. in the immediate postwar period accounted for as much as 50% of manufacturing world-wide, largely because Europe and Japan were decimated. The world today is far richer, and the developing world has emerged in full force, accounting for more than 60% of global economic output. The U.S. remains large and incredibly prosperous, but it is no longer a giant in a world of economic pygmies. Making the U.S. market less accessible and rejiggering deals will no longer send allies and adversaries scurrying to make nice.

Times change, and the legal frameworks around trade need to be updated to match new circumstances. The statutes on which the Trump administration relies are vague, old and notably unilateral. They are fit for a world of American dominance that no longer exists. Mr. Trump thinks he's standing up to America's adversaries, but he is, as the adage goes, bringing a knife to a gunfight. All Americans will be the losers.

*Mr. Karabell is an investor and the author of "The Leading Indicators: A Short History of the Numbers That Rule Our World."*

# An Asian-American Dissident at Harvard

By Kelley Babphavong

**C**ambridge, Mass. University goes on trial in Boston this week. A lawsuit alleging that Harvard discriminates against Asian-Americans may ultimately determine whether race will be considered in future college admissions.

My parents are among the many Asians who journeyed from their homeland to provide better opportunities for their children. They came from Laos, one of the few countries that are still communist. Their experience in education has shaped how I view my own: Access to education in Laos is limited, and what is taught is mostly communist propaganda. When I was growing up, my parents

stressed the value of real education. I attended urban public schools and now have the privilege of going to Harvard—a privilege I hope more Asian-Americans will enjoy if the lawsuit succeeds.

**Of course I'm grateful to have been admitted despite my background. But why shouldn't I be critical?**

It's not easy to voice my opinion about Harvard's admissions policies on campus. For all the talk about "diversity," many fellow students won't tolerate my views. I often get

comments such as, "How can you be against affirmative action? That's racist," and "You should be grateful to Harvard. Why are you critical of them?"

Of course I'm grateful for the opportunity to go to Harvard despite my Asian background. But why shouldn't I be critical? Contemporary affirmative action has failed millions of Asians pursuing the American dream. The plaintiffs challenging Harvard have already shown that Asian-Americans are held to higher standards than others, and often their rejection boils down to the single factor of race. While the Supreme Court has ruled that race can be considered in admissions, it cannot be the only factor.

On campus, I'm often labeled as

ignorant and bigoted for opposing affirmative action. I'm one of the few students who openly criticize Harvard. Even among friends and fellow Asian-American students, this is a polarizing issue that has fallen on partisan lines. Yet real alternatives to race-based affirmative action exist.

Race-blind admissions processes that prioritize socioeconomic status, taking into account how applicants have dealt with life's challenges, would do a far better job of creating genuine diversity.

Asian-Americans know they are being unfairly discriminated against under a defense of diversity. Let's hope the courts recognize it too.

*Ms. Babphavong is a junior at Harvard.*

# Technology for Older People Doesn't Have to Be Ugly

By Joseph F. Coughlin And Luke Yoquinto

**T**echnologies aimed at keeping older people healthy have long combined cumbersome form and infantilizing function. Way back in 1947, you could strap on a wearable heart-rate detector and go for a stroll. (At 85 pounds, it was "wearable" only on your back, and not for long.) In 1975 the American International Telephone Corp. began selling necklace-style alert systems that could summon an ambulance in an emergency. By 2009 you could buy a wearable device to detect if you'd taken a fall in your home.

Only today is the elder-tech industry finally going mainstream. In September, Apple announced its

latest Watch, which includes all the aforementioned capabilities in a small, sleek package. This is merely the latest in a series of developments suggesting a tipping point: Health technology for older people is now designed not merely to be endured, but embraced.

Historically, many such technologies prioritized bodily needs over aesthetics. This is true of the Life Alert necklace of yore and some fall-detection startups today. Many of these technologies were designed by young people who couldn't imagine themselves actually using them. The byword for the boatloads of medication-reminder systems, simplified cellphones, hearing aids, gigantic remote controls and so forth became "BBB": beige and boring.

This forced older consumers to choose: Spend money and energy on an unappealing technology, or go without it. Many picked the latter, with real health consequences.

**'Big, beige and boring' is out. A new emphasis on aesthetics is in, and it could transform elder tech.**

According to the Hearing Loss Association of America, people with hearing loss go seven years on average between detecting a problem and seeking a hearing device. That hesitation can lead to social isolation and household accidents. Perhaps 4% of Americans who could benefit from a personal emergency-response system such as Life Alert have one, and even those who own the devices tend not to wear them, or fail to use them when emergency strikes.

Which companies, we wondered, would go all-in and develop new products serving older adults' desires and aspirations? Which would commit to user experience like tech companies do for other consumers? The market exists to justify it; the aging of the baby boom generation and lower fertility rates mean that by 2030 the percentage of the U.S. population 65 and older will be as high as it is in Florida today.

An early sign of life came in 2014. The online pharmacy PillPack announced it would package medications not according to type, but time of day to be consumed. The meds came in ticker-tape dis-

pensers that made it hard to forget if you'd already taken your pills. Such packaging, PillPack founder T.J. Parker told us, had been a fixture of nursing homes since the late 1980s, but making it into a consumer product was an innovation.

Amazon bought PillPack this year for \$1 billion. Two months later, Best Buy announced it is purchasing GreatCall, the maker of the elder-oriented Jitterbug phone, for \$800 million. Now with Apple's entry into the personal emergency-response market, 2018 will go down as the year elder tech sneaked into the wider marketplace. Tucked away within the elegant Apple Watch, technologies like fall detection and heart-rate monitors may be cured of their stigmas.

As product design shifts to the major tech companies, we may soon see heightened attention to detail, usability and engineering. Aesthetics, heretofore largely ignored in the elder-tech industry, will likely become central. And as the focus on older consumers' preferences goes beyond the development of better products to the creation of new product categories, the experience of later life may improve substantially. That's the promise of the longevity economy: A longer life can—and should—be a better life.

*Mr. Coughlin is founder and director of the Massachusetts Institute of Technology AgeLab and author of "The Longevity Economy: Inside the World's Fastest-Growing, Most Misunderstood Market." Mr. Yoquinto is a science writer and research associate at the MIT AgeLab.*

# THE WALL STREET JOURNAL.

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, October 15, 2018 | B1

## Sears on Brink of Court Reckoning

By LILLIAN RIZZO  
AND SOMA BISWAS

**Sears Holdings** Corp. was preparing to file for chapter 11 protection late Sunday, a reckoning that would crystallize years of losses at the once iconic company.

Sears over the weekend reached a deal with lenders that would allow the troubled retailer to keep hundreds of its stores open through the

holidays, according to people familiar with the matter. That setup was expected Sunday to be part of the filing.

The longer-term question is whether a smaller Sears ultimately emerges from chapter 11 protection or whether a bankruptcy case eventually leads to a liquidation or a sale and a final end to the storied department-store chain.

As part of the deal, Sears is expected to close at least 150

stores immediately after seeking bankruptcy protection, the people said. Meanwhile, an additional 250 stores will be under evaluation.

Currently, the company operates roughly 700 Sears and Kmart stores, according to one of the people.

Edward Lampert, chief executive officer of Sears, who has controlled the company through his hedge fund ESL Investments, believes the company

can reorganize around roughly 300 of the most profitable stores, the person said, adding that it is possible even those stores will eventually be sold.

The plan that Sears and its lenders scratched out over the past week isn't unfamiliar. Dozens of retailers have sought chapter 11 protection in recent years, because of the consumer shift to online shopping, expensive store leases and heavy debt burdens.

Retailers such as Claire's Stores Inc., Bon-Ton Stores Inc., Payless ShoeSource Inc., and Gymboree Corp. have all sought chapter 11 protection with early plans to close stores. Gymboree and Payless emerged from bankruptcy protection still operating, with a smaller footprint.

Others haven't been as fortunate. Toys "R" Us Inc. and Bon-Ton Stores each sought

Please turn to page B2

## Rout Tests Strategy To Protect Pensions

By GREGORY ZUCKERMAN

Large pension funds are snapping up Wall Street protection against a market crash, but it isn't clear the products will help limit losses in the current pullback.

Worried their portfolios were too risky, public-pension managers in California, Hawaii and Rhode Island have shifted more than \$25 billion over two years or so into "crisis-risk offset" strategies, while others are in the process of such moves. Typically, these tactics aim to limit investor losses by buying long-term Treasury bonds, whose prices often rise during market downturns, and investing in "trend-following" hedge funds, which buy stocks and other investments during a sustained rise and bet against them as they fall.

The crisis category was developed in just the past few years by consultants to address pension funds' concerns that prices across many markets could fall in lockstep in the next recession, much as they did a decade ago, placing the funds at risk. But the limits of these strategies are coming into view with the sharp retreat that has rocked U.S. stock indexes in October.

For one thing, crisis-risk offset strategies are unlikely to provide much shelter if the value of long-term bonds comes under pressure, consultants say. Yet that is exactly what has been going on lately, as investors worry the economy's strength and continued interest-rate increases by the Federal Reserve will pressure bonds.

The yield on the 10-year U.S. Treasury note this month hit its highest level since 2011, including an unusual rise during the early hours of Wednesday's stock meltdown. Yields rise

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## Tariffs on China Take Their Toll On U.S. Factories

By RUTH SIMON

The Trump administration says tariffs on Chinese imports will shift manufacturing back to U.S. factories, but some small and midsize companies that have done just that say the tariffs are hurting, not helping, their businesses.

Kent International Inc., a bicycle company, opened a factory in Manning, S.C., in 2014 to start assembling some of the bicycles it sells to **Walmart** Inc. and other retailers. The factory employs about 167 people.

Kent planned to expand the facility next year by importing steel tubes cut in China for painting and welding. It planned to hire another 30 to 40 workers at the plant, which assembles about 300,000 of the roughly 3 million bicycles the company sells world-wide each year.

"When we started getting wind of tariffs and were confident cut tubes would be subject to the tariffs, we stopped," said Arnold Kamler, majority owner of the company and its chief executive for more than 30 years. Instead, he is traveling to Thailand, Vietnam, Cambodia,

the Philippines and Taiwan to find new suppliers for Chinese products hit by tariffs.

"We are not bringing jobs back to America with this thing," Mr. Kamler said. "We are bringing jobs to different countries in Southeast Asia."

The Trump administration says the tariffs are designed to counter trade practices that give Chinese firms an advantage over their U.S. counterparts. Some U.S. manufacturers are reporting increased revenue as tariffs force customers to rethink supply chains.

At Allied Technologies International Inc., a contract manufacturer in Tualatin, Ore., with 57 employees, orders are up overall by 30% from last year. "There is a price shock because of tariffs and, more importantly, there is a supply-chain risk," said Allied CEO Thomas Biju Isaac.

The latest tariffs, a 10% levy on \$200 billion of Chinese imports, including bicycles and bicycle parts, took effect in September and are slated to rise to 25% at year-end. In all, the U.S. has levied tariffs on \$250 billion of Chinese imports, from

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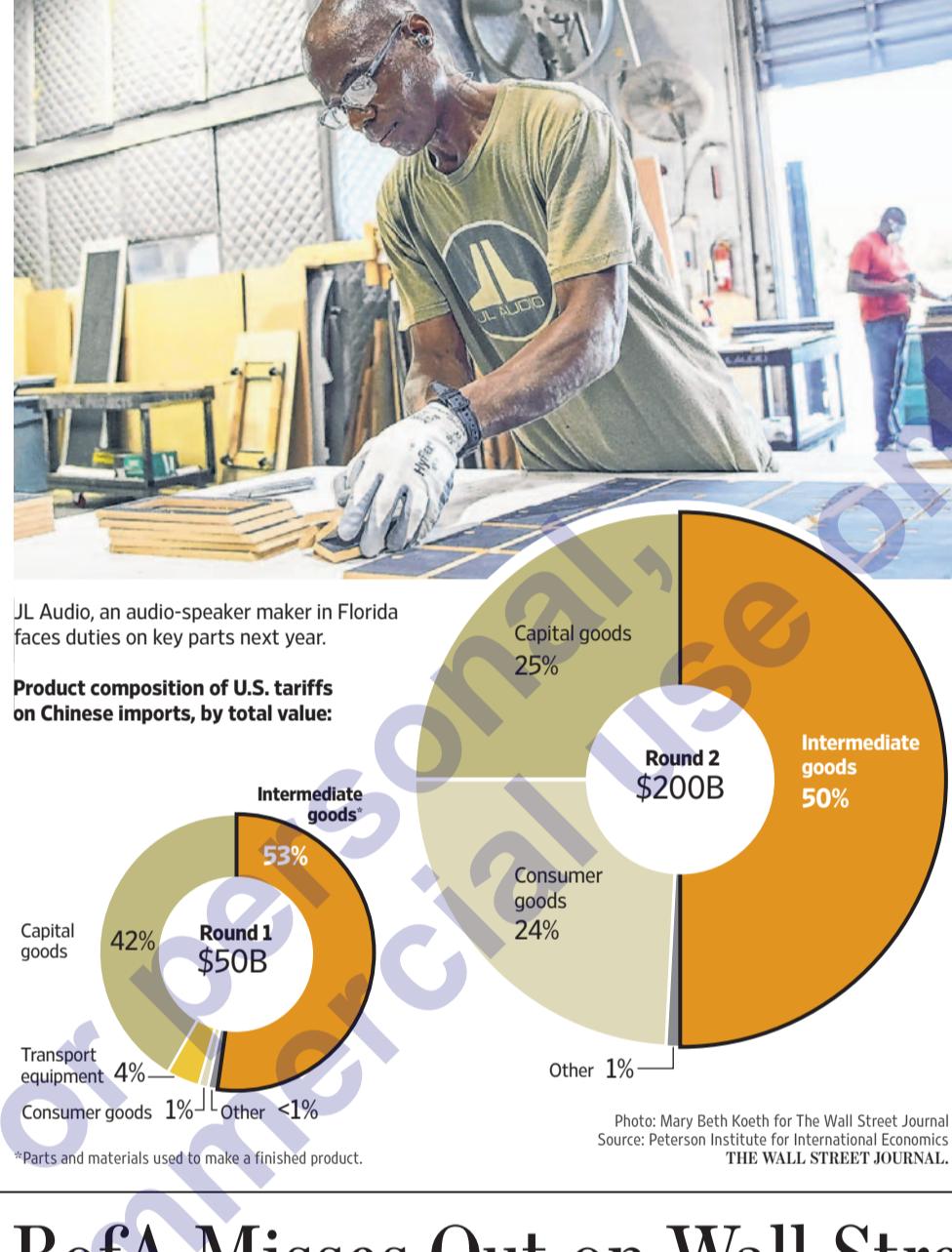
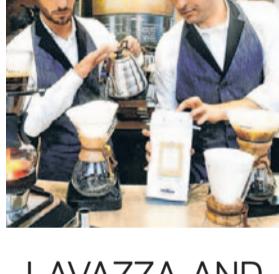


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Source: Peterson Institute for International Economics

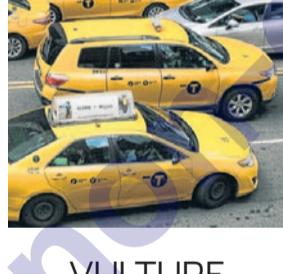
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## BofA Misses Out on Wall Street Boom

By RACHEL LOUISE ENSIGN  
AND LIZ HOFFMAN

**Bank of America** Corp.'s purchase of Merrill Lynch & Co., struck on the panic-filled 2008 weekend that Lehman Brothers failed, was supposed to make the lender a top-flight global investment bank.

A decade later, the bank is struggling to make good on that promise. Bank of America has failed to capture the benefits of a deal-making boom that has lifted its Wall Street rivals. Its overall investment-banking revenue in the first nine months of this year is roughly

flat compared with the same period in 2010, compared with an average increase of more than 50% at U.S. peers including **Goldman Sachs Group** Inc. and **JPMorgan Chase & Co.**

Bank of America makes far more on service charges such as overdraft fees than from merger and underwriting work, and the investment bank has never contributed more than 7% of the company's revenue.

Chief Executive Brian Moynihan instead has found success with the Main Street businesses of retail deposits and business loans, pursuing a strategy of "responsible

growth" with "no excuses" that values stability over swagger. That playbook has won over investors including Warren Buffett, the bank's biggest shareholder and a vocal cheerleader of Mr. Moynihan's.

Bank executives say they want to improve in investment banking. "We want to be in the top three, and based on our relationships and platform there's no reason we shouldn't be," Chief Operating Officer Tom Montag said in a statement.

The bank historically has relied on the power of its national brand and deep lending relationships to drum up busi-

ness, rather than cultivating a culture of superstar rainmakers. Many current and former executives say the bank hasn't filled important roles with bankers who have top relationships and visit clients with the intensity needed to beat formidable competitors.

Some of those executives also say the bank's conservative approach has handcuffed the firm's investment bankers, highly paid professionals who pitch big companies and governments on mergers and securities offerings. Bank of America has, for instance, shied

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## Sears on Brink of Reckoning

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chapter 11 protection with the hope of surviving. Bon-Ton, which operated more than 250 stores under banners including Carson's, Bergner's and Elder-Beerman, looked for an owner or investor that would keep the chain alive, but fell short and was sold to a small group of bondholders and pair of liquidators that closed the entire chain.

Toys "R" Us sought chapter 11 protection last September, and although it didn't have a reorganization plan or prospect to sell the chain, its management still hoped to survive the filing. Following a disastrous holiday season, though, it was ultimately decided to liquidate the more than 800 big-box toy stores in the U.S., and sell or liquidate its

receive a judge's approval to cut any checks or make most decisions regarding its path forward, including paying its employees, its utility bills and other standard operations procedures. In addition, the company likely will seek immediate approval to begin using a bankruptcy loan, which will be used to make these payments and keep some stores operating.

Sears employs about 70,000 people, one of the people said.

The deal is expected to be presented to the judge following days of marathon negotiations between the pioneering American retailer and its bank lenders, **Bank of America Corp.**, **Wells Fargo & Co.**, and **Citigroup Inc.** The banks are leading the provision of a so-called debtor-in-possession loan of between roughly \$500 million and \$600 million, which would be used to keep some of its stores open for the foreseeable future, according to people familiar with the situation.

The negotiations took place at the Manhattan offices of Sears's law firm, Weil, Gotshal & Manges LLP, according to a person familiar with the matter. Dozens of lawyers, advisers and bankers were present throughout the course of the negotiations that began Wednesday evening and stretched into the weekend.

The Wall Street Journal first reported on Tuesday that the 125-year-old chain hired M-III Partners LLC, a boutique advisory firm, to prepare a bankruptcy filing.

The banks are the principal lenders on a \$1.5 billion asset-backed credit line, secured by store inventory as well as credit-card and pharmacy receivables. Much of that credit line has been drawn down, leaving the retailer desperate for cash as the holidays approached and a Monday loan repayment deadline loomed.

—Andrew Scurria contributed to this article.

Currently, the company operates roughly 700 Sears and Kmart stores.

international businesses.

Sears's lawyers and advisers were poised to file a so-called voluntary petition under chapter 11 Sunday evening in the U.S. Bankruptcy Court in White Plains, N.Y., said people familiar with the matter, formally beginning the restructuring process under court supervision. A late-night filing would likely put the company's lawyers in front of a bankruptcy judge on Monday at the earliest.

When a company seeks bankruptcy protection, it must

have a judge's approval to cut any checks or make most decisions regarding its path forward, including paying its employees, its utility bills and other standard operations procedures. In addition, the company likely will seek immediate approval to begin using a bankruptcy loan, which will be used to make these payments and keep some stores operating.

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—Andrew Scurria contributed to this article.

Continued from page B1 away from clients deemed to carry reputational risks that other banks are willing to take on.

The firm has grown more gun-shy after disclosing a \$292 million loss earlier this year on a loan to the then-chairman of troubled South African firm **Steinhoff International Holdings NV**. Lead independent director Jack Bovender told a trade publication that executives responsible for the deal were "taken to the woodshed."

In July, after the bank reported lower investment-banking revenue, Mr. Moynihan said on a call with analysts that the M&A team "knows they can do a better job and are after it."

It was Mr. Moynihan's pre-decessor, Kenneth Lewis, who signed the deal to buy Merrill when it was flailing. The union, executives said, would create a balanced behemoth, marrying

investment-banking revenue, first nine months of each year

\$5 billion

Source: Dealogic

Outpaced

Investment-banking revenue, first nine months of each year

\$5 billion

Source: Dealogic

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Goldman Sachs

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52%

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2%

Citigroup

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Source: Dealogic

## BUSINESS & FINANCE

# SoftBank Helps Startups Delay IPOs

BY ELIOT BROWN  
AND MAYUMI NEGISHI

**WeWork** Cos. co-founder Miguel McKelvey a few years ago brushed off the idea of an initial public offering, telling a small gathering in Napa Valley that the shared office-space company is "thinking about how to prolong that eventually to a distant point in the future."

Enter **SoftBank Group Corp.**, which is increasingly poised to help WeWork and numerous other multibillion-dollar startups in Silicon Valley stave off IPOs.

In what would be by far SoftBank's most ambitious startup investment, the Japanese company is in discussions to take a majority stake in WeWork with a \$15 billion to \$20 billion investment, people familiar with the talks said last week. Such a massive investment would represent about a quarter of SoftBank's \$92 billion Vision Fund—if it comes entirely from that pool of money—and would roughly double the largest-ever bet on a private, venture-backed company.

The negotiations are continuing and other scenarios are on the table, some of the people said. But if SoftBank were to secure a majority stake through the Vision Fund, the move would almost certainly keep eight-year-old WeWork private for years to come.

Ever since it started up its tech-focused Vision Fund last year, SoftBank has shaken up the venture-capital industry by rushing hundreds of millions, if



A WeWork location in Manhattan. SoftBank's stakes extend the time companies can stay private.

not billions, into startups and taking the place of funds typically raised in an IPO. But its potential willingness to take majority stakes would greatly extend the runway for companies to remain private.

The Vision Fund, backed mostly by SoftBank as well as Saudi Arabia and Abu Dhabi wealth funds, typically comes in at a startup's late stage—when it would ordinarily be preparing to go public—and often buys shares from early investors who would typically sell in an IPO.

That has led Silicon Valley investors to quip that "SoftBank is the new IPO," while some have dubbed a SoftBank investment the "Masa-PO,"

named after SoftBank founder and Chief Executive Masayoshi Son.

Startups receiving SoftBank's money "will go public when they feel they're ready—not when they have to," said Rett Wallace, CEO of tech company analysis firm Triton Research.

Few companies can even absorb \$1 billion or more. Only 22 U.S. venture-capital-backed companies that are private today have raised more than \$1 billion from SoftBank or other investors, according to researcher PitchBook.

Outside of WeWork, SoftBank has largely stuck to taking 20% to 30% stakes in private companies, giving it some influence but not control.

Mr. Son is known for encouraging companies to "think bigger" and to accept hundreds of millions of dollars more than they initially request to spur growth. In January 2016, before investing in WeWork, Mr. Son scolded CEO Adam Neumann for moving too slowly.

A majority investment, like the one being discussed for WeWork, could give SoftBank more influence over the company. Early investors could presumably cash out some of their shares, and WeWork would gain a stable funding source, giving the company even less reason to enter the public markets.

WeWork and SoftBank declined to comment.

Manufacturing.

In a letter to the USTR, Walmart said tariffs on Chinese components "have the potential to undermine" the retailer's reshoring efforts. "Tariffs on intermediate goods make little sense when the stated goal of the Administration is to increase manufacturing and jobs in the United States."

JL Audio, which has about 500 employees, began producing small automotive speakers in China in the 1990s and, in the early 2000s, moved entry-level woofer production offshore. It began reshoring in an effort to protect its technology and improve the quality of its products, which sell for as much as \$16,000. Electronics and entry-level car audio, which account for about 45% of sales, are still made in China.

This summer, JL leased an additional 30,000 square feet so it could expand U.S. production. It added a second shift at its Florida factory and purchased tooling dies from China for a new line of marine speakers.

Tariffs added an extra \$50,000 to the cost of the tooling dies. In September, JL began paying 10% more for forged metal parts, coated wire and other components. The company recently notified customers it was raising prices and warned of another price increase if the tariff climbs to 25%.

"We want to build great products here," Mr. Smith said. "If we can't make a dollar doing it, we will have to look at other ways of going about it."



JL Audio employees Matthew Mergenthal, left, and Gary Martin modifying one of their systems at the company's Florida factory.

nomics.

Finished goods from China could lose their advantage over U.S.-made goods with Chinese components if the White House follows through on its threat to place tariffs on an additional \$267 billion of Chinese imports, a move it has so far avoided to limit the impact on U.S. consumers.

The office of the U.S. Trade Representative declined to comment for this article.

Companies hit by the tariffs aren't simply raising prices to offset the added costs. Some business owners say they are delaying plans to expand their U.S. footprint, looking at dropping product lines or shifting production offshore.

"Overall, manufacturing in the short term in the U.S. is

worse off because of the tariffs," said Harry Moser, founder of the Reshoring Initiative, a nonprofit that helps manufacturers make decisions about relocating production.

President Trump "is 100% right in working to reduce the trade deficit and bring manufacturing jobs back to the U.S.," Mr. Moser said, but "we feel he has not chosen the optimal tool to achieve that objective."

Kent, the bicycle maker, had closed its Kearny, N.J., manufacturing plant in 1991 and, to cut costs, shifted production to China, which already was producing about half of the company's bicycles. It opened the South Carolina factory after Mr. Kamler attended an event sponsored by Walmart, its largest customer, promoting U.S. man-

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## BUSINESS NEWS

# Coffee Brands Fight for Turf in Italy

Lavazza and Illy try to fend off global giants with acquisitions, distribution deals

BY ERIC SYLVERS

TURIN, Italy—**Lavazza** and **IllyCaffè SpA**—two of the best-known names in Italian coffee—are bolstering their businesses, hoping to secure their independence as global coffee giants Starbucks Corp. and Nestlé SA make incursions into their turf.

Lavazza and Illy recently had to absorb the arrival of Starbucks, which opened its first store in Italy last month. Before that it was Nestlé announcing it would distribute Starbucks coffee around the world, including in Italy. And for the past several years, the popularity of Nestlé's Nespresso machines has posed a growing threat in the land of espresso.

The Italians are responding with deals of their own. This month Lavazza acquired Mars Inc.'s coffee business for \$650 million, including debt. Illy this month said JAB Holding, the European holding company behind Peet's, Krispy Kreme and other U.S. brands, will sell Illy pods for Nespresso machines.



**Lavazza has turned to acquisitions as it increases its No. 1 position among Italian coffee producers.**

The \$83 billion market for fresh and instant coffee has grown by a quarter in the past five years and is expected to advance another 16% in the coming five years, according to market research company Euromonitor International.

Lavazza and Illy, which are still both controlled by their founding families, are taking different paths. Lavazza has turned to acquisitions as it increases its No. 1 position among Italian coffee producers

while Illy has preferred distribution deals.

Nestlé, a Switzerland-based multinational, accounts for almost a quarter of the world market for fresh and instant coffee, excluding coffee sold in coffee shops, according to Euromonitor. JAB is a distant second at 10%, followed by Lavazza and Starbucks at 2.5%. Starbucks also sells coffee through its over 25,000 stores globally.

What the Italians lack in

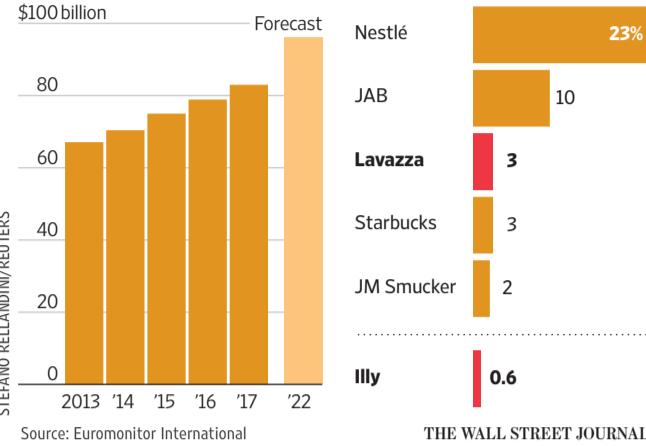
size they can make up in other ways, said Silvia Zucconi, marketing specialist at consultancy Nomisma in Bologna. "Their big advantage over the multinationals is that they are Italian, which is very important for coffee," she said, referring to Nestlé and JAB. "Espresso is seen as an Italian product, an expression of 'Made in Italy.'

Many well-known Italian consumer brands such as Loro Piana and Bulgari have been sold by their controlling families

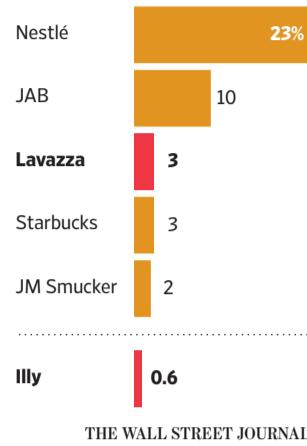
## Caffeine Wars

Italy's Lavazza and Illy are fighting to stay competitive—and independent—amid the international coffee behemoths.

### Global sales for fresh and instant coffee



### 2017 market share



THE WALL STREET JOURNAL.

mingled with members of the Lavazza family.

Vice Chairman Giuseppe Lavazza, a descendant of the 123-year-old company's founder, used the event to announce that the family had turned down offers to buy the company from JAB and Nestlé, which both declined to comment. The new headquarters showed the family was investing in a future that would be free of foreign ownership, he said.

# China's Most Popular Liquor Aims to Make It in the U.S.

BY JULIE WERNAU

China's baijiu liquor is the most widely consumed spirit in the world, yet most of the Western world has never heard of it.

That fact has baijiu maker **Luzhou Laojiao** Co. eyeing the West. The state-owned distillery in Sichuan province has joined with U.S. and European entrepreneurs in a venture called **Ming River**, seeking to introduce Americans and Europeans to the popular liquor, one bartender at a time.

It won't be easy. Usually made from fermented sorghum, a common cereal crop, baijiu is virtually unknown outside China, and its strong alcohol content—typically 50% or more—limits its appeal. Even among China's younger drinkers, it isn't exactly considered hip.

"It's always associated with drunk older men doing deals or getting wasted at Chinese banquets," said Chang Qian, a 28-year-old Beijing resident. "It's not associated with the Western concept of partying."

Baijiu notched \$103 billion in retail sales inside China last year, according to data from Euromonitor, more than double the size of the whiskey market and triple the vodka market globally.

Its sales growth has slumped in China, partly because a corruption crackdown cooled a longtime practice of business people giving expensive bottles of baijiu to government officials.

Luzhou Laojiao's initial \$6 million all-cash investment in Ming River is small for the \$9

billion company, but if successful, it could help open new markets for baijiu, analysts say.

"The category is underdeveloped and has yet to cater its marketing approach to the U.S. consumer," said Adam Rogers, research director at The IWSR,

a data and research firm that specializes in the global alcohol market.

While beverages that were recently relatively unfamiliar to the U.S. palate, such as Korea's soju and Mexico's mescal, have recently taken off according to Euromonitor, introducing a new

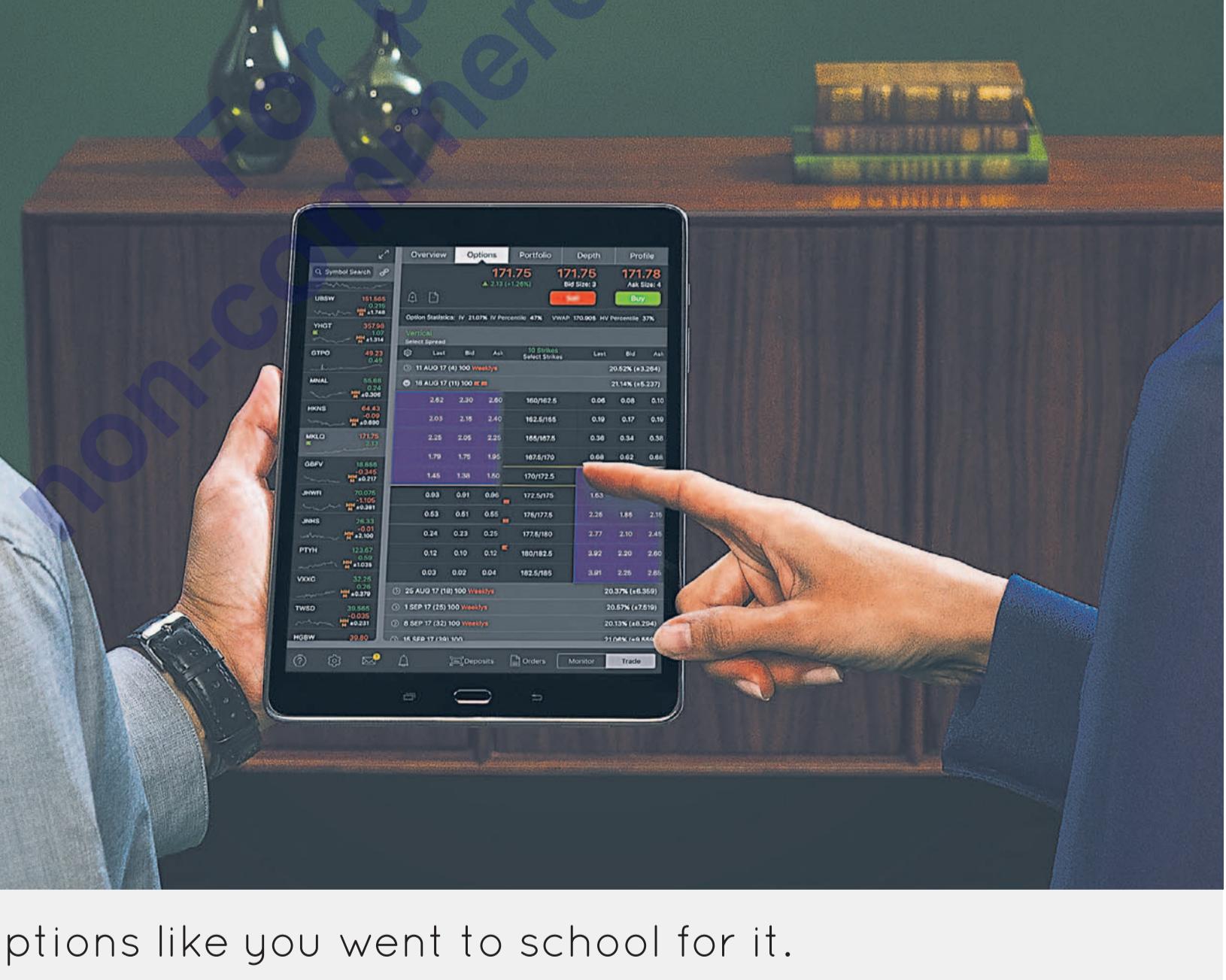
product category generally takes a number of players and competitors before it can enter consumer consciousness, said Jim Watson, beverage analyst at Rabobank.

Baijiu is usually consumed straight—and quickly—but Ming River Chief Executive William Isler and several partners succeeded in introducing baijiu cocktails at a bar they opened in Beijing four years ago, Capital Spirits. They expected to cater to foreigners who wanted to learn more about the diverse baijiu spirit category. There are

so many distilleries and varieties of baijiu in China that no single company commands more than a 6% market share.

The bar became popular, according to Mr. Isler, and baijiu distilleries took notice.

In July 2015, Ming River connected with Luzhou Laojiao, which was looking to invest in a startup that could bring baijiu beyond America's Chinatowns and tap into the recent popularity of international spirits in Western markets. The deal with the state-controlled firm closed last year in mainland China.



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## TECHNOLOGY &amp; MEDIA

WSJ.com/Tech

# Delete Old Digital Haunts

By KATHERINE BINDLEY

The recent revelations of exposed Google+ data and compromised Facebook security serve as stark reminders that many of us have a long digital trail of information out there, often in accounts we've either forgotten about, don't use much anymore—or didn't even know existed.

There are old email addresses from AOL, **Yahoo** and Hotmail. There are those blast-from-the-past social networks: Did you know Myspace still exists? And then there are those accounts you created for one-time-use—maybe you bought something on Craigslist, or joined a hotel-chain rewards program for free Wi-Fi.

Old accounts are like digital ghosts: They can come back to haunt you.

Some accounts might just have your birth date and phone number; others could have bank or credit-card information. "Why have more exposure than you need to?" says security researcher Kenneth White. "A few minutes to clean up a few of those old things is probably not unreasonable."

That means it is time for a cleanup. Here's how:

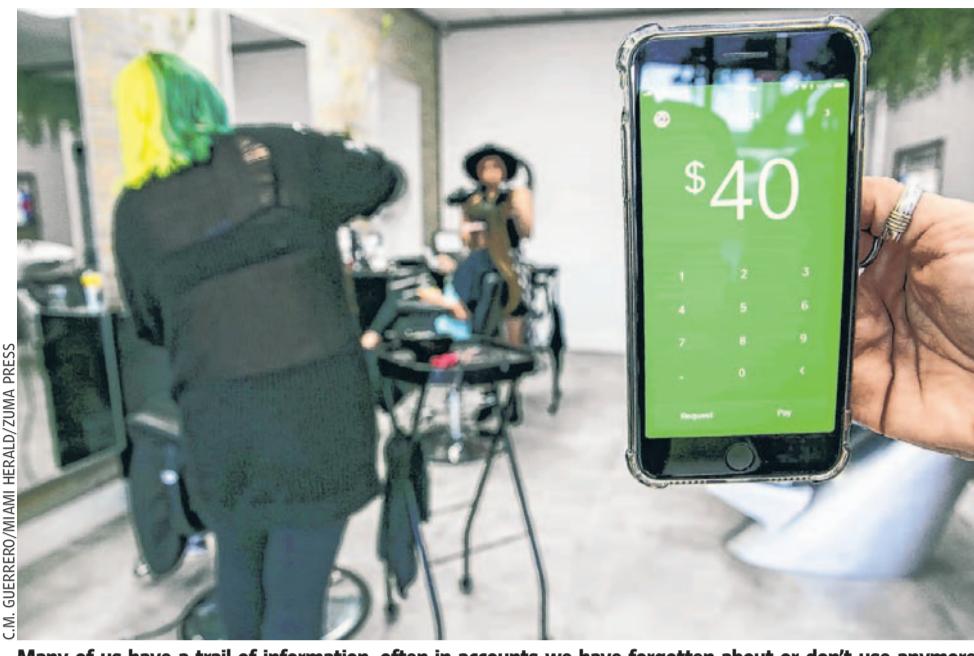
**Google+**

The first one to check for is Google+ because that is what started this trip down memory lane.

You might think there is zero chance you have a profile, but for a time, Google made users create profiles in order to do things like post on YouTube.

To see if you have an account, click on the little circle with your profile picture. If there is a link that says "Google+ Profile," you have an account.

Click that link and your profile will open. Find settings on the left-hand side, click that and then scroll all the way down to where it says "Delete Your Google+ Profile."



Many of us have a trail of information, often in accounts we have forgotten about or don't use anymore.

**Password Managers**

To jog your memory about other old accounts, turn to a password manager. If you already use one, like Dashlane, you probably had it import a list of logins that were saved in your browser when you signed up. By opening your password manager, you'll see all your accounts.

If you've ever saved passwords in your browser, go into preferences to see the list there. For Chrome, hit "Settings" in the menu on the top right, then look for the People box up top, then select "Passwords." In Safari, go to "Preferences," then click the "Passwords" tab.

**Email Search**

Another trick is to go into the email accounts you've most often used to sign up for stuff and type in the words "Welcome to."

Websites will often send you an email after you sign up, and if you aren't an inbox-zero kind of person, these search terms will produce the equivalent of a walk through a digital cemetery. Resy! Stitch

**Fix! Trip!**

If you don't remember your password, you'll have to try to log in and then reset it.

**Read the Fine Print**

In some cases, getting rid of an account won't be as straightforward as just clicking delete.

Companies sometimes make it hard to find the delete button, and may try to coax you back with a guilt trip or an easy reactivation process.

(Facebook offers an alternative "deactivation" option that makes you unsearchable but retains your data in case you choose to return.)

In some websites and apps, the option to delete will be buried in settings and involve trial-and-error clicking. One trick is to find a search field within the app and type "delete account." Some sites let you keep a copy of your data before you go. With a site like Facebook, it is a good idea to take this extra step.

**Scramble Your Data**

Mr. White suggests that before you delete an account

containing your home address, birthday, phone number or other sensitive information, you should try to change it to dummy data. If it is a site where you've been using a repeat password, change that, too.

That way, he says, when companies don't purge the data on accounts that are closed and then suffer a breach, your information won't have much value.

**Long Goodbye**

After you've deleted your Facebook account, the service gives you time to change your mind. This means that if you accidentally log back in within 30 days, it will reactivate your account.

The company also says it will take up to 90 days for your information to be wiped.

Snapchat lets you download your data, too, and makes it easy to reactivate your account by logging in within 30 days.

With AOL, getting hold of your data takes longer: The site says it might take up to 30 days for that download to even be available.

# Anaplan Shares Jump 43% in Market Debut

By MAUREEN FARRELL AND KIMBERLY CHIN

growth prospects have largely ignored losses many of the companies are incurring. Still, until last week, none of the tech companies have tested a turbulent IPO market.

Earlier last week, Chinese music-streaming company Tencent Music Entertainment Group postponed plans for a U.S. public offering until at least November because of the selloff in global markets, The Wall Street Journal reported Thursday.

For fiscal years 2016, 2017 and 2018, Anaplan reported revenue of \$71.5 million, \$120.5 million and \$168.3 million, respectively. However, for the same three periods, the company posted respective losses of \$54.2 million, \$40.2 million and \$47.6 million. The San Francisco company sells subscriptions for cloud-based business-planning software.



'First Man' reached third place at the weekend box office.

**Estimated Box-Office Figures, Through Sunday**

FILM	DISTRIBUTOR	SALES, IN MILLIONS		
		WEEKEND*	CUMULATIVE	% CHANGE
1. Venom	Sony	\$35.7	\$142.8	-56
2. A Star Is Born	Warner Bros.	\$28	\$94.2	-35
3. First Man	Universal	\$16.5	\$16.5	--
4. Goosebumps 2: Haunted Halloween	Sony	\$16.2	\$16.2	--
5. Smallfoot	Warner Bros.	\$9.3	\$57.6	-35

\*Friday, Saturday and Sunday Source: comScore

# I AM A VETERAN AND THIS IS MY VICTORY.

Wade Spann

"My victory was admitting I had a traumatic brain injury and getting help." While on patrol in Iraq, Wade's Humvee struck an IED. With DAV, he's found the support he needs to overcome his injuries. DAV helps veterans get the benefits they've earned—helping more than a million veterans each year in life-changing ways. Support more victories for veterans. Go to [DAV.org](http://DAV.org).

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FULFILLING OUR PROMISES  
TO THE MEN AND WOMEN WHO SERVED

## BUSINESS NEWS

# Apple Music to Feature Lyrics by Genius

Streaming service to draw off of online music encyclopedia to attract customers

BY ANNE STEELE

Apple Music is about to get a little better with words.

The No. 2 music-streaming service world-wide will now display lyrics drawn from popular online music encyclopedia Genius.

Under the same agreement, Apple Inc.'s music service becomes the exclusive Web player for Genius, which could help drive more subscribers to Apple Music.

Genius began as a site for hip-hop fans to provide annotations and interpretations of songs but has become a trusted online resource for lyrics in numerous genres.

The deal, whose terms weren't disclosed, is the latest partnership for Apple Music as it looks for ways to attract more paying customers. In August, Apple began offering six months of its music service free to Verizon Communications Inc. customers, and it has recently spent heavily on marketing, including TV ads in



Hip hop's Princess Nokia performs at a Genius concert in Brooklyn, N.Y., last month.

are available for many but not all songs on the service. The company hasn't disclosed details on how it sources its lyrics, but it has previously posted job openings for a team of lyrics curators.

In August, the National Basketball Association's Phoenix Suns tweeted at Apple Music a flub in the lyrics listed for Travis Scott's "Sicko Mode." A line in which fellow rapper Drake says, "See the shots that I took, wet like I'm Book"—a reference to Suns shooting guard Devin Booker—Apple had written as "Wet, like I'm booked."

In January, Hayley Williams from rock band Paramore responded to a confused fan on Twitter asking about lyrics for her song "Rose-Colored Boy": "apple music got a lot of my lyrics wrong but im not mad just disappointed. @Genius is typically correct, if yall ever need."

Both instances have since been corrected on Apple Music.

"We've been hearing a lot from fans of both Genius and Apple Music that they've wanted us to work together," said Genius' chief strategy officer, Ben Gross.

Genius, incorporated as Ge-

nius Media Group Inc., began in 2009 as Rap Genius. It has since expanded beyond both rap and lyrics, producing video series and live events and allowing artists to share notes about the creation of their music across genres. Artists from Chance the Rapper and Eminem to Camila Cabello, Cardi B and Lin-Manuel Miranda annotate their songs and engage with fans on the site.

The lyrics on Genius are generated similarly to that of Wikipedia. Most are transcribed by fans supervised by a small "community staff" of full-time employees who grant and take away editing privileges and moderate disputes. Lyrics and commentary provided by verified artists are marked with a badge.

Genius has partnered with Spotify Technology SA since 2016 for the service's Behind the Lyrics feature, which offers some lyrics and music trivia for around 3,500 songs, out of tens of millions total on the service. That was the same year Spotify ended its relationship with Musixmatch, which had been supplying its lyrics service; Spotify doesn't currently offer lyrics for the majority of its catalog.

## Rout Tests Pensions' Protection

*Continued from page B1*  
when bond prices fall. Though yields dropped in the latter stages of the past week's tumult, many investors expect them to resume rising in coming months.

At the same time, trend-following tactics generally only work in an extended downturn of several weeks or even longer. That is because it takes a while for the funds' models to

adjust to lower stock prices.

Crisis-risk offset is "not designed to offset a correction that's part of a larger bull market," said John Linder, who helped develop the category at pension consultant Pension Consulting Alliance in Portland, Ore., and now works on similar strategies for Ryan Labs, based in New York. "Unless this turns into something more nefarious, the gains may not kick in."

Funds pursuing crisis-risk offset strategies include the California State Teachers' Retirement System, the State of Hawaii Employees' Retirement System, San Joaquin County Employees' Retirement Association and the Employees' Retirement System of Rhode Island, consultants and filings say.

second song preview and then a prompt to subscribe to listen in full.

With Genius drawing more than 100 million unique visitors each month—73% of whom don't currently pay for a music subscription, accord-

ing to comScore—the potential new audience for Apple is significant.

The deal is also likely to be welcomed by fans and artists, who have frequently highlighted inaccuracies in Apple Music's lyrics offerings, which

Evan England, spokesman for Rhode Island General Treasurer Seth Magaziner, said the state remains comfortable with its use of crisis risk offset strategies, which represent about 8% of assets of the state pension.

"It's fairly volatile and it's supposed to be," he said. "Month to month we see it swing a little bit. But that's expected."

A representative of the Hawaii fund wouldn't comment.

A representative of CalSTRS said: "CalSTRS is a long-term investor, and as such we focus on a 30-year horizon while also taking actions to allocate the assets in a manner that mitigates risks."

A representative of the San Joaquin fund didn't respond.

Pensions and those working on crisis strategies say they are aware these products may only provide protection in a sustained downturn, rather than a short, vicious decline in stocks.

Mr. Linder and other fans make few apologies for the limits of crisis-risk-offset tactics, saying these strategies aren't aimed to protect against a drop of only 10% or so.

Still, some who sell products in the category worry investors may feel a false sense of security.

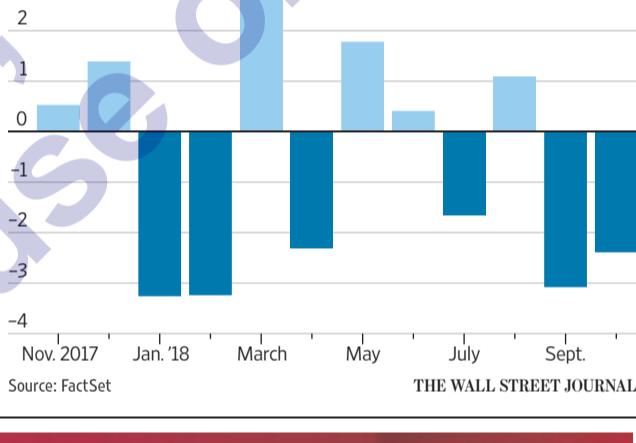
"These strategies really only do very well if the crisis sustains in time," said Anthony Lawler, co-head of GAM Systematic.

—Heather Gillers contributed to this article.

## Mixed Bag

Some risk-mitigating strategies depend on bond-price increases, but long-term bonds have been falling for much of 2018.

**iShares 20+ Year Treasury Bond ETF (TLT), monthly price return**



Source: FactSet

THE WALL STREET JOURNAL.

Dev 9:45 AM  
Do we get National Donut Day off this year?

Anna 9:46 AM  
Not quite, but you can see all our holidays here:  
uploaded this file:

Vacation\_Policy  
Document from Google Drive

4

Anna can field questions about the new vacation policy, without calling an all-company meeting.

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**BUSINESS WATCH**

PAPA JOHN'S INTERNATIONAL

**Pizza Chain Shuffles Executive Ranks**

**Papa John's International** Inc. said it appointed Mike Nettles as chief operating and growth officer as part of a new structure for the pizza chain.

Mr. Nettles previously served as the company's chief information officer and joined the company in 2017, Papa John's said.

As part of the reorganization, the company also named Justin Falcia as chief analytics and technology officer and Melissa Richards-Person as chief brand officer, among other executive appointments.

Papa John's is embroiled in a battle with the company's founder, John Schnatter, who was ousted from the chief executive position following a series of controversies.

Papa John's stock closed up 0.9% to \$52.91 in Nasdaq Stock Market trading Friday.

—Dow Jones Newswires

FIRST REPUBLIC BANK

**Loan Growth Proves Strong**

First Republic Bank's third-quarter loan growth is a positive surprise for analysts.

Wedbush Securities says it is "encouraged that very strong loan growth continues to drive solid net interest income growth."

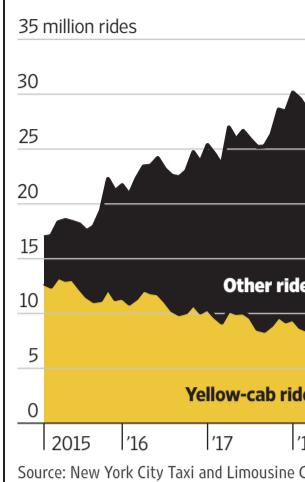
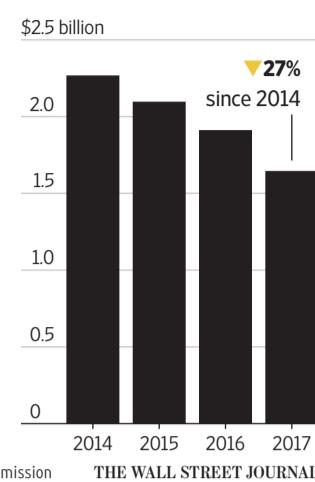
The company reported average loans grew by 4.7% on a linked-quarter basis to \$71 billion.

"Within its core home lending franchise, supply constraints and competitors loosening standards remain the biggest headwinds to future loan growth, but [First Republic's] target market continues to expand at a high clip and its industry-leading net promoter score is evidence that it is likely to continue to capture a high level of new clients," Wedbush said.

—Allison Prang

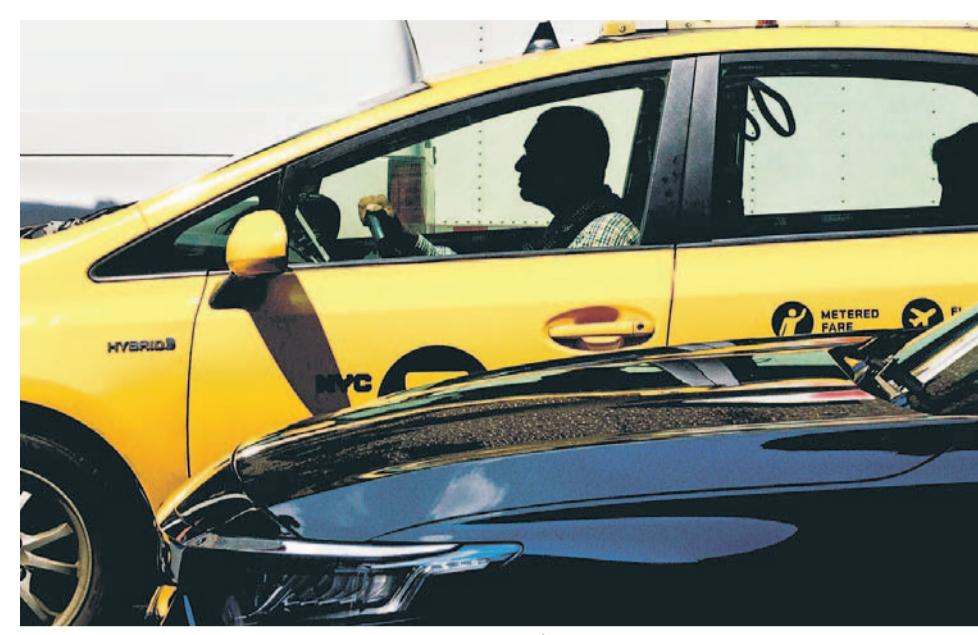
**Taxi Trouble**

Yellow-cab rides represent a shrinking percentage of for-hire vehicle trips in New York.

**Total rides****Yellow-cab total fares**

Source: New York City Taxi and Limousine Commission

THE WALL STREET JOURNAL.



JUSTIN LANE/EPA-EFE/REX/SHUTTERSTOCK

Marblegate Asset Management has spent more than \$50 million on New York City taxi medallions.

# Hedge Fund Bets on Taxi Business

By PAUL BERGER  
AND MIRIAM GOTTFRIED

fare revenue even as the number of passenger trips in for-hire vehicles has soared.

New York City this summer instituted a one-year freeze on licensing new for-hire vehicles while it examines ways to raise driver wages.

**Apollo Global Management** LLC and **Monarch Alternative Capital LP** are among those that have conducted research on the New York City medallion market, said people familiar with the matter. But Apollo, known for its big private-equity arm, took a pass because it couldn't comfortably predict where medallion value would bottom, one of

the people said.

Andrew Herenstein, a Monarch co-founder, said his firm is interested in buying medallions only if prices fall further. "We think that patience is the right strategy here," he said in an interview.

Marblegate, which began buying up medallions last fall at prices between \$175,000 and \$200,000, isn't trying to call a bottom, according to people familiar with its strategy. Instead, it plans to operate its own fleet of taxicabs and believes it can run a better business than existing operators—in part by improving working conditions and bene-

fits for its drivers.

A large portion of the medallions Marblegate owns were once the property of Evgeny "Gene" Friedman, who created a partnership in the business with President Trump's former personal lawyer, Michael Cohen. In May, Mr. Friedman pleaded guilty to one count of criminal tax fraud related to the taxi business and agreed to cooperate with federal prosecutors in their probe of Mr. Cohen. Proceeds from the sale to Marblegate were used to pay Mr. Friedman's creditors.

At current rates, owners can lease out a medallion to a

fleet operator for \$15,000 a year, people in the industry said. The operator takes care of cars, drivers and vehicle dispatching, meaning that a buyer of a \$175,000 medallion can expect an annual return of 8% to 9%. The price of the medallion is also tax deductible over 15 years.

By operating its own fleet, Marblegate's returns could be significantly higher. Aleksey Medvedovskiy, chief executive of NYC Taxi Group, a fleet operator based in Brooklyn, said that some of the better owner-operators today earn about \$30,000 annually per medallion, or a 17% return on a \$175,000 investment.

Still, the firm might need to sell the medallions someday, and if prices fall further that could eat into its returns. There are ominous signs. In January, New York state will begin charging taxis \$2.50 to enter heavily congested parts of Manhattan. Other for-hire vehicles, such as Uber's, will pay \$2.75. Taxi drivers worry those companies have enough capital to swallow the costs while taxis will be forced to pass on the fee to passengers.

—Tom McGinty contributed to this article.

## Medallions' Value Take Sharp Tumble

Competition from ride-hailing services has knocked down the value of a New York City taxi medallion.

The metal shield, pinned to a cab's hood, gives a driver the right to pick up street hails. Medallions change hands most frequently through private sales and auctions, nowadays often

following bankruptcies and foreclosures. Buyers such as **Marblegate Asset Management** LLC have paid less than \$200,000 apiece for medallions in recent auctions, down from the record \$1.3 million they garnered in 2013.

Distressed investors buy assets in industries in which disruption has caused prices to decline, wagering they have fallen too far. Investors see New York as the city where traditional taxis—which have

the exclusive right to pick up street hails in Manhattan—have the greatest chance of survival. One million passengers hop in a cab, a town car or an Uber each weekday across the city, according to regulators.

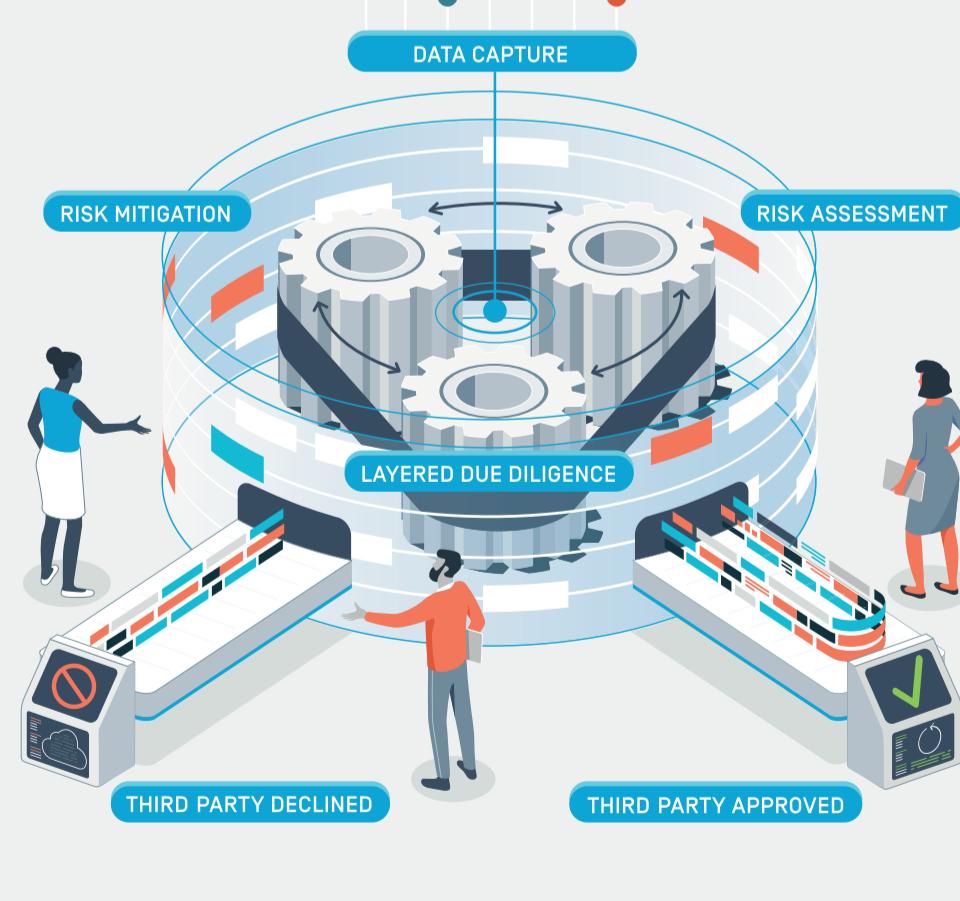
"As long as there's a hail system and a central business district, there will always be business for them," said Matthew Daus, a lawyer at Windels Marx Lane & Mittendorf LLP who specializes in the medallion industry.

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# CLOSED-END FUNDS

[wsj.com/funds](http://wsj.com/funds)

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **NA** signifies that the information is not available or not applicable. **NS** signifies fund not in existence. **Yld** indicates yield as of latest computation by dividing income dividends paid (during the previous twelve months for periods ending at month-end) or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, October 12, 2018

		52 wk			52 wk			52 wk			52 wk			Prem12 Mo			Prem12 Mo			52 wk		
Fund (SYM)	NAV Close	Prem	Ttl	Fund (SYM)	NAV Close	Prem	Ttl	Fund (SYM)	NAV Close	Prem	Ttl	Fund (SYM)	NAV Close	Prem	Ttl	Fund (SYM)	NAV Close	Prem	Ttl			
<b>General Equity Funds</b>				<b>General Equity Funds</b>				<b>General Equity Funds</b>				<b>General Equity Funds</b>				<b>General Equity Funds</b>				<b>General Equity Funds</b>		
Adams Divers Equity Fd <b>ADE</b>	18.33	15.60	-14.9	10.3	WMT	94.81			BlackRock Income Trust <b>BKT</b>	22.50	19.88	-6.8	2.1	BKIN	14.84			BlackRock Invest <b>BKN</b>	11.27	-13.9	5.3	
Boulder Growth & Income <b>BIF</b>	12.86	10.62	-17.4	5.1	RMT	10.05	8.98	-10.6	2.8	MIE	11.10	10.25	-7.7	7.8	BlackRock Muni Trust <b>BFT</b>	12.25	19.99	-12.9	4.0			
Central Securities <b>CET</b>	33.40	27.59	-17.4	8.3	ROYCE	16.26	14.37	-11.6	-2.7	ROYI	12.13	11.23	-7.4	-5.6	Nuveen Mtg Opp Term Fd <b>JLS</b>	24.33	23.75	-2.4	8.1			
CohSteer Optrndy Fd <b>FOF</b>	12.85	11.83	-7.9	-4.2	STK	19.93	19.66	-1.4	-1.7	STK	19.93	19.66	-1.4	-1.7	BlackRockMuni Tr <b>BYM</b>	14.21	12.24	-13.9	5.2			
EtnVnc TaxAdvDiv <b>EVT</b>	23.06	23.12	+0.3	11.3	DNP	9.19	10.88	+18.4	3.0	DNP	15.63	13.85	-11.4	-6.1	BkRk Core Bond Tr <b>BHK</b>	13.74	12.38	-9.9	6.1			
Gabelli Dividend & Incm <b>GDV</b>	23.49	21.57	-8.2	0.0	DUFF&PHILPS	15.14	15.43	-5.0	0.1	EATON	16.60	16.47	-0.8	14.7	BkRk Credit Alloc Incm <b>BTC</b>	13.93	11.80	-15.3	6.5			
Gabelli Equity Trust <b>GAB</b>	6.05	6.03	-0.3	2.3	VANCE	10.71	18.01	-13.3	-0.1	VANCE	15.55	15.83	+1.8	1.2	BkRk Income Incm Secs <b>JHS</b>	14.30	12.91	-9.7	5.5			
GenAmerican Investors <b>GAM</b>	41.46	34.75	-16.2	6.1	VANCO	9.80	9.48	-3.3	-11.2	VANCO	12.11	11.44	-6.3	-3.0	MFS Incr Tr <b>MIN</b>	4.07	3.70	-9.1	9.7			
HnckJohn TxAdv <b>HTD</b>	NA	21.77	NA	-8.1	VNC	10.55	13.68	-9.1	7.7	VNC	12.15	10.54	-13.1	3.9	Western Asset Infln Opps <b>WIA</b>	12.52	11.02	-12.0	3.6			

## A Week in the Life of the DJIA

A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA lost 1,107.06 points, or 4.19%, on the week. A \$1 change in the price of any DJIA stock = 6.78-point change in the average. To date, a \$1,000 investment on Dec. 31 in each current DJIA stock component would have returned \$31,662, or a gain of 5.54%, on the \$30,000 investment, including reinvested dividends.

The Week's Action		Pct Stockprice Point chg		In average		Company		Symbol		Close		\$1,000 Invested(year-end '17)	
1.61	1.50	10.17	<b>Wal-Mart</b>	WMT	\$94.81								<b>\$978</b>
1.37	0.99	6.71	<b>Walgreens</b>	WBA	73.50								<b>1,031</b>
-0.97	-2.18	-14.78	<b>Apple</b>	AAPL	222.11								<b>1,328</b>
-1.65	-2.75	-18.65	<b>McDonald's</b>	MCD	163.82								<b>970</b>
-1.72	-1.22	-8.27	<b>Merck</b>	MRK	69.81								<b>1,270</b>
-1.89	-2.17	-14.71	<b>Walt Disney</b>	DIS	112.61								<b>1,056</b>
-1.99	-3.91	-26.51	<b>Home Depot</b>	HD	192.47								<b>1,032</b>
-2.20	-1.21	-8.20	<b>Verizon</b>	VZ	53.73								<b>1,063</b>
-2.28	-2.56	-17.36	<b>Microsoft</b>	MSFT	109.57								<b>1,297</b>
-2.52	-1.13	-7.66	<b>Pfizer</b>	PFE	43.78								<b>1,242</b>
-2.62	-1.20	-8.14	<b>Coca-Cola</b>	KO	44.68								<b>1,000</b>
-3.56	-9.59	-65.03	<b>UnitedHealth Group</b>	UNH	259.61								<b>1,190</b>
-3.65	-5.30	-35.94	<b>Visa</b>	V	140.06								<b>1,234</b>
-3.76	-5.23	-35.46	<b>Johnson &amp; Johnson</b>	JNJ	133.87								<b>978</b>
-3.76	-3.09	-20.95	<b>Procter &amp; Gamble</b>	PG	79.06								<b>883</b>
-3.94	-4.23	-28.68	<b>American Express</b>	AXP	103.00								<b>1,052</b>
-4.57	-2.15	-14.58	<b>Intel</b>	INTC	44.88								<b>990</b>
-4.64	-3.96	-26.85	<b>Exxon Mobil</b>	XOM	81.38								<b>1,003</b>
-4.98	-6.48	-43.94	<b>Travelers</b>	TRV	123.65								<b>927</b>
-5.03	-2.42	-16.41	<b>Cisco Systems</b>	CSCO	45.71								<b>1,230</b>
-5.25	-11.84	-80.28	<b>Goldman Sachs</b>	GS	213.87								<b>848</b>
-5.25	-4.21	-28.55	<b>Nike</b>	NKE	75.91								<b>1,224</b>
-5.49	-8.18	-55.46	<b>IBM</b>	IBM	140.85								<b>948</b>
-5.59	-3.53	-23.94	<b>DowDuPont</b>	DWDP	59.66								<b>852</b>
-6.03	-7.56	-51.26	<b>Chevron</b>	CVX	117.77								<b>967</b>
-6.69	-7.67	-52.01	<b>JPMorgan Chase</b>	JPM	106.95								<b>1,023</b>
-6.78	-9.43	-63.94	<b>United Technologies</b>	UTX	129.63								<b>1,033</b>
-6.82	-26.36	-178.74	<b>Boeing</b>	BA	360.11								<b>1,240</b>
-7.02	-14.96	-101.44	<b>3M</b>	MMM	198.23								<b>859</b>
-7.33	-11.24	-76.21	<b>Caterpillar</b>	CAT	142.07								<b>916</b>

\*Based on Composite price. DJIA is calculated on primary-market price. Source: Dow Jones Market Data; FactSet.

## Insider-Trading Spotlight

Trading by 'insiders' of a corporation, such as a company's CEO, vice president or director, potentially conveys new information about the prospects of a company. Insiders are required to report large trades to the SEC within two business days. Here's a look at the biggest individual trades by insiders, based on data received by Thomson Financial on October 12, and year-to-date stock performance of the company

**KEY:** **B:** beneficial owner of more than 10% of a security class **CB:** chairman **CEO:** chief executive officer **CFO:** chief financial officer **CO:** chief operating officer **D:** director **DO:** director and beneficial owner **GC:** general counsel **H:** officer, director and beneficial owner **I:** indirect transaction filed through a trust, insider spouse, minor child or other **O:** officer **OD:** officer and director **P:** president **UT:** unknown **VP:** vice president Excludes pure options transactions

## Bigest weekly individual trades

Based on reports filed with regulators this past week

Date(s)	Company	Symbol	Insider	Title	No. of shrs in trans (000s)	Price range (\$

## MARKETS

# Brazil Stocks Climb Amid Global Rout

BY JULIE WERNAU

Investors searching for bright spots in last week's global stock tumble found one in Brazil.

Assets in the struggling South American country surged early in the week following a first round of the presidential election that handed a win to leading candidate Jair Bolsonaro. His economic adviser, Paulo Guedes, has the market betting that Brazil will soon emerge from a long economic slump.

Following the first-round vote in which Mr. Bolsonaro beat his left-wing opponent and narrowly missed avoiding a runoff bid, the MSCI Brazil stock index rose 7.8% and bond prices climbed 1.1%.

The week's gains held even after a global stock selloff and news that Mr. Guedes is being investigated for fraud.

Brazilian stocks were up 3.2% to end the week and bonds rose 1.1%.

Brazilian stocks pared their early-week gains after reports that prosecutors are investigating Mr. Guedes for allegedly obtaining investment funds from state-controlled entities in an illegal operation. Mr. Bolsonaro, who is running on an anticorruption platform, has been favored among investors largely because of the policies of Mr. Guedes.

The day after the first-round election in Brazil, interest rose in the iShares MSCI Brazil ETF, with more than \$3.2 billion changing hands, four times the average daily volume. In the week before the election, Brazil bond funds recorded their biggest inflow in over 16 months, according to EPFR Global.

In his economic agenda, Mr. Guedes has floated everything from privatizing public assets to slashing public-sector jobs, reducing government ministries and reforming the pension system.

But some investors say it is unclear how many of those economic policies are endorsed by Mr. Bolsonaro, whose statements at times have conflicted with those of his economic adviser. Mr. Bolsonaro has said he intends to appoint Mr. Guedes as his finance minister if he is elected Oct. 28.

"I think a part of this market reaction is pure irrational euphoria," said Roberto Simon, senior director for policy, Americas Society and Council of the Americas.

Pension and labor reforms have been sticking points in Brazil for years and while Mr. Bolsonaro's party has gained seats in Brazil's fragmented Congress, some prominent members of that party have actively campaigned against pension reform in the past.

Following a severe recession in 2015-2016, Brazil's real GDP grew 1% in 2017. In its most recent report on Brazil, the International Monetary Fund said even with a recent constitutional rule capping expenditures, public debt is expected to rise, topping out above 90% of GDP in 2023.

"The issues facing Brazil are still there and won't be easy to resolve. It will require political capital and willingness to find alliances in government," said Wim Vandenhoeck, a portfolio manager for emerging-markets bonds at Oppenheimer Funds.

—Luciana Magalhaes contributed to this article.



Central bankers met this weekend at the annual gathering of the International Monetary Fund and World Bank in Bali, Indonesia.

## Emerging Markets Walk Fine Line

BY SAUMYA VAISHAMPAYAN AND JOSH ZUMBRUN

**BALI, INDONESIA**—Emerging-markets nations anxious about their falling currencies and investors rushing to the exits are raising interest rates and keeping a lid on spending, even though doing so is likely to hurt their long-term prospects.

Central bankers and finance ministers attending the annual gathering of the International Monetary Fund and the World Bank in Bali, Indonesia, this weekend debated the ability of emerging markets to withstand higher interest rates, which make their dollar debts more expensive to repay. The U.S. Federal Reserve has signaled it will continue to lift interest rates through next year, and the European Central Bank has indicated it will push ahead with its plan to phase out its easy-money policies.

Central banks in developing economies including Indonesia and the Philippines have raised their official borrowing costs multiple times this year to keep up with rising rates in the U.S. Economic growth already has slowed in the Philippines from earlier in 2018. While the Indonesian economy grew at the fastest pace in more than four years in the latest quarter, the worry is that higher rates there could start to drag.

Countries are making these trade-offs for fear the turmoil that has gripped emerging markets such as Turkey and

Argentina could spread more broadly.

Tough policy decisions by governments in developing markets could help keep the market trouble contained. The risk is that it crimps the long-term growth prospects for these countries and the global economy as a whole.

Policy makers said they are reassured that investors so far have separated the stronger from the weaker countries as investors soured on emerging markets this summer. The currency slumps in Argentina and Turkey, which are both facing deep economic troubles, have far outpaced the declines elsewhere this year.

But some also expressed concerns that the response to the turmoil could hurt emerging markets' growth prospects. Countries could feel compelled to run current-account surpluses, even though they need to incur deficits at this stage of their development, said Tharman Shanmugaratnam, chairman of the Monetary Authority of Singapore.

Investors seeking juicy returns poured money into emerging markets in 2017. This year, however, higher U.S. rates, a strong dollar and the troubles in Turkey and Argentina have slammed developing economies, sending prices of their stocks and bonds falling.

The MSCI Emerging Markets Index fell into bear territory, commonly defined as a 20% drop from a recent high, in September.

The turmoil has sharpened an enduring dilemma for emerging markets: They must spend heavily to develop their economies, but that leaves them vulnerable to instability during periods of capital flight.

The deficit-fueled growth strategies pursued years ago by countries such as South Korea and Singapore aren't as available now that capital moves more quickly around the globe, said Andrés Velasco,

dean of the School of Public Policy at the London School of Economics and Political Science and a former finance minister of Chile.

"It is very hard even for a well-behaved country with all the right policies to follow the path of sustained current-account deficits, high investment and high growth," he said. "The flows of capital that are necessary to make this happen tend not to be...as reliable as you would need them to be."

### Currencies

U.S.-dollar foreign-exchange rates in late New York trading

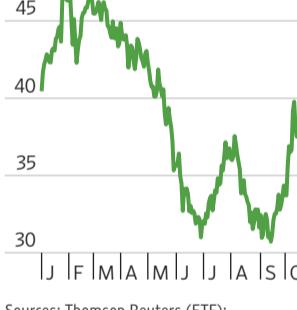
Country/currency	Fri in US\$	per US\$	US\$ vs. YTD chg (%)		Country/currency	Fri in US\$	per US\$	US\$ vs. YTD chg (%)
			1	1 unch				
<b>Americas</b>					<b>Asia-Pacific</b>			
Argentina peso	.0273	36.6930	<b>97.2</b>		Australian dollar	.7115	1.4055	<b>9.8</b>
Brazil real	.2643	3.7833	<b>14.2</b>		China yuan	.1455	6.9222	<b>6.4</b>
Canada dollar	.7678	1.3024	<b>3.6</b>		Hong Kong dollar	.1276	7.8350	<b>18.2</b>
Chile peso	.001471	67.7970	<b>10.4</b>		India rupee	.01357	73.685	<b>15.4</b>
Ecuador US dollar	1	1 unch			Indonesia rupiah	.0000658	15205	<b>12.8</b>
Mexico peso	.0530	18.8601	<b>-4.1</b>		Japan yen	.008913	112.19	<b>-0.5</b>
Uruguay peso	.03036	32.9400	<b>14.4</b>		Kazakhstan tenge	.002699	370.57	<b>11.4</b>
Venezuela b. fuerte	.000004248519.9501	2402951.2			Macau patata	.1239	8.0681	<b>0.3</b>
<b>Middle East/Africa</b>					Malaysia ringgit	.2407	4.1545	<b>2.3</b>
Czech Rep. koruna	.04483	22.305	<b>4.8</b>		New Zealand dollar	.6494	1.5399	<b>9.2</b>
Denmark krone	.1549	6.4538	<b>4.0</b>		Pakistan rupee	.00764	130.815	<b>18.2</b>
Euro area euro	1.1560	.8651	<b>3.8</b>		Philippines peso	.0185	54.060	<b>8.2</b>
Hungary forint	.003567	280.34	<b>8.2</b>		Singapore dollar	.7258	1.3777	<b>3.0</b>
Iceland krona	.008601	116.26	<b>12.3</b>		South Korea won	.00088913	1131.30	<b>6.0</b>
Norway krone	.1223	8.1761	<b>-0.4</b>		Taiwan dollar	.03236	30.906	<b>4.2</b>
Poland zloty	.2691	3.7161	<b>6.8</b>		Thailand baht	.03053	32.760	<b>0.5</b>
Russia ruble	.01514	66.065	<b>14.5</b>		Vietnam dong	.00004283	23346	<b>2.8</b>
Sweden krona	.1116	8.9607	<b>9.5</b>					
Switzerland franc	1.0085	.9916	<b>1.8</b>					
Turkey lira	.1703	5.8721	<b>54.7</b>					
Ukraine hryvnia	.0358	27.9120	<b>-0.8</b>					
UK pound	1.3142	.7609	<b>2.8</b>					
<b>Europe</b>								
Bahrain dinar	.26524	.3770	<b>-0.02</b>					
Egypt pound	.0558	17.9305	<b>0.9</b>					
Israel shekel	.2759	3.6243	<b>4.2</b>					
Kuwait dinar	3.2971	.3033	<b>0.6</b>					
Oman rial	2.5974	.3850	<b>0.01</b>					
Qatar rial	.2746	3.642	<b>-0.2</b>					
Saudi Arabia riyal	.2666	3.7512	<b>0.02</b>					
South Africa rand	.0688	14.5262	<b>17.5</b>					
<b>WSJ Dollar Index</b>	89.71	0.14	0.16	<b>4.35</b>				

Sources: Tullett Prebon, Dow Jones Market Data

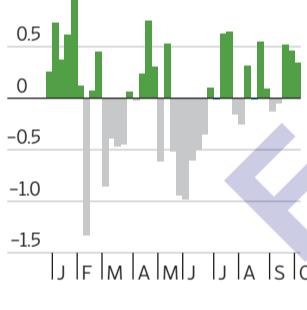
### Rio Grand

Cash has gone into Brazilian stocks even as money has begun flowing out of emerging-market equities.

#### iShares MSCI Brazil ETF



#### Foreign purchases of Brazilian stocks, weekly



Sources: Thomson Reuters (ETF); The Institute of International Finance (foreign purchases)

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### THE TICKER | Market events coming this week

#### Monday

##### Business inventories

July, previous up 0.6%

Aug., expected up 0.5%

##### Earnings expected\*

Estimate/Year Ago(\$)

Bank of America **0.62/0.48**

Charles Schwab **0.65/0.42**

J.B. Hunt **1.40/0.91**

##### Earnings expected\*

Estimate/Year Ago(\$)

Goldman Sachs **5.38/5.02**

IBM **3.39/3.30**

J&J **2.03/1.90**

Morgan Stanley **1.01/0.93**

Netflix **0.68/0.29**

UnitedHealth **3.29/2.66**

##### Refinan., prev.

up 0.3%

down 3%

##### Earnings expected\*

Estimate/Year Ago(\$)

Abbott Labs **0.75/0.66**

Crown Castle **0.27**

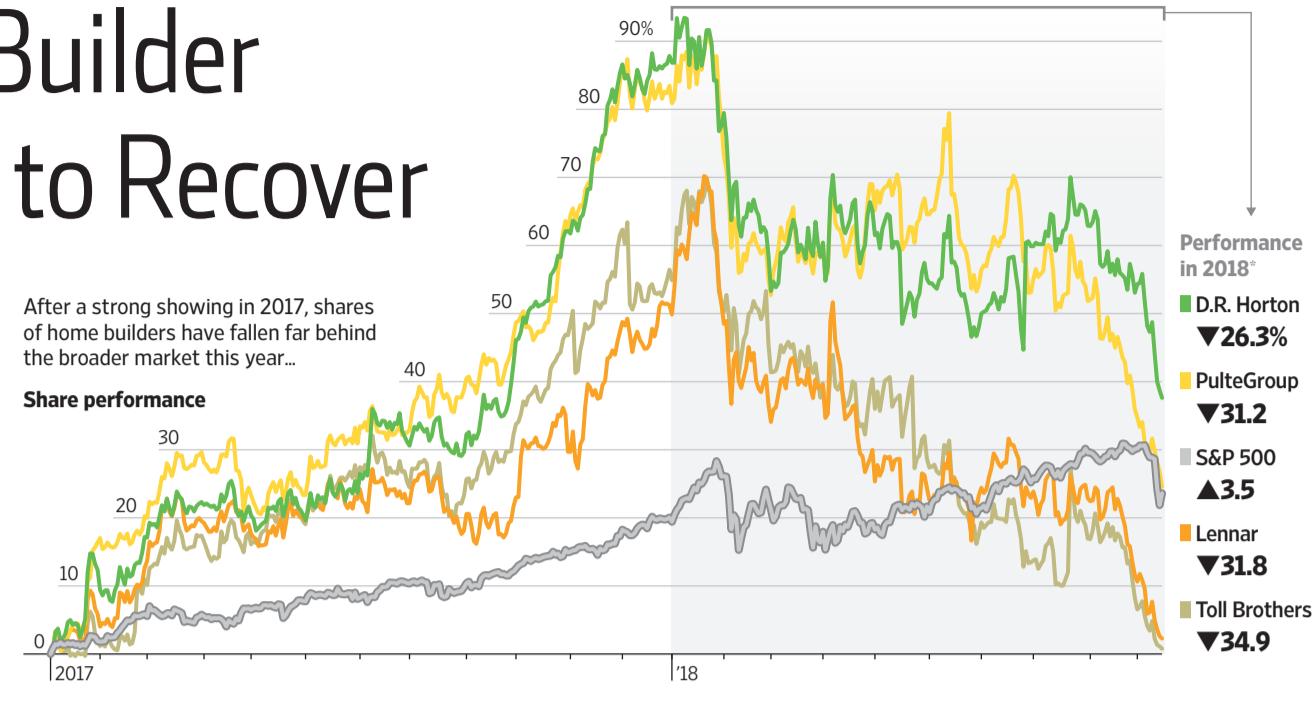
## MARKETS

# Bruised Home-Builder Stocks Struggle to Recover

By Akane Otani and Tristan Wyatt

Beaten-down home-builder shares face a key test this week when investors get a fresh look at data on housing starts, existing-home sales and building permits. Investors have soured on home builders this year, citing signs that the housing market is cooling. A rebound in the housing sector will be pivotal to renewing investor interest in a particularly hard-hit part of the stock market, analysts say.

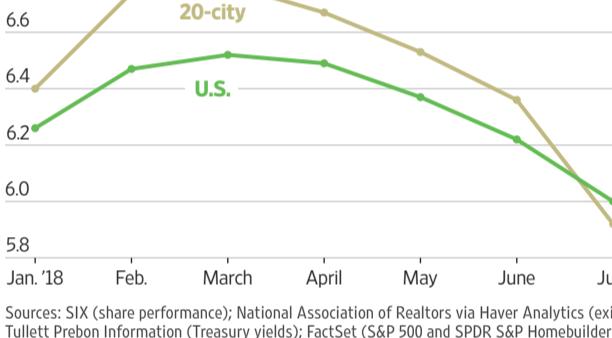
After a strong showing in 2017, shares of home builders have fallen far behind the broader market this year...

**Share performance**

...and as data have shown existing-home sales stalling several months in a row...

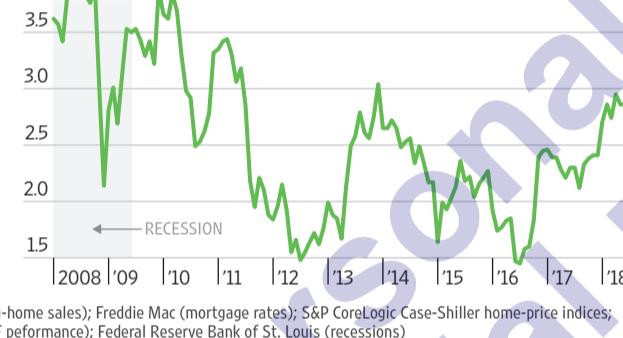
**Existing-home sales, seasonally adjusted annual rate**

Some analysts are holding out hope that, with home-price gains slowing, buyers will soon get a reprieve...

**Case-Shiller National Home Price Index, change from a year earlier**

Sources: SIX (share performance); National Association of Realtors via Haver Analytics (existing-home sales); Freddie Mac (mortgage rates); S&P CoreLogic Case-Shiller home-price indices; Tullett Prebon Information (Treasury yields); FactSet (S&P 500 and SPDR S&P Homebuilders ETF performance); Federal Reserve Bank of St. Louis (recessions)

...while others worry that the market could come under further pressure with Treasury yields at multiyear highs.

**Yield on the benchmark 10-year U.S. Treasury note**

That could spell further trouble for a home-builder exchange-traded fund that is on course for its worst year since 2008.

**Annual performance**

\*As of Friday

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## HEARD ON THE STREET

Email: [heard@wsj.com](mailto:heard@wsj.com)

FINANCIAL ANALYSIS &amp; COMMENTARY

WSJ.com/Heard

# No Flight From Bond Risk So Far

**Get the Gap**

Difference in spreads between differently rated corporate bonds



Note: Based on ICE BofAML U.S. High Yield and Corporate indexes  
Source: FactSet

surges—has been on an upward trend since February, according to the ICE BofAML U.S. investment-grade index.

Meanwhile, the spread on junk bonds hasn't increased enough to break out of the generally downward trend that has lasted almost three years. The spread is up by more than 0.4 percentage points since its low point at the start of October on the ICE BofAML U.S. High Yield Index, but remains below

where it traded most of the period before May this year. Of course, the total interest cost for junk bonds is greater than it has been since late 2016 because Treasury yields have been driven higher by rising U.S. interest rates.

This contrast between the performance of safer and riskier debt suggests investors have yet to flee risky assets in general. But it also has a lot to do with the relative mix of credit ratings.

Bonds rated BBB—the lowest for investment-grade debt—make up half the investment-grade index, the most in more than 15 years. For investors, that means greater risks of downgrades to junk status and hence losses. Meanwhile, the junk index has an unusually large share of BB-rated bonds—the best junk rating—because the really risky companies have been borrowing in booming loan markets.

The good news is that investors have some idea of this, which is why a bigger gap is opening up between spreads on BBB-rated bonds and AAA-rated bonds.

However, given that the U.S. and global economies are very far into a long period of growth and more interest-rate rises are in the cards, investors should be more concerned that they aren't getting paid enough for the risk of downgrades and, potentially, defaults when the slowdown comes.

The sell-off in corporate debt has barely started.

—Paul J. Davies

**OVERHEARD**

President Trump likes to weigh in on everything.

Halfway around the world, his latest remarks on the Federal Reserve became a punch line for top bankers and investors who were gathered at a confab in Bali, Indonesia.

Following last Wednesday's U.S. market selloff, Mr. Trump said, "I think the Fed has gone crazy," but that he wouldn't fire Chairman Jerome Powell.

Joachim Fels, global economic adviser at Pacific Investment Management Co., suggested that somebody tell the president that he can't fire Mr. Powell anyway. That was met with laughter from the audience at the Institute of International Finance's annual membership meeting.

Mr. Trump's Fed comments later surfaced during a discussion about the path to policy normalization for the world's biggest central banks.

When asked if he had any general advice for the U.S. president, Samir Assaf, chief executive for global banking and markets at HSBC put it bluntly: "Stop tweeting."

# Plenty of Oil, But Not in Right Places

Hurricane Michael was no match for Hurricane Jerome when it came to the price of oil last week.

Crude prices had their biggest two-day retreat since April in percentage terms through Thursday's close. This came despite a 700,000-barrel-a-day impact to U.S. Gulf of Mexico production during the peak of the recent storm. The interest-rate worries that dinged the Dow industrials for 1,377 points didn't spare oil.

Yet Federal Reserve Chairman Jerome Powell's long-term zeal for normalizing interest rates is no match at the moment for President

Trump's determination to punish major crude producer Iran. The shortfall of Iranian barrels has led some to predict that Brent crude, now just above \$80 a barrel, could top \$100 before year-end.

The market isn't tight everywhere, though. As evidenced by prices, there are localized gluts and producers who would gladly put more supply on the market if logistics would oblige. U.S. benchmark crude futures, priced at Cushing, Okla., are \$9 a barrel below Brent, and cash prices in the prolific Permian Basin are even lower. A lack of pipeline capacity is to blame.

None of that holds a candle to western Canada at the moment. Western Canada Select crude cash prices are now \$46 a barrel below Brent. Pipeline and rail capacity already was stretched and, according to JBC Energy, a gas pipeline incident in the Pacific Northwest has worsened the situation significantly. Refineries in the region have had to scale back operations and thus crude purchases.

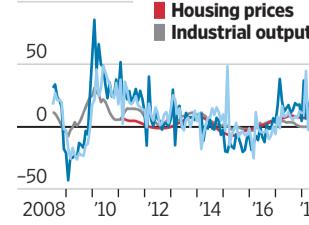
There is enough crude in the world but it is a big world.

—Spencer Jakab

# Chinese Exporters Are Hanging Tough in Difficult Climate

**Trade Winds**

Chinese data, change from a year earlier



Average of change in metals, glass, cement and electricity output. 3-month moving average.

Source: CEIC

August in volume terms, estimates Louis Kuijs at Oxford Economics.

Still, with housing prices

rising and output of key industrial goods robust, there is little sign of collapse. The biggest danger for China now might actually be overreaching.

Strong exports may partly be about companies trying to front-run U.S. tariffs, but analysts have been telling that story for months. A more likely explanation is that a cheaper yuan and U.S. fiscal stimulus—which tends to boost imports—have outweighed the modest tariff effect so far. Moreover, while global growth is slowing, it remains strong. The International Monetary Fund cut its 2018 global growth forecast last week to 3.7%, which would be the fastest

rate since 2011 excluding last year. Notably, the IMF held its 2018 U.S. and China growth forecasts steady.

On the import side, it is clear China's demand is slowing—but so far, not drastically. Auto sales have disappointed, weighed down by expiring tax incentives, but the labor market appears to have tightened in recent months, a potential boost for incomes and consumption.

The major risk for China right now might not be the trade war, but instead that policy makers overreact by stimulating too much. China has pushed 10-year government bond yields down significantly since late 2017. The

yield premium investors get for owning comparable Chinese debt rather than 10-year Treasuries in recent days has hit 0.4 percentage point, the lowest since 2011.

With the yuan flirting with seven to the dollar and traders betting it will fall further, more large-scale easing looks risky, particularly with the housing market so bubbly. If that bubble bursts or the yuan falls too far, much bigger capital outflows still seem likely to reappear.

That would be a much bigger problem for China than what has, so far, proven to be a manageable trade conflict.

—Nathaniel Taplin