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THE WALL STREET JOURNAL.

DOW JONES | News Corp ****** MONDAY, OCTOBER 1, 2018 ~ VOL. CCLXXII NO. 77 WSJ.com ★★★★ $4.00

Last week: DJIA 26458.31 ▼ 285.19 1.1% NASDAQ 8046.35 ▲ 0.7% STOXX 600 383.18 ▼ 0.3% 10-YR. TREASURY ▲ 4/32, yield 3.055% OIL $73.25 ▲ $2.47 EURO $1.1605 YEN 113.69

What's News

Business & Finance

Elon Musk's removal as Tesla's chairman potentially weakens his grip but raises the hope of stability at the electric-car maker after months of tumult. **A1**

◆ **The U.S. said** it would sue California to block a new state law that reinstates Obama-era open-internet rules in the state. **A1**

◆ **California became the** first state to require companies based within its borders to put female directors on their boards. **B1**

◆ **An EU privacy** watchdog could fine Facebook as much as $1.63 billion for a breach in which hackers compromised the accounts of more than 50 million users. **B1**

◆ **Saudi Arabia has put** on hold a $200 billion plan with SoftBank to build the world's biggest solar-power-generation project. **B1**

◆ **Applications to** American M.B.A. programs dropped for a fourth straight year, affecting for the first time in nearly a decade even top-tier schools. **B1**

◆ **U.S. stocks enter** the fourth quarter near records even as risks abound, prompting questions about how much farther the rally can run. **B1**

◆ **Saudi officials were** due in Pakistan for talks on a proposed multi-billion-dollar oil refinery and other investments. **A9**

World-Wide

◆ **The U.S. and Canada** reached a last-minute deal to revise Nafta, lifting a cloud of uncertainty over the trade agreement. **A1**

◆ **The White House** fended off accusations it had placed overly restrictive limitations on an FBI probe into allegations of sexual misconduct against Supreme Court nominee Kavanaugh. **A1**

◆ **An earthquake and** tsunami in Indonesia killed hundreds of people, and the country's vice president said the death toll could climb. **A6**

◆ **Trump said he and Kim** "fell in love" after the North Korean leader wrote him "beautiful letters." **A6**

◆ **A U.S. Navy warship** patrolled near Chinese-held outposts in the disputed Spratly Islands in the South China Sea, challenging Beijing's maritime claims. **A6**

◆ **An intensifying** trade brawl with the U.S. is starting to take a heavier toll on China's economy. **A6**

◆ **Macedonians backed** changing the country's name to North Macedonia to seal a deal with Greece, but low turnout cast doubt on the referendum results. **A8**

◆ **Brazilians rallied** in the hundreds of thousands for and against controversial front-runner Jair Bolsonaro ahead of first-round presidential elections slated for Oct. 7. **A9**

JOURNAL REPORT

Profits Struggle Against Dollar

Markets Review & Outlook, R1-6

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Death Toll Soars to More Than 800 After Tsunami in Indonesia

ARIMACS WILANDER/ASSOCIATED PRESS

IN REACH: Rescue workers Sunday searched for people trapped in the rubble of collapsed buildings, two days after an earthquake triggered a tsunami that struck the Indonesian island of Sulawesi. Authorities said 832 deaths had been confirmed. A6

FBI Investigation Stokes Tensions

By Dustin Volz, Peter Nicholas and Kristina Peterson

WASHINGTON—A political cease-fire achieved by a further FBI investigation into allegations of sexual misconduct against Judge Brett Kavanaugh evaporated over the weekend, as the White House fended off accusations it had placed overly restrictive limitations on the probe of its Supreme Court nominee.

The one-week-at-most inquiry by the Federal Bureau of Investigation, brokered as a last-minute deal Friday between Republican Sen. Jeff Flake and Democrats on the Senate Judiciary Committee, was intended to satisfy concerns that allegations against Judge Kavanaugh weren't being fully vetted before the full Senate took up his nomination.

But early signs that the FBI probe would be on a short leash inflamed Democratic criticism that President Trump and fellow Republicans weren't out to explore fully the allegations, while the White House, Senate and FBI all appeared to shift responsibility for the scope of the probe elsewhere.

"The FBI's hands must not be tied in this investigation," Sen. Dianne Feinstein of California, the top Democrat on the Judiciary panel, wrote on Twitter. Later Sunday, Ms. Feinstein asked White House counsel Don McGahn and the director of the FBI to release a copy of the directive sent by the White House to the bureau outlining the scope of the investigation.

Late Saturday, the president had declared on Twitter that he wanted the FBI "to interview whoever they deem appropriate, at their discretion."

The contours of the FBI investigation weren't clear and appeared at times to shift, as Mr. Trump and senior administration officials pushed back against reports that the White House directed who would be interviewed as part of a reopening of Judge Kavanaugh's background investigation. Ad-

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U.S. and Canada Set Nafta Accord

Deal lifts uncertainty, cuts chances of White House following through on threats

By Jacob M. Schlesinger, Kim Mackrael and Vivian Salama

The U.S. and Canada reached a last-minute deal late Sunday night on revising the North American Free Trade Agreement, lifting a cloud of uncertainty over the quarter-century-old continental commercial bloc.

The pending agreement will allow Canada to join an accord reached in late August between the U.S. and Mexico and diminishes the prospects for President Trump to follow through on his threats either to kill Nafta outright or to break the trilateral pact into separate pieces.

The Washington-Ottawa accord came just four days after Mr. Trump's trade representative told Congress that the gaps between the two countries appeared too great to bridge in time to meet the U.S.-imposed Sunday deadline, and that the administration was prepared to keep moving down the path of a Mexico-only agreement.

The accord restores—for now, at least—harmony with two neighbors that Mr. Trump has repeatedly criticized in

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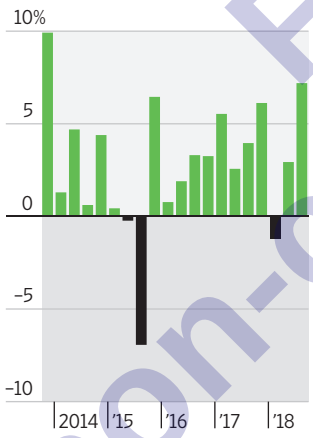
◆ Trade fight hits China's economy..... A6

High Mark

U.S. stocks are entering the fourth quarter near records. B1

S&P 500, quarterly performance



Source: FactSet

Tesla Braces for Uncertainty Amid Shift in Musk's Role

By Tim Higgins, Susan Pulliam and Dave Michaels

Elon Musk's removal as chairman of Tesla Inc. potentially weakens his grip, as investors hope a remade board will help the entrepreneur focus on solving production problems that have threatened to stymie the car maker's move into the mainstream.

Mr. Musk's deal with U.S. securities regulators, a surprising turnaround announced over the weekend, allows him to remain chief executive and keep his board seat—terms that permit the man who has become synonymous with Tesla to retain a considerable degree of power.

The Securities and Exchange Commission had originally sought to bar Mr. Musk from being an officer at any publicly traded company. Instead, Mr. Musk is banned from serving in the chairman role at Tesla for three years. Tesla also must add two new independent directors and establish better controls over Mr. Musk's communications.

The choice to head the board will help determine just how significant the settlement's impact is on Tesla's governance. The deal requires the company to choose an independent chairman, but that person could be an outsider or one of several existing directors the board deems independent but who have backed Mr. Musk for years. An outsider likely would have a better

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California, U.S. Duel On Net Neutrality

By Alejandro Lazo And John D. McKinnon

California Gov. Jerry Brown on Sunday signed a bill reinstating Obama-era open-internet rules in the state, and the Justice Department responded almost immediately with a lawsuit seeking to overturn the law.

In a statement, Attorney General Jeff Sessions said the federal government, not the states, should oversee the internet, and California had "enacted an extreme and illegal state law attempting to frustrate federal policy."

State lawmakers in August passed the nation's strongest net-neutrality provisions, with the support of all the legislature's Democrats and some Republicans. The law forbids internet service providers from blocking websites, intentionally slowing down a website or app or accepting payments to make online services go faster.

The measure's regulations

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U.K.'s May Struggles For Brexit Solution

She must reach accord with EU by March or risk the turmoil of a no-deal exit

By Bojan Pancevski And Will Horner

LONDON—The woman charged with guiding the U.K. through its divorce from the European Union isn't known for flashy political skills. Theresa May's talks with EU leaders have been strained. She cuts a lonely figure at summits, standing alone as others chat amiably. In bilateral meetings, leaders have grown uncomfortable with her long silences and awkward manner.

What she is known for is determination and pragmatism, shown in how she emerged from the political chaos following the country's 2016 Brexit referendum. She was hailed then as a leader who could cut four decades of ties with the EU, a bloc that represents half of all of Britain's international trade.

Mrs. May "doggedly gets on with it," said Sir Alan Duncan, a senior official in the foreign affairs ministry and a university friend. "She's unemotional and just proceeds."

The question now is whether this set of political skills is the right one to pull off one of the most complicated and difficult tasks in modern political history, separating the U.K. from the EU after 40 years of integration on trade, immigration, legal systems, travel and residence rights. It's a task to be accomplished without benefit of a consensus among U.K. politicians, and by one who never favored Brexit in the first place—all in the teeth of an approaching March 2019 deadline.

EU leaders, worried about the U.K.'s unpreparedness for its exit, but determined to dissuade other member states from quitting the union, are disinclined to help

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JASON HENRY/WSJ

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GARETH FULLER/PA WIRE/ZUMA PRESS

U.S. GOLFERS THROWN OFF THEIR GAME

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Board Quota

California requires companies to appoint women as directors..... B1

American Fighter Is a Hit in Russia

* * *

Minnesotan Jeff Monson blasts U.S., wins office in Moscow burb

By James Marson

KRASNOGORSK, Russia—This summer, as the U.S. charged a dozen Russians with interfering in last year's presidential election, one American was doing his part to influence a vote in this bland Moscow suburb.

He was trying to win it. Veteran professional fighter Jeff Monson, originally from St. Paul, Minn., starred in a campaign video promoting a Russian party's pledge to deal with stinking garbage dumps that had provoked protests earlier this year.

"Don't litter here!" the 47-year-old yells in the video. "We are for a clean Moscow region!"

Little known in the U.S. outside the mixed-martial-arts fraternity, Mr. Monson—known professionally as the Snowman—is an idol in fight-mad Russia, where he has lived on and off since 2011. He has become known as much for his readiness to bash his

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U.S. NEWS

THE OUTLOOK | By Sarah Chaney

Full-Time Jobs Grow as 'Slack' Eases

Jamil Segers, 18 years old, was juggling two part-time jobs in retail and restaurants, living paycheck-to-paycheck and delivering pizzas until 2:30 a.m. Then he landed a full-time job in September at a Williamsport, Md., manufacturer assembling and packaging window parts.

"It's stable, unlike my part-time jobs," said Mr. Segers.

For most of the expansion, the U.S. had an overabundance of workers who wanted full-time work but, like Mr. Segers, were stuck in part-time jobs. It was a sign of slack that lingered in the U.S. labor market for years after the recession ended: People couldn't get all the work they wanted.

Now that slack is waning, with important implications for wages and Federal Reserve policy.

Between 2006 and 2010 the number of Americans working involuntarily in part-time jobs—defined as 34 hours a week or less—soared from 3.9 million to 9.2 million, according to the Labor Department. A steadily improving job market has wrung out that excess, pushing the number of involuntary part-time workers to 4.4 million in August, or 2.7% of the overall workforce, the lowest rate since late 2006.

A broad measure of unemployment is falling in line with this decline of involuntary part-time work. The Labor Department's U6 measure of unemployment—which includes part-time and discouraged workers—dropped to 7.4% in August, down from more than 17% in 2010 to its lowest point since 2001. The gap between this broad measure and more conventional measures of unemployment has narrowed significantly, another sign of a return to job market health.

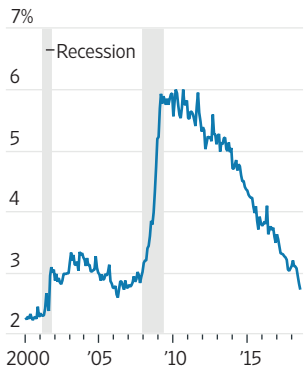
While it's possible some part-time workers are discouraged and simply dropping out of the labor force, economists say it is more likely part-time employees are landing full-time jobs. The labor-force participation rate held steady for four years as part-time employment declined.

Moreover, worker demand for full-time hours appears to be growing. Job-search site Indeed has seen hefty growth in the last year for search terms including "full-time" and "9-to-5," according to Martha Gimbel, Indeed Hiring Lab director of economic research.

The Federal Reserve has been watching closely for signs like these. As the supply of available worker hours diminishes, workers get more bargaining power and could secure bigger wage increases. Wages grew by 2.9% from a year earlier in August, the highest reading of the expansion. Wage growth was under 2% in the early parts of the expansion.

More Hours

The share of involuntary part-time workers continues to decline from its post-recession peak.



Source: Labor Department
THE WALL STREET JOURNAL.

"Unemployment is low, the number of people working is rising steadily and wages are up," Fed Chairman Jerome Powell said at a news conference Wednesday.

The Fed was reluctant to raise interest rates in the early parts of the expansion because inflation and wages were rising so slowly. Former Fed Chairwoman Janet Yellen often pointed to hidden labor slack, including part-time workers, as a weight on inflation and wage growth. If workers couldn't even land full-time jobs, the thinking went, they could hardly demand big raises.

With this slack disappearing and wages picking up, the Fed has been encouraged to stick to its path of interest-rate increases. Many economists expect another quarter-point interest-rate increase in December.

Tom Witherspoon was working part time as a technical writer before he was hired in mid-August by a video-streaming company, where he provides written online help for the firm's products. The job meant he went from making about $31,000 a year to $97,000.

"The pay bump was quite enormous," he said.

Big Blue Swim School, in the Chicago suburbs, employed 50 to 60 swim teachers at each location, mostly part-time, until mid-2016, when it switched to full-time employees to reduce turnover. The children's swimming school, which has four locations and is adding a fifth, bumps up pay on merit from $12 to $14 an hour to $14 to $16 an hour when workers stay on for more than six months.

"When you have a part-time workforce and when people come on, there's really not this career path for people," said John Lonergan, the company's chief executive. "The people we are able to attract because we have full-time employment are people who are passionate about this."

Structural factors may have boosted the part-time labor force for a time. A Federal Reserve Bank of San Francisco research note this year said rising employment in sectors including leisure and hospitality underpinned increased part-time work. Other factors, such as rules in the Affordable Care Act mandating health coverage for full-time workers, also may have encouraged some employers to emphasize part-time jobs.

But the return of part-time work to pre-2008 levels has some experts thinking that much of the rise in involuntary part-time work reflected cyclical factors now in retreat.

"We're going back towards the labor market that we used to know," said Josh Wright, chief economist at iCIMS Inc., a maker of employee-recruiting software. "While it's still possible there are these shifts toward part-time work, if there are they're much more modest than people were talking about just two years ago."

ECONOMIC CALENDAR

Monday: The **Institute for Supply Management** releases its September **manufacturing index**. American factory activity in August expanded at the strongest pace in more than 14 years. Economists surveyed by The Wall Street Journal forecast a September manufacturing index reading of 60.1.

Wednesday: The ISM unveils its **nonmanufacturing index**. This gauge of service-sector activity grew robustly in August, but some business owners appear to be feeling the heat from tariffs and rising input costs. Economists surveyed by the Journal expect the index clocked in at 58.0 in September.

Thursday: The Reserve Bank of India makes an interest-rate decision. Its meeting comes as the rupee has been one of the hardest hit in an emerging-markets currency swoon this year.

Friday: The **Labor Department** releases the September **jobs report**. The August employment report showed solid job gains and the best wage growth for the current economic expansion. Economists will watch for any impact of Hurricane Florence on the September data. Economists surveyed by the Journal forecast nonfarm payrolls grew by 185,000, while the unemployment rate ticked down to 3.8%.

The **Commerce Department** releases August **trade data**. Economists surveyed by the Journal expect the trade deficit widened to $53.5 billion in August from $50.08 billion a month earlier.

JOSHUA LOTT/GETTY IMAGES

Tesla Chief Executive Elon Musk will give up the electric-car maker's chairman role for three years under a deal with regulators.

ON BUSINESS | By John D. Stoll

At Tesla, an Outsider Would Be Best

Elon Musk is known for keeping a tight grip on every venture he creates. But after being pulled over by the financial cops, he agreed to hire a driving instructor rather than have someone else take the wheel at **Tesla** Inc.

Mr. Musk, Tesla's chief executive, will relinquish the chairman role for three years under a deal with regulators. The Securities and Exchange Commission also wants two new independent directors and more scrutiny applied to Mr. Musk's tweets, which are often treated like company disclosures. Mr. Musk remains a director.

Students of Tesla know the odds of the directors picking a new chairman from the current board are high. The auto maker is insular, with two-thirds of directors having been in place since Tesla went public in 2010. Many have close relationships, familial and financial, with Mr. Musk, who owns 22% of the company.

Tesla's chairman job, however, should go to someone without ties to the Silicon Valley electric-car maker.

The outsider approach would follow a precedent set by U.S. rivals—**General Motors** Co. and **Ford Motor** Co.—when they were on the brink. It also gives the chairman the ability to attack Tesla's problems with fresh eyes and no baggage.

"Tesla doesn't need someone with experience in cars or electricity or batteries," said Steven Rattner, who ran the Treasury Department's effort to bail out the industry in 2009. "It needs an experienced CEO or former CEO or experienced chairman capable of getting Mr. Musk to act like a grown-up."

Mr. Rattner said the company needs to let a new chairman reshape the board with a few new directors, like telecom veteran Ed Whitacre did when he took GM's chairmanship at Mr. Rattner's request. The current board has failed to hold Mr. Musk accountable as the CEO has failed at meeting financial and production targets.

It was Mr. Musk's premature tweet about taking Tesla private that got him here. There are other instances, including appearing to smoke marijuana during a podcast, that gave fodder to critics.

Industry insiders I talked to passed along some interesting names of the kinds of businesspeople who could rein him in, including: Warren Buffett; former Ford CEO and longtime Alphabet director Alan Mulally; **PepsiCo**'s departing CEO, Indra Nooyi; or **Starbucks**'s longtime leader, Howard Schultz. They all have the management chops and potentially the time to tackle Tesla.

Mr. Mulally is a master of creating step-by-step solutions to complex problems. Ms. Nooyi weathered tough criticism and took the long view. Mr. Schultz reinvigorated a coffee company in the 1980s and managed it for the better part of 30 years.

Mr. Musk's agreement with the SEC to let go of the chairman's job but keep the CEO title tells you a lot about the billionaire entrepreneur. As much as he casts himself as a visionary, he is a tinkerer who pingpongs among Tesla, rocket venture **SpaceX** and the tunnel-construction firm The Boring Co., burying himself in minutiae of each.

I recently asked him why he doesn't hire a third party to help figure out Tesla's manufacturing glitches. He looked at me as if I'd asked why there's no gas tank on a Model 3. "If we don't solve the production, we're going to die," Mr. Musk said. "I need to create a case example of what can be done."

The right chairman is someone who can balance the bravado with the cold, hard truth that Elon Musk can't save the world alone.

Abigail Johnson, CEO of **Fidelity Investments**, doesn't have the time (she recently said her job requires her full attention) but does have the type of shared financial interest that could make her a good fit. Her firm is a longtime Tesla investor.

Ms. Johnson recently offered her view on running a company. "You've got the machine in motion, but there is a different kind of need to first of all make sure that you appropriately find and manage small problems so they don't become big problems," Ms. Johnson told financier David Rubenstein on his Bloomberg TV show.

She takes the long view: "When everybody's running the machine...there's a tendency to look at the short term and focus on incremental opportunities and not look ahead to the really big opportunities."

Those are wise words for Mr. Musk.

CORRECTIONS & AMPLIFICATIONS

The complete name of recruiting firm **Heidrick & Struggles International** Inc. was omitted in a Business & Finance article Thursday about the chief executive officer of the California Public Employees' Retirement System.

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

Tesla Faces Uncertain Path Ahead

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chance of dampening Mr. Musk's significant influence.

The most noticeable limitation on Mr. Musk could be to his megaphone. Tesla is on the hook to better vet his tweets and other pronouncements that contain information deemed material to the auto maker. Mr. Musk's prolific use of Twitter is part of his allure, helping him build a persona unlike other CEOs.

The Justice Department, meanwhile, also is investigating Mr. Musk's tweets, though it didn't bring a parallel criminal case Thursday. The SEC typically doesn't settle a civil case if the Justice Department is expected to bring a criminal one, though it isn't clear in this instance how closely the departments coordinated efforts, people close to the situation said.

The board additions could tip the balance of power in a nine-person group that has been dogged by criticism for failing to rein in Mr. Musk during months of self-inflicted dust-ups. The most dramatic episode, Mr. Musk's messages on Twitter on Aug. 7 that he had secured funding to possibly take Tesla private, led to an SEC investigation. The agency filed suit Thursday, alleging that his statements were misleading. Mr. Musk believed he had a verbal agreement in place with Saudi Arabia's sovereign-wealth fund to help finance the plan, according to a person familiar with the matter.

The settlement, announced days after Mr. Musk walked away from a deal and appeared ready to fight the SEC, calls for $40 million in fines from Mr. Musk and Tesla.

Tesla declined to comment on the ramifications of the settlement.

Ross Gerber, CEO of Gerber Kawasaki Wealth & Investment Management, praised the settlement, saying it could bring institutional investors back into the fold. "I think a super strong outsider would send the best message."

Mr. Gerber, whose firm owns Tesla shares, said, "Most investors were starting to feel this was an Elon ride, not a company." He added, "Tesla is a big company and this was their growing-up moment."

Even without Mr. Musk's recent spate of controversies, Tesla has been driving along on the edge. The CEO promised to sharply increase production of the Model 3 sedan in the third quarter, keeping the rate of production at a level that the 15-year-old auto maker had never come close to in the past, all to prove to Wall Street that the company could become cash positive and generate the money needed to avoid raising more capital.

The most noticeable limitation on Mr. Musk could be to his megaphone.

From pulling all-nighters to micromanaging engineering tasks, Mr. Musk has acted more like the head of a startup than CEO of an auto maker with a market value that rivals General Motors Co. Mr. Musk has been able to reign at Tesla because he is the creative force behind a new luxury car brand that has pushed the auto industry toward developing its own electric vehicles.

His vision for electric cars that drive themselves has allowed Mr. Musk to tap capital markets to fund Tesla's growth and propel Tesla's shares higher.

On Friday, those shares plunged nearly 14% following the revelation Mr. Musk had turned down a settlement. Should the SEC prevail in its suit, analysts cautioned, Tesla's CEO could be gone—and with it the company's potential to raise money.

Tesla shares closed Friday at $264.77.

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Few Answers In Las Vegas A Year Later

Investigators struggle to pinpoint shooter's motives in massacre; 'People are bewildered'

By Zusha Elinson

One kept her television on 24 hours a day in the aftermath to try to gather every detail that could help her understand what happened. Another delved into the attacker's family history. Others have debated the case informally among colleagues and officially at professional conferences.

One year after Stephen Paddock killed 58 Las Vegas concertgoers, criminal psychologists and threat-assessment experts are still puzzling over why a wealthy, 64-year-old gambler committed the deadliest mass shooting in modern U.S. history.

Experts are used to finding answers as to why mass shooters commit their crimes, be it anger at co-workers or fellow students over perceived slights, terrorism or mental illness. Several hypotheses on the Las Vegas gunman's possible psychopathy and desire for infamy have begun to emerge, but they are tentative and based on limited evidence—a troubling outcome for people whose job it is to look for clues that could help prevent such a deadly incident in the future.

"People are bewildered by the case—there's a bewilderment, and there's a horror," said J. Reid Meloy, a forensic psychologist and clinical professor of psychiatry at the University of California, San Diego who often gets questions about the Las Vegas shooting at lectures and conferences. "The most troubling cases are those without an answer."

A 10-month probe by the Las Vegas Metropolitan Police Department turned up no evidence of Paddock's motives after interviews with his relatives, girlfriend, ex-wife, doctor and casino hosts, as well as searches of his computers, phones and internet history. He left no manifesto or suicide note, wasn't affiliated with a terrorist group and had no mental-health diagnosis that might explain his actions.

Sheriff Joseph Lombardo, head of the Las Vegas police, said upon the release of the final report in August that Paddock's gambling losses may have been a factor; his bank accounts dwindled from $2.1 million to $530,000 in the two years before the attack. But the sheriff said investigators weren't able to "definitively answer the why."

"We wish we knew more about it," said John Nicoletti, a psychologist and partner in the threat-assessment firm Nicoletti-Flater Associates. "With all the missing data, what everybody says, it's just speculation."

Federal Bureau of Investigation criminal profilers are working on their own report on Paddock that is expected to be released soon. The top FBI official in Las Vegas said in a radio interview this summer that the report may not deliver "a definitive why."

"It's a puzzling case and a challenging case," said Mary Ellen O'Toole, a retired FBI profiler. "In a lot of ways, he is an outlier."

A 10-month probe by the Las Vegas police turned up no evidence of Paddock's motives.

From the start, Paddock defied much of what professionals in this grim field have come to expect. Typically, mass shooters are younger men who nurse real or perceived grievances, according to a recent FBI study of 63 such attackers. Four out of five displayed some concerning behavior before an attack, including telling others on social media or in person of their violent intent.

Paddock was more clandestine. Video-surveillance footage shows him calmly gambling, eating and bringing more than 20 pieces of luggage up to his 32nd-floor suite in the Mandalay Bay Resort & Casino in the days before the attack. The luggage contained an arsenal of semiautomatic rifles, and he turned his room into a sniper's nest to rain bullets down on a defenseless crowd at the Route 91 Harvest country music festival before killing himself on Oct. 1, 2017.

In the months after the tragedy, as investigators struggled to find any animus that might explain the attack, Russell Palarea, president of the threat-assessment firm Operational Psychology Services, began formulating his own theory on Paddock's motive.

Dr. Palarea said in mass shootings when there is no grievance, the motive is often infamy. When Las Vegas police revealed that Paddock had also scoped out other rooms high above other outdoor concert venues, he said, it confirmed his suspicions that Paddock wanted to kill as many people as possible. "Some people kill for notoriety and infamy, and that's what he did," he said.

Dr. Meloy, the forensic psychologist, began to develop his own hypothesis on the gunman after reading a 1960 psychological examination of his father, Benjamin Hoskins Paddock, a bank robber and con man who was put on the FBI's Ten Most Wanted Fugitives list in 1969 when he escaped from prison. A psychiatrist determined after one arrest that the father was a sociopath.

"I began to think about psychopathy," said Dr. Meloy, "when I was struck by the history of the dad and the fact that his biology was rooted in a father who had a diagnosis as a psychopath."

Dr. Meloy said speculation by Paddock's brother in interviews with investigators that "he had done everything in the world he wanted to do and was bored with everything" further backed his hypothesis, as did the fact that several others described Paddock as emotionally detached.

The coldblooded and grandiose assault on a crowd of people Paddock had never met also bore characteristics of psychopathy, not of someone having a mental breakdown, said Dr. O'Toole, the retired FBI profiler. "It was a complete lack of empathy for the trauma and damage done to strangers," she said.

This hypothesis does have holes. Paddock didn't have a history of violence, impulsiveness or lying, and he helped those closest to him. He called his mother before the attack to make sure she was prepared for Hurricane Irma. He shared his investments and his wealth with his family and girlfriend, Marilou Danley. He also was prescribed medicine to calm anxiety—not a trait often associated with those who have no conscience.

"In order to say that Stephen Paddock was a psychopath, you would have to do a posthumous assessment with case materials, you'd have to do interviews, you'd have to go back over years of behavior," said Dr. O'Toole.

Even among law-enforcement officials close to the investigation, no speculative consensus has emerged.

"My opinion is he was pissed over getting his butt kicked gambling, or he wanted to follow in his father's shoes," said one official familiar with the investigation.

FROM TOP: JOHN LOCHER/ASSOCIATED PRESS; LAS VEGAS METROPOLITAN POLICE DEPT./ASSOCIATED PRESS

Angelica Cervantes in the bedroom of her son, Erick Silva, who was working as a security guard at the Las Vegas festival and was fatally shot while helping people climb over a barricade to escape. Below, the hotel room from which Stephen Paddock shot 58 people dead.

Coding Schools, Colleges Join Forces

By Melissa Korn

Coding boot camps pitch themselves as a sure path to a lucrative job. Colleges say a liberal arts grounding is crucial to career success.

Now, the two have come to a sort of truce, marrying a healthy dose of technical skills with a more traditional college course load in an effort to round out students' experiences and boost enrollment.

Dominican University of California and San Francisco-based coding program Make School are teaming up to offer computer science courses at Dominican, taught by Make School instructors, and general-education courses at Make School, taught by Dominican professors.

Humanities and social science majors have lost enrollment in recent years, partly to more career-focused options like health and engineering, forcing liberal arts schools to shake up their curricula.

"Innovation is no longer optional," said Dominican President Mary Marcy. The century-old school, with 1,264 undergraduates, would take years to build out its own computer science department and can't afford to wait that long, she said.

Jobs for software developers and programmers are forecast by the Labor Department to grow by nearly 18% between 2016 and 2026, and Dr. Marcy says she believes students pursuing other fields, including marketing or medicine, could benefit from coding skills.

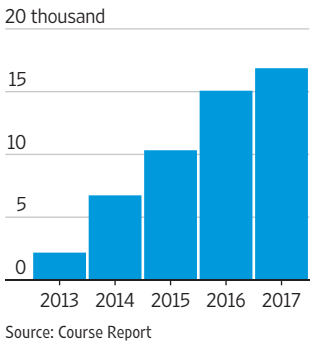
The rise of coding boot camps as a means to provide entry-level computer-programming skills to liberal arts graduates has stalled in the past year, with some closing and others rebranding as corporate training programs.

CAYCE CLIFFORD FOR THE WALL STREET JOURNAL

Nyapal Gatkuoth is in a coding school and has a writing composition class taught by a college professor.

Student Count

Coding boot camp graduate numbers continue to rise, but at a slower pace than in past years.



Source: Course Report
THE WALL STREET JOURNAL.

A few dozen schools including the University of Washington and University of Pennsylvania have teamed up with Trilogy Education Services to offer boot camps through extension or adult-education programs, charging $10,000 to $12,000. Those courses lead to a certificate, but no college credit.

Make School is paying Dominican in cash and stock for its administrative expertise navigating federal and local regulations, and covering costs for any new staff. They are working under a new incubation policy created by Dominican's accreditor, aimed at helping more upstart programs launch by learning the ropes from more established schools.

"We're learning how to make a college," said Make School co-founder Ashu Desai.

Make School was founded six years ago with backers including Laurene Powell Jobs' Emerson Collective and Y Combinator, a tech-startup incubator. It has about 110 students and expects to more than double in size next year. Nearly all students pay via income-share agreements, promising a percentage of their income back to the school after they land jobs.

While many boot camps appeal to college graduates, Make School generally enrolls younger students without degrees in its short summer courses and two-year program that includes some soft-skills and general education classes. Within five years, Make School aims to be offering an accredited three-year bachelor's degree program.

In that same time frame, Dominican expects to have its own computer science minor. It plans to host Make School classes on campus starting next spring, pending approval by the accreditor.

"Even as a software engineer, you spend most of your time talking to people, not talking to computers," said Mr. Desai. Make School students will take classes in areas like ethics and philosophy to be better prepared to deal with how their work in technology affects the world.

Nyapal Gatkuoth, 23 years old, worked in customer service and as a receptionist, coding on the side, before enrolling at Make School. She is taking a writing composition course with a Dominican professor this fall.

"It's good to have a well-rounded education," Ms. Gatkuoth said.

Cities Set to Challenge Proposed IRS Ruling

By Jimmy Vielkind

An emerging coalition of New York municipalities is preparing to challenge proposed Internal Revenue Service regulations that clouded the ability of cities and towns to set up funds that allow residents to pay their local taxes as charitable contributions.

The group of municipalities will file public comments with the IRS and is considering a lawsuit, according to state Assemblywoman Amy Paulin, a Democrat who lives in Scarsdale.

The new federal tax code signed into law by President Trump in December put a $10,000 cap on state and local tax deductions.

State lawmakers approved a bill in March that allowed the creation of the charitable funds. Under New York's law—which is similar to legislation adopted in New Jersey and Connecticut—localities can issue a taxpayer a credit against their property taxes for up to 95% of the amount donated to a designated charitable fund. New York may issue credits against state income tax for up to 85% of a donation.

Fourteen New York municipalities have set up the charitable funds, according to a database of local laws and interviews with municipal officials. Charitable deductions against federal income aren't limited, but the IRS rule would block the relief intended by New York lawmakers by requiring taxpayers to subtract the value of the state credits from the amount of their donation.

Daniel A. Rosen, a partner at Baker & McKenzie who is working with the coalition, said the IRS proposal is contrary to the agency's earlier treatment of donation-and-credit systems in states such as Alabama that provide state incentives for taxpayers who donate to funds supporting community college programs.

"State and local tax benefits have never been viewed, by the federal government, like a tote bag," Mr. Rosen said in an interview. He said he is considering a pre-enforcement challenge to the regulations, which could be finalized after a Nov. 5 public hearing.

A spokesman for the IRS, Dean Patterson, said he declined to comment because the proposed regulations remain open for public comment.

But the IRS ruling in August that declared the charitable-donation structure unlawful has had a chilling effect, according to Gerry Geist, executive director of the state's Association of Towns and a member of the coalition.

The Village of Rye Brook collected $21,169 from six taxpayers this summer, but Mayor Paul Rosenberg expects the fund will be dissolved.

Ithaca set up a fund in June but no taxpayers used it, according to Mayor Svante Myrick. He attributed the lack of participation to the ability of taxpayers to prepay their 2018 city taxes in the last days of 2017, before the new deduction caps took effect.

"We're accepting contributions," said Mr. Myrick, a Democrat.

Scarsdale Public Schools moved to set up a fund but waved off. David Albert, a spokesman for the New York State School Boards Association, said he was "warning districts to wait until we received more guidance."

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PATRICK SEMANSKY/ASSOCIATED PRESS

In coming months the Supreme Court may consider the Trump administration's cancellation of DACA as well as its ban on transgender military service.

Cases Teed Up for a Split Court

By Brent Kendall And Jess Bravin

WASHINGTON—An eight-member Supreme Court, divided by ideology and clouded by uncertainty, returns Monday for a docket of workmanlike disputes while senators battle over nominee Brett Kavanaugh's confirmation in the face of sexual-assault allegations.

The court's calendar features cases on endangered species and excessive fines, as well as litigation over sex-offender registration that could have broad constitutional ramifications. There is also an improbable appearance for an Alaska moose hunter who is making his second trip to the court.

Senate Republicans had intended to confirm Judge Kavanaugh in time to provide a fifth conservative vote by the start of the term; on the cases it hears before it has an ideological majority, the court may take only modest steps if there are divisions. Given the politics surrounding the court, it is also possible the justices will seek to cool the temperature even once its membership is full—at least at the outset.

"It's a little bit of a fraught period for the court" and the "very divided country" it serves, Justice Elena Kagan said during a Sept. 12 appearance in New York. "We should be aware of the environment and not unnecessarily exacerbate the divisions that unfortunately exist."

That may be made easier by the relatively low profile of cases now pending. Nothing currently on tap promises to match the drama of the court's last term, in which the justices upheld President Trump's travel ban, weakened public-sector unions, allowed sports gambling and set new privacy protections on cellphone data. The court also tiptoed near major rulings on gay rights and partisan gerrymandering of voting maps, only to put them off for another day.

Yet hot-button cases are poised to return soon. In coming months the court may decide whether to consider the Trump administration's cancellation of the DACA program that provides a temporary reprieve for illegal immigrants brought to the U.S. as children, as well as its ban on transgender military service. It may also weigh workplace protections for gay employees, the constitutionality of the Consumer Financial Protection Bureau and a new crop of gerrymandering cases.

The passions behind such disputes help explain the bitterness and force of the current fight over who will serve on the court. The latest twist came Friday, when Sen. Jeff Flake (R., Ariz.) effectively forced a one-week delay in Judge Kavanaugh's confirmation vote so the Federal Bureau of Investigation can look into allegations of sexual misconduct when he was in high school and college. Judge Kavanaugh has repeatedly denied the allegations.

Cases include ones on endangered species, excessive fines and a moose hunter.

The first case up Monday pits environmentalists against property-rights advocates in a dispute over how far the Endangered Species Act can go in protecting habitats.

The Fish and Wildlife Service in 2012 designated protected land for the dusky gopher frog, but landowners including Weyerhaeuser Co. objected because the government included a tract where the frogs don't currently live.

On Tuesday, the court will hear the first of several significant criminal-law cases when it weighs whether Congress delegated too much discretion to the executive branch in establishing a sex-offender registry.

The challenger, Herman Gundy, committed a sex offense in Maryland before the federal registration law was passed in 2006. After serving time, Mr. Gundy moved to New York but didn't register, arguing he wasn't required to. Prosecutors disagreed and charged him.

Mr. Gundy argues that under the separation of powers, Congress can't give the Justice Department complete discretion to decide whether to apply the law retroactively.

Later in the term, the court will consider whether the Eighth Amendment's prohibition on excessive fines applies to state governments. At issue is a defendant who engaged in two small-dollar drug transactions with undercover police officers. The Indiana Supreme Court upheld the civil forfeiture of his $42,000 Land Rover, overturning a lower court that found the penalty grossly disproportionate to the offense.

In another major case, the court will review a Prohibition-era precedent that allows the federal government and states to try a person for the same offense despite the constitutional prohibition on double jeopardy.

The case involves a 2015 incident in which police found a handgun in an Alabama man's car. He objected to being prosecuted under federal and state laws, which both prohibit him from owning the gun because of a previous felony conviction.

Separately, the court is building out its business docket, including nuts-and-bolts cases on taxes, patents and copyrights. The justices also are slated to hear an appeal by Apple Inc., which is disputing a consumer lawsuit alleging it illegally monopolized the sale of iPhone apps.

Then there's the moose hunter. John Sturgeon is challenging National Park Service rules banning his hovercraft from waterways in the Yukon-Charley National Preserve, which he travels through to reach his preferred hunting grounds. He contends that Alaska state law, which would permit his hovercraft, should govern.

After losing in the lower courts, Mr. Sturgeon got his case to the Supreme Court in 2016, which sent it back for further reconsideration. Lower courts again ruled for the park service, prompting this second appeal.

Kennedy's Absence Shifts the Terrain

The Supreme Court has been at the center of a political cauldron since Justice Anthony Kennedy retired. He usually was the deciding vote in the court's 5-to-4 cases.

Though generally conservative, Justice Kennedy joined liberals in several high-profile areas, including expansion of gay rights and limitations on capital punishment.

Attorneys appearing before the court often crafted their arguments with him in mind. "Justice Kennedy was, of course, the focus of much of the briefing and argument in recent years," U.S. Solicitor General Noel Francisco said recently.

Now lawyers and the justices will face a considerable adjustment. If the justices split 4-4, they could set it for re-argument later once a ninth arrives. If the vacancy persists and a shorthanded court can't break a tie, the lower-court ruling in the case would stand.

Lawyer Wouldn't Prosecute Kavanaugh

By Natalie Andrews

WASHINGTON—The sex-crimes prosecutor hired by the Senate Judiciary Committee to question Christine Blasey Ford about her allegations of assault against Brett Kavanaugh told the panel she wouldn't have prosecuted the case, according to documents viewed by The Wall Street Journal.

Rachel Mitchell, an Arizona prosecutor for more than two decades whom Republicans hired for last Thursday's hearing with Dr. Ford and the Supreme Court nominee, told senators on the panel in a memo Sunday that a reasonable prosecutor wouldn't proceed because of a lack of sufficient evidence.

In her memo, Ms. Mitchell acknowledged that "there is no clear standard of proof for allegations made during the Senate's confirmation process," but said that because she is a prosecutor, she was providing her legal assessment on whether the allegations could be prosecuted in court.

At the hearing, Ms. Mitchell questioned Judge Kavanaugh and Dr. Ford, a California college professor who has accused the judge of attempting to rape her when they were both teenagers.

Judge Kavanaugh has denied the allegations.

Ms. Mitchell asked Dr. Ford about the location of the alleged assault and what she remembered. She also asked Judge Kavanaugh about his sexual behavior, though Republican senators largely questioned the high-court nominee on their own.

"A 'he said, she said' case is incredibly difficult to prove. But this case is even weaker than that," Ms. Mitchell wrote in her memo to the committee. She outlined reasons why, noting that Dr. Ford had given an inconsistent date for when the alleged assault had happened and didn't remember key details, such as how she got home after the alleged attack.

In her testimony on Thursday, a steady but emotional Dr. Ford told lawmakers she had been "haunted by memories" since the alleged attack at a house party. She said she was "100%" certain it was Judge Kavanaugh and his friend Mark Judge who pushed her into a room, and said her memory of "the laughter, the uproarious laughter between the two and their having fun at my expense" was "indelible."

An attorney for Dr. Ford declined to comment on the memo.

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FBI Probe Stokes Tensions

Continued from Page One

ministration officials said they were taking cues from the Senate. Leading the process for the West Wing is Mr. McGahn, who helped prepare Judge Kavanaugh for the questions he would face in Judiciary Committee hearings.

The lack of clarity extended to what investigators could ask witnesses, such as whether they would examine the accuracy of Judge Kavanaugh's testimony last week on his drinking habits as a teen.

"If the Senate changes what they'd like to see, we'd probably change what we've told the FBI to do," a White House official said, adding that the bureau had some flexibility in how it could carry out the background check.

The Wall Street Journal reported that the FBI probe would include interviews with the first two women who publicly accused Judge Kavanaugh of sexual misconduct but not a third, Julie Swetnick. She said in a sworn statement that the nominee attended parties decades ago where she was raped and that he tried to get women drunk at such gatherings. Ms. Swetnick didn't say Mr. Kavanaugh raped her. The judge has repeatedly denied all allegations of sexual misconduct, including one from Christine Blasey Ford that was the subject of last week's hearing.

TOM WILLIAMS/CQ ROLL CALL/ZUMA PRESS

Judge Brett Kavanaugh has denied all allegations of misconduct.

As of Sunday, it was unclear whether Dr. Ford, a California professor, or Judge Kavanaugh would be interviewed by the FBI. A lawyer for Dr. Ford said Sunday there had been no contact from the FBI since the probe was ordered on Friday.

Sen. Lindsey Graham (R., S.C.), a member of the Judiciary Committee and a close ally of the White House, said Sunday on ABC that the FBI would interview the witnesses Dr. Ford said were present at an early 1980s teenage house party at which she alleged Mr. Kavanaugh assaulted her, as well as Deborah Ramirez, who alleged Mr. Kavanaugh exposed himself to her during a party when they were both freshmen at Yale University.

Asked if the probe would also include an interview with Ms. Swetnick, Mr. Graham indicated it didn't. Mr. Graham did say Mark Judge, a high-school classmate of Mr. Kavanaugh's who Dr. Ford has said was in the room during her alleged attack, would be interviewed. Ms. Swetnick has alleged Mr. Judge was present when she was victimized in 1982. Mr. Judge's lawyer has denied those allegations and said Mr. Judge doesn't recall the events described by Dr. Ford.

A White House official also confirmed that Mr. Graham spelled out during his Sunday morning appearance the list of witnesses to be interviewed.

Some senators appeared to be under a different impression about the contours of the investigation. Sunday, three of the critical undecided GOP senators all indicated the FBI should be able to follow the investigation where it leads. Mr. Flake said on CBS that the FBI would be able to conduct additional interviews if necessary and pursue additional lines of inquiry.

Information the FBI receives could "lead to additional interviews that can take place as well," Mr. Flake said on "60 Minutes."

One person familiar with the FBI's thinking said it was unlikely that the shape of the investigation would change without official communication from the White House.

The FBI declined to comment on the Kavanaugh probe.

The three undecided GOP senators—Mr. Flake of Arizona, Susan Collins of Maine and Lisa Murkowski of Alaska—met Friday with Senate Judiciary Committee Republicans in Majority Leader Mitch McConnell's office, a spokesman for Mr. McConnell (R., Ky.) said Sunday.

Later that day, the committee called for an investigation "limited to current credible allegations" against the judge. The statement was purposefully vague as to what that would include because there wasn't consensus among its GOP members, one aide said.

Ms. Collins tweeted out support for that statement adding that she was pleased to hear that Mark Judge had indicated he would cooperate with investigators. "I am confident that the FBI will follow up on any leads that result from the interviews," Ms. Collins said in a statement Sunday

Democrats said they had never agreed to exclude any claims from the FBI probe and said they had been excluded from a call Friday between Senate Republicans and the White House over the inquiry's scope.

—Julie Bykowicz contributed to this article.

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WORLD NEWS

Indonesia Quake, Tsunami Kill Hundreds

Death toll could climb into the thousands, the country's vice president warns

By I-Made Sentana And Ben Otto

MAST IRHAM/EPA/SHUTTERSTOCK

Aid workers in Palu, a city of 380,000, scrambled Sunday to free people caught in the rubble of collapsed buildings. Above, a car washed up by the surging water.

JAKARTA, Indonesia—Indonesian officials are warning that the death toll from Friday's powerful earthquake and tsunami on the island of Sulawesi could rise sharply after hundreds of people were confirmed killed, as aid workers attempted to reach areas cut off since the deadly wave hit.

Jusuf Kalla, the country's vice president, said thousands of people might have died. He said authorities had received little word of what happened in the Donggala area near the epicenter of the quake, where nearly 300,000 people live.

Sutopo Purwo Nugroho, spokesman for Indonesia's national disaster agency, told a news briefing in the capital, Jakarta, that 832 people so far are confirmed to have been killed, 821 of them in the provincial capital, Palu.

Aid workers in Palu, a city of 380,000, scrambled Sunday to free people caught in the rubble of collapsed buildings. Mr. Nugroho said between 50 and 60 people are believed to still be trapped in the remains of Hotel Roa Roa, which was leveled during the quake. Some of them could be heard calling for help, relief officials said.

Rescuers are also searching through the debris of the Ramayana Mall and a series of restaurants along the beachfront that took the brunt of the tsunami's impact. Relief teams are still trying to make their way up the coast to the Donggala area, which is normally a half-hour's drive away from Palu but is now largely inaccessible because of damaged roads and broken communications links.

"The death toll is believed to be still increasing since many bodies are still in the wreckage, while many have not been reached," Mr. Nugroho said.

In Palu, a major bridge spanning a river collapsed and in one housing complex the earthquake triggered a phenomenon known as liquefaction, where the ground turned to mud, submerging some homes and moving others.

Nearly 300 inmates at a prison in Palu escaped when its walls collapsed during the quake, state news agency Antara reported.

Prison warden Adhi Yan Ricoh said prison staff and police were too busy with the relief effort to hunt them down. "We haven't even had time to report this to our superiors yet," he said, according to the news agency.

Indonesia's President Joko Widodo arrived in Palu Sunday afternoon. Emergency supplies are being sent in by helicopters and commercial aircraft to Palu's airport, which resumed limited operations Sunday.

Waves that hit Palu were among the worst to hit the country since 2004, when an earthquake off the island of Sumatra kicked up waves that killed an estimated 228,000 people around the Indian Ocean—most of them in Indonesia. The country straddles a network of seismic fault lines known as the Pacific Ring of Fire.

Palu's location at the end of a long, slender bay worsened the impact of the 7.5-magnitude quake when it hit early on Friday evening, said Baptiste Gombert, a researcher on seismology at Oxford University. As the tsunami barreled toward the city, waves were amplified by the narrowing channel and rising seabed, driving the water more than 19 feet high in some places as waves smashed onto shore.

Government officials staying at a seaside hotel in Palu told local media that waves reached the building's second floor.

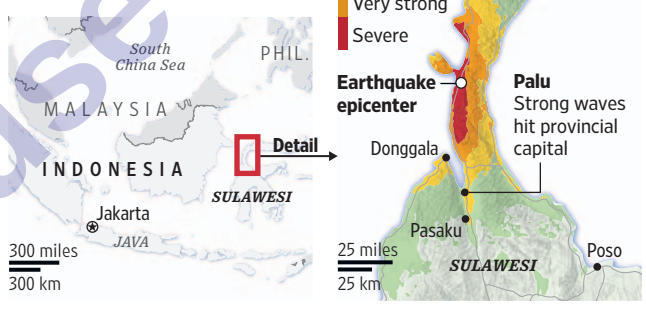
Mr. Gombert and other researchers are also studying whether massive landslides might have magnified the tsunami.

Regardless, it appears residents in Palu and other affected areas had little time to get out of the way. Mr. Nugroho at the disaster agency said some places didn't appear to have any tsunami warning sirens, and that some people remained in coastal areas after the quake despite the national weather agency issuing an emergency alert via text messages and social media. In some areas communications failures might have prevented word getting out, he said.

The only thing the agency knows for sure at this point is that the tsunami struck Palu within 36 minutes of the first alert being sent—but it doesn't know precisely when, or whether people had enough time to get out of the way.

Double Blow

The quake hit Friday evening, and officials told local media waves reached the second floor of a seaside hotel.



Source: USGS

THE WALL STREET JOURNAL.

U.S. Warship Patrols Disputed Waters

A U.S. Navy warship patrolled near at least two Chinese-held outposts in the disputed Spratly island chain in the South China Sea on Sunday, challenging Beijing's maritime claims amid growing tensions between the two countries.

*By **Gordon Lubold** in Washington and **Jeremy Page** in Beijing*

DIANA QUINLAN/U.S. NAVY/REUTERS

The USS Decatur, seen above in 2016, conducted a 10-hour patrol.

The guided-missile destroyer USS Decatur navigated past Gaven and Johnson reefs over the course of a 10-hour patrol in the South China Sea, sailing within 12 nautical miles of both features.

The two outposts are among seven where China has built heavily fortified artificial islands since 2013, raising fears among its Asian neighbors and in the U.S. that Beijing could use them to enforce its claims to almost all of the South China Sea.

U.S. forces operating in the region navigate through international waters regularly and always abide by international law, a U.S. official said, adding that such patrols demonstrate the U.S. will "fly, sail and operate wherever international law allows."

"That is true in the South China Sea as in other places around the globe," the official said.

There was no immediate response from the Chinese government. Beijing says it has "indisputable sovereignty" over all South China Sea islands and their adjacent waters.

Last week, China said the recent flight of American B-52 bombers over the South China Sea was "provocative." The Pentagon called the flight routine.

The last time the U.S. conducted a freedom of navigation operation in the South China Sea was in May, when two warships—the USS Antietam and USS Higgins—navigated through the Paracel Islands.

Such maritime patrols are typically planned weeks in advance. Still, Sunday's patrol comes amid rising tensions with China. In September, the State Department imposed sanctions on a Chinese military agency for buying Russian combat aircraft and a surface-to-air missile system.

That resulted in China formally complaining to U.S. Ambassador Terry Branstad and the acting defense attaché, and recalling Beijing's navy chief, Vice Adm. Shen Jinlong, during a high-level visit to the U.S., canceling a Pentagon meeting with his counterpart, Chief of Naval Operations Adm. John Richardson. China also denied a request from the U.S. Navy for an American warship to schedule a port visit in Hong Kong.

The patrol Sunday follows a series of patrols through those waters from American allies, including a British ship that conducted a freedom of navigation patrol in August in the Paracels, which are controlled by China but claimed by Vietnam and Taiwan. French navy ships navigated through the Spratly Islands in May.

Trump Says of Kim Jong Un: 'We Fell in Love'

By Julie Bykowicz And Farnaz Fassihi

President Trump says he and Kim Jong Un "fell in love" after the North Korean leader wrote him "beautiful letters" and characterized the U.S. as having "a very good relationship" with North Korea.

The president's comments, at a political rally Saturday night in Wheeling, W.Va., came just hours after a North Korean official said talks between the countries had deadlocked. The U.S. wants North Korea to dismantle its nuclear-arms program.

"Without any trust in the U.S., there will be no confidence in our national security and under such circumstances, there is no way we will unilaterally disarm ourselves first," North Korea's foreign minister, Ri Yong Ho, told the U.N. General Assembly earlier Saturday.

Mr. Trump said talks between Washington and Pyongyang had reached a deadlock because of continued pressure from the U.S. to uphold sanctions and Washington's objection to formally declaring an end to the Korean War.

The president told supporters at his rally that his administration has de-escalated tensions with North Korea. He contrasted his approach with that of the Obama administration, which he said was on the brink of war with a country that has been trying to build a nuclear arsenal.

"I was really being tough, and so was he," Mr. Trump said of Mr. Kim. "And we were going back and forth, and then we fell in love, OK? No, really. He wrote me beautiful letters. And they're great letters. We fell in love."

President says tough talk between the two leaders was followed by warmer relations.

Mr. Trump went on to predict the media would call him "unpresidential" for saying the two "fell in love" and mocked other politicians for not trying hard enough to be entertaining.

Over the summer, Mr. Kim sent flattering letters that addressed Mr. Trump as "your excellency" but didn't contain specifics about how North Korea was adhering to the U.S. demand that it curb its nuclear program.

Last week, speaking at the U.N. General Assembly in New York, Mr. Trump backed off his administration's previous requirement that North Korea rapidly dismantle its arsenal, saying it is fine if it takes months or years.

—Peter Nicholas contributed to this article.

Trade Fight Hits China's Economy

BEIJING—An intensifying trade brawl with the U.S. is starting to take a heavier toll on China's economy, as weakening foreign demand and sluggish domestic consumption cause Chinese manufacturers to significantly scale back production.

The manufacturing slowdown, detailed in reports released Sunday, raises the prospect that China's leaders will step up economic stimulus measures to prop up growth.

The new data showed that privately owned makers of cars, machinery and other products stopped expanding in September, as export orders dropped the most in more than two years. At the same time, output by large, state-owned manufacturers continued to weaken.

The data, among the first major gauges of China's economic performance for the third quarter, indicate that the U.S.-China trade fight is beginning to take a bigger bite out of the growth of the world's second-largest economy.

Until now, the softening of Chinese growth had largely been due to a domestic debt-control campaign that curbed investments and consumption by companies and individuals alike. But since July, both governments have moved beyond rhetorical trade threats and imposed tariffs on hundreds of billions of dollars in each country's products.

"Expansion across the manufacturing sector weakened in September," said Zhengsheng Zhong, an economist at CEBM Group in Beijing. "Downward pressure on China's economy was significant."

Such pressure, economists and government advisers say, will likely prompt Beijing to put in place more pro-growth measures—such as an easier credit policy and greater government spending—and to further let up on its drive to prevent its already-high debt levels from climbing.

So far this year, China's central bank has on three separate occasions trimmed the deposits commercial banks are required to hold in reserve. A fourth cut is likely, analysts and economists say, to spur lending and give the economy more oxygen.

There's no doubt that the U.S.-China trade conflict will affect China's exports and overall growth, Long Guoqiang, deputy head of the Development Research Center of the State Council, China's cabinet, said Sunday. "Some will cut production, some will reduce the number of workers, and others may even shut down," he said at a news media briefing. China will adjust its monetary policy according to the impact of the trade fight on the economy, he added.

The potential for more stimulus measures underscores the balancing act facing Beijing as it tries to defend itself from the U.S. offensive, while keeping China's economy from sputtering. President Trump has repeatedly boasted that the U.S.'s strong economy gives it a commanding position in the conflict.

Since early July, the Trump administration has imposed tariffs on $250 billion of Chinese goods and Beijing has retaliated with punitive taxes on $110 billion of U.S. products.

Mr. Trump has also pledged to put more tariffs on an additional $257 billion of Chinese products, essentially subjecting all the U.S.'s Chinese imports to such penalties. China's exports to the U.S. last year were about four times those from the U.S. to China, leaving Beijing running out of tariff options to hit back at Washington.

—Liyan Qi and Lingling Wei

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WORLD WATCH

JAPAN

New Governor of Okinawa Is Elected

The son of a U.S. Marine who wants to reduce the American military presence in Okinawa was elected governor of the southern Japanese prefecture Sunday. Denny Tamaki, 58 years old, who never met his father and was raised by his Japanese mother in Okinawa, now faces a showdown with the government of Prime Minister Shinzo Abe over the construction of a new Marine air base.

"The people of Okinawa won't accept the building of a new base in Henoko. I will firmly convey their views to the government," Mr. Tamaki said after the vote.

Mr. Tamaki says Okinawa bears too much of the burden of the U.S. military presence in Japan. Under a bilateral security treaty, about 50,000 U.S. troops are stationed in Japan, about half of them on Okinawa.

The prefectural government has no legal power to remove bases but can raise barriers to new construction.

—Alastair Gale

IRAQ

Kurds Hold Vote for Regional Parliament

Iraq's self-ruled Kurdish region held its long-delayed parliamentary elections on Sunday, a year after a vote for independence sparked a punishing backlash from Baghdad, leaving Kurdish leaders deeply divided.

More than 700 candidates are vying for 111 seats in the elections, in which nearly 3.5 million Kurds were eligible to vote. Eleven seats are reserved for religious and ethnic minorities: five for Christians, five for Turkmen candidates and one for the Armenian community.

It is unclear how much change the elections could bring or whether the vote would only cement Iraqi Kurdish divisions further.

—Associated Press

U.S. Targets Cyprus Over Russia Money

By Nektaria Stamouli And Drew Hinshaw

NICOSIA, Cyprus—On Good Friday, top managers of this island's largest bank were at Greek Orthodox churches when their phones began to buzz. The U.S. Treasury had just imposed sanctions on their largest shareholder, Russian oligarch Viktor Vekselberg.

Still in their church clothes, the Bank of Cyprus managers quickly met to draft a letter informing the billionaire investor that he must withdraw his money from the bank.

Their sunsplashed island, long the favorite money haven of rich Russians, was becoming the focal point of an American offensive to sweep up the money that U.S. officials say Vladimir Putin's allies launder through Europe.

For Cyprus, America's new sanctions list was the start of a campaign to change a decades-old business model deeply entrenched in the island's economic and political culture. So much Russian money enters the European Union through Cyprus that the tiny island of one million people appears in international statistics as by far the largest net recipient of foreign direct investment from Russia.

The fight to change that model represents a test of American power on the wilder edges of Europe's financial system, where Russian wealth collides with Washington regulators in an area—money laundering—where the European Central Bank has limited authority. "The U.S. and Russia are in a kind of economic war and you fight those wars where the two sides meet," Bank of Cyprus Chief Executive John Hourican told The Wall Street Journal. "They meet in Cyprus."

The rapid changes rippling through Cyprus offer a ground-level look at how U.S. cabinet officials, one rung below President Trump, are pressuring Russian oligarchs in an effort to weaken Mr. Putin. A ring of countries on Europe's periphery, also including Malta and Latvia, are under enormous pressure to drop lucrative Russian clients.

In early May, shortly after the expansion of American sanctions on Russia, a U.S. Treasury official met with the island's top regulators, waving a list naming the next set of Russian oligarchs likely to face penalties. The American official mentioned a Latvian bank recently shut down following U.S. allegations of laundering Russian money.

"You saw what happened in Latvia?" said Marshall Billingslea, the U.S. assistant secretary for terrorist financing. "You don't want anything like that happening here."

"Bring it on," a Cypriot regulator snapped back.

The U.S. moves have grated with Cyprus's political class—and with ordinary people. Moscow is broadly viewed positively here, as a great power willing to protect the country from Turkey, which has occupied the island's north since 1974. Bankers feel the scrutiny is unfair.

"Cyprus is being picked on bit more, because we are small," said Marios Skandalis, head of compliance at Bank of Cyprus, as Turkish jet fighters flew past his window. "Why isn't London or Germany being picked on?"

PETROS KARADJIAS/ASSOCIATED PRESS

The shoreline of the Cypriot resort town of Limassol—locally called 'Limassolgrad'—has been transformed by the proliferation of high-rise buildings owned by Moscow's business elite.

For decades, Cyprus has been one of the world's great gateways for the legally gray fortunes of Russian depositors ranging from arms traders to gambling firms, fast-fortune billionaires and pornographic websites. Powerful players of the post-Soviet sphere—among them, Serbian President Slobodan Milošević—brought cash-filled suitcases in the early 1990s, enriching pop-up banks. Behind them came a wave of Russian tourists, sunbathing under Cyrillic billboards and newly built condos.

By 2010, total deposits in Cyprus's banks were about five times the country's annual economic output. Only one other economy, Luxembourg, had a more disproportionate amount of money in its banks.

In 2013, Cyprus's swollen banking system fell victim to Europe's financial crisis. The government sought a rescue loan from the European Union and the International Monetary Fund. Those institutions forced large depositors in Cypriot banks, including many rich Russians, to accept the loss of much of their cash as shares in the near-worthless banks instead, called a "bail-in."

In return for its rescue loan, Cyprus agreed to reduce its reliance on offshore banking, particularly for Russians. It didn't work out that way, partly because the banks emerged from the crisis with strong Russian shareholders.

"The bail-in was foolish. To get rid of the Russian money, they gave the banks to the Russians," a bank official said.

Among them was a former KGB agent turned mining executive, Vladimir Strzhalkovsky, who was catapulted onto Bank of Cyprus's board. Around the same time, American investor Wilbur Ross—now the U.S. Commerce Secretary—led the purchase of a 15% share in the bank and became vice chairman.

The duo didn't coexist for long. In 2015, Mr. Ross discovered that Mr. Strzhalkovsky was trying to buy a hotel listed as collateral on one of the bank's nonperforming loans. Mr. Strzhalkovsky was also requesting that the bank place commercials with an ad agency he owned in Russia.

Mr. Ross complained to European regulators in Frankfurt and managed to have Mr. Strzhalkovsky ousted from the board.

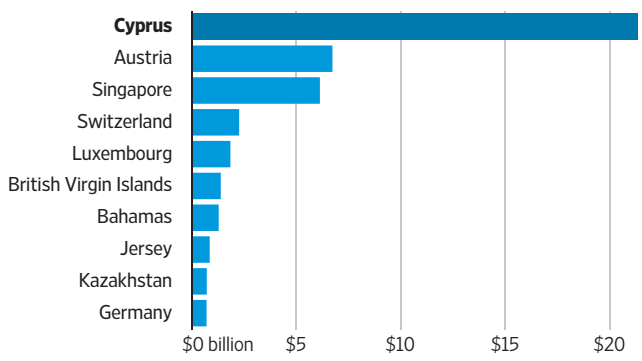
Mr. Ross left in 2017 when he became Commerce Secretary. U.S. pressure has only increased since, bankers say.

Bank deposits have shrunk, but are still equal to three times the economy of a country that decades ago relied on small-scale gourd farms to fill government coffers.

"Russia built this economy," one bank official said, complaining that the bank is being asked to cut its best customers. "We can't go back to growing cucumbers."

Destination Ruble

Top 10 recipients of direct investment from Russia in 2017. **Net flows:**



Source: Russian Central Bank

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Macedonia Name Change in Doubt

Low voter turnout puts pact with Greece, hope of joining EU, NATO at the risk of rejection

By Nektaria Stamouli

VALDRIN XHEMAJ/EPA/SHUTTERSTOCK

A woman cast a ballot at a polling station in Zajas, Macedonia, on Sunday. Just 37% of eligible voters did so in the referendum.

Low turnout cast doubt over the results of a referendum in which Macedonian voters overwhelmingly backed a deal to change the country's name to North Macedonia and clear a path for the country to join the West's most powerful clubs.

With nearly all of votes counted on Sunday, about 91% backed the agreement reached with neighboring Greece in July. But only around 37% voted at all, showing the lack of enthusiasm for a national name change as the condition for joining the North Atlantic Treaty Organization and European Union.

The result is a blow to the U.S. and the EU, which wanted stronger public support there. The West sees Macedonia's EU and NATO entry as a vital step toward stabilizing a region in which the West and Russia have increasingly vied for influence.

To complete the ratification of the July agreement, Macedonia's parliament has to change the country's constitution to reflect the new name, which requires a two-thirds majority of lawmakers. The current coalition government holds 67 of Parliament's 120 seats and has to rely on opposition.

The weak turnout makes it harder for Prime Minister Zoran Zaev to muster enough support in Parliament to back the amendments needed to complete the deal. He said he would immediately call an early election if they failed to receive the required two-thirds majority.

"I am determined to take Macedonia into the European Union and NATO," Mr. Zaev said, adding that no better deal can be reached with Greece.

"There is a lot of invested interest here; nobody would want to give this up and keep Macedonia locked down for another 20 years," said James Ker-Lindsay, a Southeast Europe scholar at the London School of Economics. "It's a jigsaw puzzle; solving this would set a good example and would be a great step forward to then look into the next thorny issues in the region."

Those issues include a divided Bosnia and Herzegovina, which has a Serbian enclave that is largely autonomous. Serbia doesn't recognize Kosovo, and neither can join the EU until that disagreement gets settled.

Macedonia became an independent country in 1991, emerging from the collapse of Yugoslavia. Greece, also home to a region named Macedonia, has strenuously objected to the name and other adopted symbols, accusing its smaller neighbor of coveting Greek territory and heritage and has vetoed its membership prospects in the NATO and the EU.

Its pro-Western government took over in May 2017 with the promise to reach a deal with Greece and move Macedonia closer to the EU.

"The Russians had an ability to play a disruptive role in the area," said Damon Wilson, executive vice president of the Atlantic Council, an international-relations think tank. "This is an opportunity to open a new chapter that allows them to go to NATO and the EU."

Under heavy diplomatic pressure from the U.S., Germany and EU authorities, Mr. Zaev in July signed a deal with his Greek counterpart, Alexis Tsipras, that ended the dispute.

Even though the government considered the referendum advisory and nonbinding, Macedonian law requires a majority of a 50%-plus-one-vote turnout in order for it to be valid.

The main opposition VMRO-DPMNE party and President Gjorge Ivanov, who have repeatedly denounced the deal, refrained from supporting a "no" vote, but they called for a boycott of the referendum.

"Macedonia has spoken today—Macedonia said—the deal is off. We have seen a deeply unsuccessful referendum," said VMRO-DMPNE President Hristijan Mickovski, rejecting Mr. Zaev's appeal for the party to respect the outcome and back the deal.

Mr. Zaev will seek whether he can get the necessary support and will then call national elections for as early as November, which he hopes will boost his strength in Parliament.

U.S., EU Close In On Balkan Land Swap

By Bojan Pancevski And Drew Hinshaw

BRUSSELS—U.S. and European Union leaders are converging toward supporting a plan under which two Balkan countries would redraw their fraught common border along ethnic lines, isolating Germany, the Continent's most influential power, in its rejection of that approach, a confidential document shows.

A recent memo by the EU's foreign service about how to solve a decade-old standoff between Serbia and Kosovo, reviewed by The Wall Street Journal, shows the EU's executive body has essentially adopted Washington's argument and rejected Germany's.

While the agreement indicates that Europe and the U.S. continue to work closely together on foreign-policy initiatives affecting the region, the rift with Germany also shows Washington's willingness to ignore objections by the Continent's leading power in its own backyard.

In the document, the EU expresses support for a joint Serbian-Kosovo plan, backed by President Trump's administration, to redraw borders in southeastern Europe as a way to secure full statehood for the small and landlocked nation of Kosovo. Failure to do so, the memo says, could see the country of two million slide into criminality, conflict and Islamist extremism.

Serbia, from which Kosovo seceded in 2008 after a bruising ethnic conflict that left 13,000 people dead, has never recognized its former province as an independent state. Neither country can join the EU—a goal of both—until the two nations have reached a settlement. Five EU states, as well as Russia, also haven't recognized Kosovo.

In recent weeks, the two countries have discussed a plan to swap land along their shared border to better reflect the settlement patterns of Serbs and ethnic Albanians. While President Hashim Thaci of Kosovo and Serbian President Aleksandar Vucic both favor a land swap, people close to the talks say they disagree on some areas. Mr. Vucic also faces opposition at home.

German leaders oppose the swap for fear it could rekindle ethnic-based separatism in such nearby countries as Bosnia and Macedonia.

The area's borders were "inviolable," Chancellor Angela Merkel said last month.

Luxembourg and Britain have also expressed reservations.

FROM PAGE ONE

California, U.S. Duel Over Net

Continued from Page One

resemble those adopted by the Federal Communications Commission in 2015. Now led by Ajit Pai, President Trump's choice for the role, the FCC undid those rules last year.

Experts had expected a legal showdown over the California measure.

Mr. Pai, in a speech last month, called California's measure illegal. In rolling back the Obama-era rules, the FCC said it pre-empted any state rules.

On Sunday, Mr. Pai said in a statement that he was "pleased" the Justice Department had filed suit. He added: "The internet is inherently an interstate information service. As such, only the federal government can set policy in this area."

Mr. Pai contends the California law also would hurt consumers and is unnecessary to protect the open internet.

In response to the Justice Department suit, California Attorney General Xavier Becerra said, "While the Trump administration continues to ignore the millions of Americans who voiced strong support for net neutrality rules, California—home to countless start-ups, tech giants and nearly 40 million consumers —will not allow a handful of power brokers to dictate sources for information or the speed at which websites load."

California is already fighting the Trump administration in court on a number of fronts, including environmental and immigration issues.

Mr. Brown waited until the last day legally allowed to make his decision on the net neutrality law. He did not issue a statement on his reasons for signing it.

Democrats in the state said the legislation was necessary to protect a competitive internet, echoing activists and many tech companies for whom the issue has become a rallying cry.

"Net neutrality, at its core, is the basic notion that we each get to decide where we go on the internet, as opposed to having that decision made for us by internet service providers," state Sen. Scott Wiener, a San Francisco Democrat who wrote the measure, said after Mr. Brown signed it Sunday but before the federal government lawsuit. "Today marks a true win for the internet and for an open society."

The governors of six other states—Hawaii, New Jersey, New York, Montana, Rhode Island and Vermont—have signed executive orders reinstating some net-neutrality provisions. Oregon, Vermont and Washington also have enacted net-neutrality legislation.

The California measure would go well beyond what other states have done, industry experts say

Beyond outlawing the blocking or slowdown of access to websites, the new law also bans, in certain cases, "zero rating," an increasingly common practice where telecom providers stream content they favor without counting it against consumers' data usage.

The California bill also says interconnection agreements—in which an online service pays a cable or wireless provider to carry its traffic—can't be used by media companies to circumvent the open internet rules and receive faster speeds.

Cable and wireless companies that provide internet service lobbied aggressively against the bill in the legislature.

They and other industry groups have argued the rules represent a government overreach and could create a patchwork of regulation.

"While the FCC's decision last year has been interpreted by states as a call to action, these regulations are the purview of the federal government," Elizabeth Hyman, executive vice president of the Computing Technology Industry Association, said Friday before Mr. Brown announced he had signed the measure.

Canada, Washington Reach Deal

Continued from Page One

public, paving the way for him to hold a late-November signing ceremony with Canadian Prime Minister Justin Trudeau and Mexican President Enrique Peña Nieto.

"This is a big win for the United States, for Mexico and for Canada," a senior Trump administration official told reporters in announcing the pact, adding that it "fulfills one of the president's most important campaign promises."

"It's a good day for Canada," Mr. Trudeau told reporters as he left a special Sunday night cabinet meeting at his offices to go over the framework of the agreement.

Nafta 2.0—to be officially called the U.S.-Mexico-Canada Agreement, or USMCA—makes significant changes to the rulebook that has governed continental commerce since 1994. The biggest impact is expected to be on the region's largest industry, autos, requiring a greater portion of vehicles to be made in North America and with high-wage labor in the U.S. and Canada.

The new deal also for the first time sets rules for financial-services and digital businesses that have emerged since the bloc was created,

CHRISTINNE MUSCHI/REUTERS

Canada's tariffs on imports of U.S. dairy products had been a sticking point in the Nafta talks.

aimed at pleasing sectors from drugmakers to Wall Street.

One of Canada's last-minute concessions made to complete the broader agreement was a pledge to curb protection for its dairy industry, a policy Mr. Trump has frequently criticized as unfairly restricting American exports.

The U.S. in turn compromised by dropping its demands to scrap the original treaty's Chapter 19 provisions, or the special Nafta courts allowing member states to challenge trade restrictions imposed by the others.

Trump officials argued such courts infringed American sovereignty, but Canada sees the panels as vital to protecting its industry against what officials consider frequent improper tariffs imposed by the U.S.—concerns heightened by the Trump administration's aggressive moves to block a range of Canadian exports from lumber to aircraft.

Trump aides say the revised Nafta marks a significant turning point in trade policy, showing Mr. Trump's ability to craft deals, not just threaten to rip up old ones or otherwise restrict commerce with tariffs. The late-night Sunday announcement concluded a week of whirlwind trade diplomacy for the president, following a Monday signing of a revised free-trade agreement with South Korea and the Wednesday launch of new trade talks with Japan.

Trump advisers said the Nafta changes will succeed in addressing his complaints about the original pact and reduce incentives for American companies to shift production to Mexico, boost manufacturing in the U.S. and cut the trade deficit with Mexico.

The U.S. ran a small trade surplus with Mexico before Nafta, but that has since turned into a steadily expanding deficit, hitting $68 billion last year. Critics of the new deal call it a managed-trade pact imposing burdensome new regulations on companies doing business in the region, creating new incentives to shift production to Asia.

U.S. trading partners have monitored the Nafta negotiations, and the results have implications beyond North America. A senior administration official said Sunday night that the accord was "a template for the new Trump administration playbook for future trade deals."

Along those lines, the new pact shows the ways the Trump trade team seeks to rebalance trade treaties with provisions that are aimed at increasing manufacturing in the U.S., including unusually proscriptive provisions setting a minimum fixed wage level for auto manufacturers.

Despite the upbeat official rhetoric, much work remains before a new Nafta takes effect. The agreement must win ratification by the U.S. Congress, where trade deals have become increasingly difficult to pass.

Mr. Trump is gambling that he can win over long-skeptical Democrats with changes embraced by U.S. labor unions, but he risks losing backing from free-trade Republicans unhappy with other revisions weakening protections for multinational companies' overseas investments.

The early immediate reaction to the pact was mixed, with lawmakers from both parties and business and trade groups saying they needed to study the text—just being posted around midnight Eastern time—before reaching a verdict.

But the pact did get some surprising quick praise from some longtime free-trade critics generally skeptical of new trade agreements. "The new deal includes some important improvements which we have long advocated," Lori Wallach, from the left-leaning Public Citizen and an influential leader in the anti-globalization movement over the past two decades, said in a statement.

Administration officials said they don't expect the pact to face a congressional vote until next year, when the House may be under control of Trump-hostile Democrats reluctant to support any of the president's initiatives. The agreement is expected to clear the Mexican and Canadian legislatures with little opposition.

One factor shaping the Nafta deal was Mr. Trump's threat, announced in May, to tax all auto imports in the name of protecting U.S. national security and the desire by Mexico and Canada to craft terms that would shield them from those tariffs.

Mr. Trump has repeatedly been explicit about the leverage he has felt that threat has given him in trade talks. "Canada will come along," he told a press conference last week. "Now, if Canada doesn't make a deal with us, we're going to make a much better deal. We're going to tax the cars that come in. We will put billions and billions of dollars into our Treasury."

One of the last-minute hang-ups in reaching the deal over the weekend was a Canadian demand they win some kind of protection should those tariffs be imposed. Administration officials said they had given Mexico and Canada assurances in side letters to the deal but declined to provide more details.

—Paul Vieira contributed to this article.

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Pakistan Pursues Saudi Investment

ISLAMABAD—Saudi officials are due in Pakistan for talks starting Monday over a proposed multibillion-dollar oil refinery and other investments, Pakistani officials said, as Islamabad seeks new sources of outside cash to avoid falling further into Chinese debt.

*By **Saeed Shah** in Islamabad, Pakistan, and **Benoit Faucon** in London*

Saudi Arabian Oil Co., the state-run oil giant known as Aramco, is negotiating investing in the refinery, a person close to the Saudi side of the talks said. The refinery at the Pakistani port of Gwadar, near the strategic oil chokepoint of the Strait of Hormuz, would produce 200,000 barrels a day, that person said. Aramco representatives didn't respond to requests for comment.

The Saudis will in addition hold talks over investing in other projects, Pakistani officials said, including the giant Reko Diq copper mine, also in the western province of Baluchistan.

Any deal would deepen Pakistan's relationship with Riyadh, and place a Saudi outpost close to its chief regional rival, Iran. The refinery would also bolster Gwadar's facilities as a competitor to the nearby Iranian port of Chabahar. Gwadar lies just 70 miles from the Iranian border.

The Saudi refinery would undercut any Iranian attempts to circumvent U.S. sanctions to sell oil to Pakistan.

Pakistan is the flagship for Beijing's global "Belt and Road" infrastructure-building program, known here as the China Pakistan Economic Corridor, which has some $62 billion of projects.

Saudi Arabia is expected to invest the money for the refinery. Washington has warned of a "debt trap" from Chinese infrastructure lending to countries that can't afford to pay it back, a charge rejected by China.

The Saudi investment would be a boost to CPEC, which has stalled amid debt fears and a reassessment by the new Pakistani government of Imran Khan, elected in July.

Egypt Sends Actress To Jail for 'Fake News'

By Jared Malsin

CAIRO—A woman has been sentenced in Egypt to two years in prison for allegedly spreading fake news after she posted a video on Facebook decrying her experience of sexual harassment in the country.

The sentencing of actress Amal Fathy comes as Egypt's President Abdel Fattah Al Sisi has given free rein to the country's police and judiciary to clamp down on women who complain of sexual assault and harassment and on women's activist groups. Ms. Fathy was arrested in a raid on her home in May after she published a video on her personal Facebook page where she talked about her experience of sexual harassment in a Cairo bank.

Cairo's Maadi Misdemeanor Court sentenced Ms. Fathy to a year in prison on a charge of publishing what it called "fake news" with the intent of toppling the Egyptian regime.

"To me, this is a clearance toward harassers that they can freely harass women," said Mohamed Lotfy, Ms. Fathy's husband. Ms. Fathy is expected to appeal her sentence.

Big Rallies Before Brazil Vote

By Luciana Magalhaes And Samantha Pearson

SÃO PAULO—Hundreds of thousands of Brazilians rallied for and against controversial front-runner Jair Bolsonaro ahead of next week's presidential elections, in what some analysts called a worrying sign of the society's deep divisions.

Much of the country is now polarized between the corruption-racked leftist Workers' Party and former army captain Mr. Bolsonaro, who is known for his offensive comments about women and gay people.

Women led mass protests against Mr. Bolsonaro in every state in Brazil on Saturday, with small groups of demonstrators also gathering in Washington and New York, chanting as they waved pink balloons and roses in the air. The so-called #elenao, or #nothim, campaign has drawn the support of international celebrities, with pop star Madonna the latest to back the movement.

Mr. Bolsonaro's supporters also marched in cities across the country on Sunday, after holding a rally Saturday in Rio de Janeiro, where the conservative ex-paratrooper has been a congressman for almost three decades after leaving the army shortly after the fall of the military regime in 1985.

Protests have been common in Brazil over the past few years, against corruption, higher bus fares and other issues, but rarely have voters held mass demonstrations on the eve of an election.

"The country has been polarized for some time now...but this is deepening and the two sides are becoming more radical," said Thomaz Favaro, a São Paulo-based analyst with Control Risks, a global risk consultancy. The next president may struggle to govern, he said.

Mr. Bolsonaro, who leads polls with about 30% of the vote, has won a loyal following among swaths of society with his promise to get tough on crime in Brazil, the world's most murderous nation, with almost 64,000 homicides a year. His socially conservative stance has also drawn in evangelical Christians, who comprise about a third of all Brazilians.

DARIO OLIVEIRA/ZUMA PRESS

Supporters of presidential candidate Jair Bolsonaro demonstrated in São Paulo on Sunday.

"We've got to a point that Brazil needs to change or it collapses," said a 50-year-old doctor campaigning for Mr. Bolsonaro on Sunday on São Paulo's main Paulista Avenue. Security is a top concern, she said.

Others disagree. Ana Aparecida Soares, a 47-year-old nurse, said she plans to vote for the Workers' Party, which she believes will protect the rights of workers and the poor. The party named ex-São Paulo Mayor Fernando Haddad its candidate after popular former President Luiz Inácio Lula da Silva was banned from running, as he is serving a 12-year sentence for corruption. "Haddad governs as all should govern. He cares about the common good," Ms. Soares said.

The role of women could be crucial if the election comes down to a runoff vote, as expected, on Oct. 28, following the first round on Oct. 7, said Rafael Cortez, a political scientist at São Paulo-based consultancy Tendências.

In Brazil, where voting is obligatory, voters often choose between the two final candidates on the basis of whom they dislike the least and, according to a recent survey by pollster Datafolha, about 50% of women now say they wouldn't vote for Mr. Bolsonaro under any circumstances. "Women have become the protagonists of this election," Mr. Cortez said.

Hundreds of thousands demonstrated for and against the front-runner.

As well as once telling a female lawmaker she wasn't pretty enough to rape, Mr. Bolsonaro's running mate, Gen. Hamilton Mourão, recently offended single mothers, saying their households tended to be "factories for misfits."

However, many moderate Brazilians, who would prefer a more centrist president, say they plan to vote for Mr. Bolsonaro just to stop the Workers' Party from returning to power. They blame it for the country's deepest recession on record and the biggest graft scandal in history, both of which happened during its 13-year reign from 2003 to 2016.

The Workers' Party has also publicly backed Venezuelan President Nicolás Maduro and his authoritarian regime, terrifying many voters that Brazil could face a similar fate.

As one voter explained on the messaging app WhatsApp, in one of thousands of rancorous messages that have gone viral over recent weeks, "Bolsonaro may not be the best fertilizer for Brazil at this moment, but he's the best pesticide we need."

—Jeffrey T. Lewis contributed to this article.

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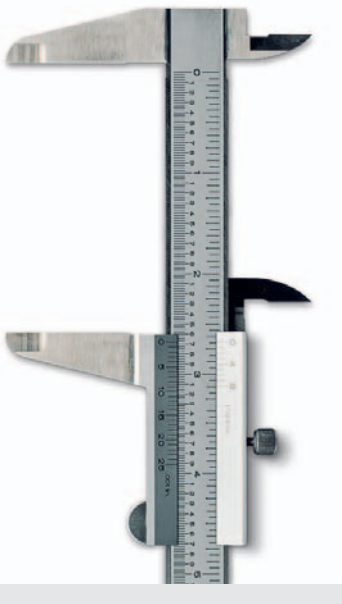

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U.S. Fight Star Is Hit In Russia

Continued from Page One

homeland and praise his adopted country as for his fading brawling skills. After the Kremlin gave him Russian citizenship and a spot on its main party's ticket, he went on to win a council seat in elections a few weeks ago.

The return of a Cold War-style confrontation between the U.S. and Russia has also heralded a comeback for one of that conflict's prominent characters: Western fellow travelers—or, as critics call them, useful idiots.

The Kremlin hypes any kind of foreigner who lashes the West and lauds Russia as a champion of common sense who has seen through American propaganda. For Western celebrities, particularly those on the wane and with pretensions to freethinking, Russia can offer fresh adulation and fat paychecks for their pinch of stardust.

ANTON NOVODEREZHKIN/TASS/ZUMA PRESS

U.S.-born mixed martial arts fighter Jeff Monson, right, in Russia

French actor Gerard Depardieu received his Russian citizenship five years ago. Aging action hero Steven Seagal, a citizen since 2016, recently became a special representative of the Russian foreign ministry for humanitarian ties to the U.S.

Mr. Monson is a longtime adherent of socialism and anarchism whose many tattoos include a hammer and sickle. He lives in a simple apartment block in Krasnogorsk and chases a personal goal: to make Russia, or at least Krasnogorsk, socialist again.

In his unpaid role as a councilor, he is working on promoting recycling and opening a walk-in center for the homeless. Mr. Monson says he isn't blind to the benefits his fame lends to his political allies here but rejects the idea that he is a "useful idiot."

"It's more like a marriage," he says, as he can pursue his aims. "I feel at home here."

Mr. Monson, who once fought for the Ultimate Fighting Championship title, shot to attention in Russia in 2011 when he was badly beaten by the country's most famous fighter, Fedor Emelianenko. Mr. Putin phoned Mr. Monson the day after the fight and told him he had shown "the Russian spirit" for carrying on even after his leg was broken.

Mr. Monson became a regular visitor, traveling the country for fights and later scoring sponsorships. He bashed the U.S. as a malign superpower that bombs innocents. "Freedom without socialism is privilege, and that's what we have in the United States," says Mr. Monson, riffing on a quote by a past Russian anarchist.

He took part in the Russian version of "Dancing with the Stars" and is often mobbed. "I can't believe it! He's a great fighter, and he's also for Russia," said Dmitry Chernov, a former soldier.

Mr. Monson teamed up with the Communist Party, placing flowers at Lenin's mausoleum. Yet party events, he says, were mostly not earthy meetings of the proletariat but swanky functions for party bigwigs. "I concluded that there are no communists in the Communist Party," he says.

This year, he got a call from Krasnogorsk Mayor Rady Khabirov, who suggested he open a fight school in town. Told of Mr. Monson's political ambitions, Mr. Khabirov gave him a spot on the list of local government candidates for United Russia, the ruling party.

Mr. Monson moved to Krasnogorsk with his Russian wife and restarted his once-stalled efforts to get a passport with the help of local officials. In June he was flown by helicopter to a ceremony at the Russian army's theme park outside Moscow, where he was handed the document.

Reading his oath, he mispronounced his new country's name. "Russian is hard," he says; he's now taking lessons.

Mr. Monson's party received nearly half of the votes, winning him a council seat. Now he spends his days working on projects for recycling and helping the homeless, training and coaching at the gym, and looking after his 3-month-old daughter. He flies back to the U.S. frequently to visit his children from earlier marriages.

At a training session for 10 children Wednesday evening, Mr. Monson gave instructions in basic Russian with the help of an interpreter.

"No one has a bad word to say about him," said Maria Kurcheshova, whose son attends the class. "The children are very happy and ask: 'When are we going to Jeff?' "

Mr. Monson says he would eventually like to enter the Russian parliament.

After he cast his vote in the recent election, he quoted Russian novelist Leo Tolstoy. "The sole meaning of life is to serve humanity," he said.

Brexit Deal Eludes May So Far

Continued from Page One

the British premier out of a mess of the U.K'.s own making. Mrs. May's efforts to persuade EU officials to back her Brexit plan at a summit two weeks ago drew open scorn.

Back home, her country and party are deeply divided on the way ahead. Mrs. May heads this week into a conference of her Conservative Party where she must put down a rebellion over her blueprint for future economic relations with the EU, led by a man who quit as foreign secretary to protest that blueprint, Boris Johnson. A revolt by Tory lawmakers could lead to the rejection of any deal she manages to strike with the EU, posing the risk the U.K. exits the bloc with no arrangement on future relations.

The result is that just six months before the U.K. leaves the EU, nobody knows how it will happen. "We're in a bit of a dangerous position," said Nick Timothy, longtime former chief of staff to Mrs. May. "It feels like absolutely anything is possible, from staying in after all to departure without a deal in place and other options in between."

Without a deal governing the U.K.'s ties with the 27 other members of the bloc, there could be serious immediate economic disruption with ports clogging with trucks awaiting customs clearance. EU countries uniformly are unready for a no-deal exit, an EU "stress test" of the members found.

May didn't push for Brexit; now her hard task is carrying it out in an orderly way.

In the longer term, the British economy could be smaller by 8% or more by 2030 than it otherwise would, according to a variety of official and private forecasts, and some regions of the country hit up to twice as hard. With politicians seeking to avoid looming economic turmoil, the possibilities might range from holding another election to postponing the exit to even having a second referendum.

Even if Mrs. May navigates her country through Brexit, few expect her to survive as leader for long afterward. The differences between the EU and London run so deep officials on both sides say the relationship won't be settled for years to come.

Mrs. May's vision for Brexit was shaped largely by her stint from 2010 to 2016 as Home Secretary, overseeing immigration, policing and security. She won a reputation as a reserved leader with little appetite for the horse-trading and back-slapping that accompanies politics.

In 2013, Mrs. May withdrew Britain from more than 130 EU law-and-order measures. Then, after securing the necessary unanimous agreement of EU member states, she selectively opted back into 35 laws, including an EU-wide arrest warrant. Mrs. May was also a central figure in an issue that may have tipped the Brexit referendum in favor of leaving the bloc: immigration. As migration to the U.K. from Eastern Europe surged in the 2000s, she pledged to cut annual net immigration to tens of thousands.

BRENDAN SMIALOWSKI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Prime Minister Theresa May faces opposition at home and abroad as she struggles to reach a Brexit deal before the March deadline.

Just months before the June 2016 referendum, the government of then-Prime Minister David Cameron secured a new deal with the EU to limit social benefits European immigrants receive in the U.K., a pact Mr. Cameron hoped would sway Britons to vote to remain in the EU.

Soon after, Mrs. May declared lukewarm support for Remain, although she also remarked that she didn't "believe those that say the sky will fall in if we vote to leave."

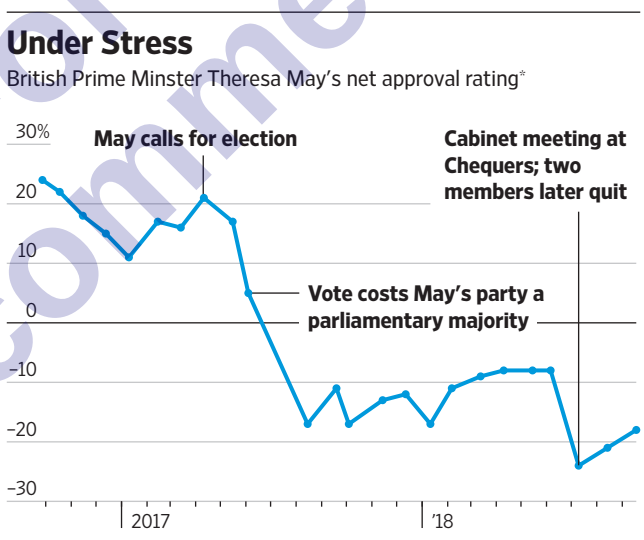
In the leadership race that followed the vote and Mr. Cameron's resignation, she depicted herself as the no-nonsense leader the U.K. needed. "I know I am not a showy politician," she said. "I don't go drinking in Parliament's bars, I don't often wear my heart on my sleeve. I just get on with the job in front of me."

Nonnegotiable

She sought to demonstrate to Brexit hard-liners she was no counterrevolutionary. "If you believe you're a citizen of the world, you're a citizen of nowhere. You don't understand what the very word 'citizenship' means," she said, implicitly condemning fervent supporters of EU membership.

In a move that would later haunt her, Mrs. May also laid out nonnegotiable points for the looming talks with other EU members: The freedom of EU citizens to settle and work in the U.K. would end, as would the jurisdiction of the EU's courts in Britain.

The speech surprised EU officials. For them, ending the sway of the EU courts in the U.K. meant that Mrs. May had decided to leave the bloc's single market—its zone of common regulation that speeds trade among EU members—in a so-called "hard Brexit."



*the difference between her approval and disapproval ratings

Source: Opinium/Observer online polls, most recent of 2,003 U.K. adults aged 18 and older conducted Sept. 18-20; margin of error: +/-3 pct. pts. THE WALL STREET JOURNAL.

In response, she dispatched envoys to tell EU leaders she hadn't decided on a hard line, or leaving the single market.

The speech stating nonnegotiable points had been designed solely to shore up Mrs. May's position in her party, said a senior official who was involved in government at the time. She was surprised on learning how European leaders had read it.

Yet in early 2017, she explicitly hardened her position, making it official policy to leave the single market and also the EU's customs union, its arrangement that allows tariff-free trade inside the bloc and levies a unified set of tariffs on goods coming into it.

Mrs. May called a general election for June 2017 in a bid to increase her slender parliamentary majority. A stiff and impersonal campaign performance earned her the nickname "Maybot." In a televised debate, she told a nurse concerned about stagnant wages, "There isn't a magic money tree." Her Conservative government lost its majority, forcing Mrs. May to lead a minority government.

After the setback, she backtracked on her tough Brexit approach, agreeing to the idea of a transition in which British-EU economic ties would remain unchanged until the end of 2020, provided the sides reached an overall agreement. That plan, however, upset anti-EU Tory lawmakers, who feared it would open the door to further concessions to the EU.

In her relations with other EU leaders, the British prime minister won some plaudits. In particular, she earned the respect of German Chancellor Angela Merkel for facing down Donald Trump. During a Group of 7 meeting in Canada in June, Mrs. May pushed back when the U.S. president threatened sanctions against a number of countries, including Germany, pointing at Mrs. Merkel as he spoke.

At another summit, when Mr. Trump attacked the North Atlantic Treaty Organization and the EU, Mrs. May told him both organizations were crucial for the interests of the U.S., said an official present at both meetings.

"She told Trump bluntly and in no uncertain terms that he was wrong about NATO as well as the EU," a former British official said. Mrs. Merkel's opinion of the British premier rose, said German officials.

This past summer, with the clock running down—and after the prime minister had asked her aides for analysis after analysis of her Brexit options—Mrs. May finally settled on a proposal for a framework of the U.K.'s future economic relations with the EU.

It was a plan she felt could win support both in the fractious Parliament and with other EU member states. It would keep Britain close to the EU in some areas, while cutting ties in others—the kind of cherry-picking London had long employed in its relations with Brussels.

The U.K. would accept the EU's rule book for trade in products and agricultural goods with zero tariffs. In services, including London-based financial services, the U.K. would go its own way, thus losing its full access to Continental markets.

The U.K. would also come to a special arrangement to collect customs duties for the EU, resolving sticky issues involving the Irish border and cross-channel supply chains.

Mrs. May convened her cabinet at Chequers, the Gothic-style retreat of British prime ministers outside London. It was made clear to ministers that if they quit in disagreement, their ministerial cars wouldn't be available to take them home. She then detailed her 98-page plan, saying the state of negotiations and the difficult arithmetic in Parliament left it as the only option.

Mr. Johnson, her foreign secretary, assailed the plan as a betrayal of voters, according to people present. David Davis, Mrs. May's minister in charge of Brexit, complained the plan would leave the country subject to the oversight of the European Court of Justice, which Mrs. May herself previously ruled out.

Within days, Messrs. Davis and Johnson had quit the cabinet. Mr. Johnson later described the Chequers plan as a "miserable permanent limbo."

Mrs. May next had to persuade EU leaders to accept her Chequers proposal at a summit in Salzburg. Though the EU had scorned it, leaders worried she would face a leadership challenge, possibly as soon as this week's Conservative Party conference. They were ready to offer her warm words that would help her shore up support at home.

Instead, in the event, Mrs. May irritated the EU leaders with a tone-deaf presentation of her plan. "She simply read out her statement," said one senior European official, who added: "It could have been completely different if she would have adjusted the tone, and showed understanding that her proposals are not perfect, and invited the leaders to find a common ground."

Cherry-picking?

The European leaders roundly rejected Mrs. May's plan as an effort to cherry-pick parts of EU membership the U.K. wanted to keep. Mr. Johnson once famously suggested Britain should have its cake and eat it too. European Commission President Donald Tusk mocked Mrs. May—who is diabetic—with an Instagram photo of him and the two of them gazing at a dessert tray. "A piece of cake, perhaps? Sorry, no cherries," it read.

Mrs. May's approval rating at home was just 30% in a recent poll. She faces a Conservative Party conference where opposition to her plan will be on full display. Mr. Johnson, who has referred to the plan a "suicide vest" around the U.K.'s neck, wrote a long column in the Daily Telegraph on Friday attacking Mrs. May's leadership and dismissing her plan as one leaving Britain "half in, half out" of the EU. He will headline a splashy fringe event at the party conference to burnish his own leadership credentials.

Mrs. May "is a first and foremost a pragmatist, she wants to survive—she will go with any deal that can be delivered," said Mr. Davis, her former Brexit minister. "And she is afraid of a no-deal—with some reason.... Every bad thing that happens after March would be blamed on Brexit."

—Stephen Fidler contributed to this article.

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Boris Johnson, a harsh critic of Mrs. May's plan to carry out the EU exit, quit her cabinet after she laid out the plan in detail.

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GREATER NEW YORK

City to Weigh New Option for Highway

Community members push plan to move BQE over Brooklyn Bridge Park during repairs

By Paul Berger

New York City's transportation commissioner is willing to consider an alternative to the agency's proposal to temporarily reroute the six-lane Brooklyn-Queens Expressway onto a Brooklyn Heights promenade while the highway is being overhauled.

Opponents of the plan packed a raucous public meeting Thursday night and implored the city to adopt a new proposal that would move the highway over Brooklyn Bridge Park.

"We heard from the Brooklyn Heights community and their strong preference for that option and we are going to consider it," Commissioner Polly Trottenberg said in an interview following the meeting.

The city plans to demolish the promenade as part of a project to rehabilitate a degraded 1.5-mile stretch of the Brooklyn-Queens Expressway that was built 70 years ago. More than 150,000 vehicles a day pass over the stretch.

The city wants to begin work in 2020 with the aim of completing it between 2026 and 2028.

The promenade is a popular spot for locals and visitors, affording views of ferries and boats gliding across New York Harbor and the East River with the Statue of Liberty and the skyscrapers of lower Manhattan as a backdrop.

Hundreds of residents packed into the meeting on Thursday in a community center in Fort Greene, Brooklyn, where they were presented with two options that felt to many like a fait accompli.

Transportation Department officials said the "traditional" option entailed reconstructing the highway one lane at a time. This method would take eight years and run greater risk of delays and cost overruns if contractors found engineering issues during the work.

A second option would shift the highway traffic to a temporary roadway atop the promenade for about three years while contractors work on the cantilevers below. Such a method would take six years and give contractors a greater ability to deal with construction problems if they arose, officials said.

Officials estimated that both methods would cost between $3.2 billion and $4 billion, with the second option at the lower end of the range.

During a public speaker session, several residents spoke in horror at having a six-lane highway feet from homes and close to a playground. Many people were concerned about noise and pollution from 24 hours of traffic and from construction work that could go on day and night.

Speakers suggested alternatives, such as digging a tunnel or placing the highway on floating pontoons on the East River. The most common suggestion, and one that was met with the most applause, was building the temporary highway above Brooklyn Bridge Park.

Five million people visited the park between Memorial Day and Labor Day this year, according to park officials. When Ms. Trottenberg said that putting the highway above the park could attract more opposition than putting it atop the promenade, the crowd shouted disapproval.

The park, which stretches for more than a mile along the Brooklyn waterfront, is operated by a nonprofit corporation controlled by New York City. Many Brooklyn Heights residents are hostile to the park because of the visitors it brings to their neighborhood and because of the high-rise developments the park has built to finance its operations.

Eric Landau, president of Brooklyn Bridge Park, said in an interview that to build a highway above the park would require approval from the state.

The New York State Department of Transportation said it is a city project and pointed out that a preferred design alternative hasn't been selected.

KELLYANN PETRY FOR THE WALL STREET JOURNAL

Many residents opposed a proposal to reroute the expressway onto the Brooklyn Heights Promenade.

Prosecutors Seek Death Penalty in Terror Case

By Corinne Ramey

Federal prosecutors said they would seek the death penalty in the terrorism case of the man accused of killing eight people by driving a truck along a bike path in New York City.

The government's intention to seek capital punishment, which is rare, was made in a court filing Friday.

Prosecutors say Sayfullo Saipov, who is from Uzbekistan, drove a rented truck on the bike path next to the West Side Highway in lower Manhattan on Halloween last year in an attempt to kill as many people as possible. Mr. Saipov told investigators that Islamic State videos he watched on his cellphone inspired him to carry out the attack, authorities said.

Mr. Saipov has pleaded not guilty. Court filings show he had previously offered to plead guilty if prosecutors didn't seek the death penalty.

Lawyers for Mr. Saipov had argued that U.S. Attorney General Jeff Sessions, who ultimately makes the decision about whether to seek the death penalty, could have been influenced by President Trump's public statements. After Mr. Saipov's arrest, Mr. Trump tweeted: "NYC terrorist was happy as he asked to hang ISIS flag in his hospital room. He killed 8 people, badly injured 12. SHOULD GET DEATH PENALTY!"

A White House spokeswoman didn't respond to a request for comment. In court papers, prosecutors said there was no evidence Mr. Sessions had been influenced by Mr. Trump.

Restaurants Lose Appetite for No-Tipping Rule

By Mengqi Sun

When Danish restaurateur Claus Meyer brought his Nordic cuisine to New York in April 2016, he wanted to bring his country's traditions as well.

His Scandinavian-themed restaurant in Grand Central Terminal, called Agern, had a no-tipping policy, just like eateries in his homeland. Instead menu prices were higher in order to pay its staff salaries with benefits.

But for almost two years, the restaurant's business didn't meet expectations. This February, its management decided to end the no-tipping practice and has lowered its prices by roughly 20% to accommodate traditional tipping. Since then, Agern has seen more customers flow in and MeyersUSA CEO Bryan Flodmand called the change "a win-win."

Richard Walshe, 36 years old, who has been a server and a bartender at Agern since June 2017, said the higher prices on the menu board under the no-tipping policy discouraged diners from becoming regulars. Now staff see more walk-ins and a bump in their pay from tips. MeyersUSA said Agern's servers earned 25% to 40% more per hour this summer than in previous periods.

"We believe in the philosophy of the hospitality-included model and the equal pay for different shifts," Mr. Walshe said. "It just wasn't working out because we were not getting the regular customers we expected."

The story of Agern isn't uncommon in New York City, where a number of restaurants are reintroducing tipping after attempting gratuity-included menus. Many of the restaurants said their no-tip experiment faced resistance from staff and customers.

Some of the restaurants that tried had been inspired by New York restaurateur Danny Meyer, an evangelist for the hospitality-included movement since 2015. So far 13 restaurants operated by his Union Square Hospitality Group don't accept tips. Mr. Meyer has said the policy is a work in progress.

"I think it would be premature to say we have it down," Mr. Meyer told The Wall Street Journal in August. "In retrospect we were a little too overly ambitious."

Yiming Wang, who co-owns Café China, the Michelin-starred full-service Chinese restaurant in Midtown Manhattan and its two affiliated restaurants in the city, followed Mr. Meyer's lead. She and her co-owner Xian Zhang tried no tipping at Café China and China Blue for more than a year, after accepting gratuities for a couple of years. But in December, they decided to reinstate traditional tipping at China Blue, and in March at Café China.

Ms. Wang had lived in Japan and Singapore, where no tipping is customary but hospitality is high-quality. Her time abroad motivated her to test the water. "I feel like good service is something that came from the heart, not something that should be associated with money," she said.

When they tried no tipping at Café China and China Blue, the owners increased menu prices by an average of 10% and paid waiting staff salaries that matched their level of pay as before with tips. While the experiment didn't affect the restaurants' business, the change was met with resistance from the waiting staff, with a few servers leaving during the no-tipping period. Following multiple town hall meetings and strong demands from staff, the restaurants returned to accepting gratuities.

"It's more motivational," said Mr. Zhang. "When they had no tipping, the staff would work professionally but nagged a lot, and they complained about not being rewarded during busy times."

Allan Wartski, a 35-year restaurateur who owns five restaurants and two ballrooms in New York, thinks the city might not yet have appetite for no-tipping eateries.

His latest restaurant, Sen Sakana, which serves Nikkei cuisine, or Japanese-Peruvian food, is located near Bryant Park in Midtown Manhattan. It has a no-tipping policy, but Mr. Wartski said, if he were to do it again, he would be hesitant to implement the rule while at the same time introducing customers to a new cuisine.

"It was just a lot for the public to absorb," he said. "It was a lot for us to get out the new food and no tipping. That's where I think I might have made a mistake."

CAITLIN OCHS FOR THE WALL STREET JOURNAL

Café China, in Midtown Manhattan, had a no-tipping policy but decided to reinstate gratuities in March after servers complained.

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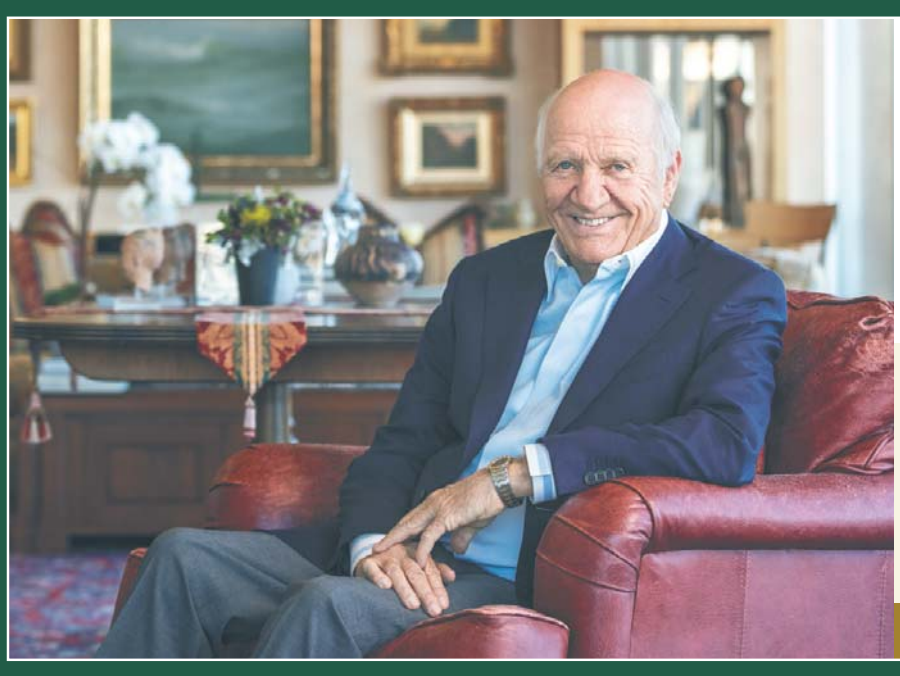

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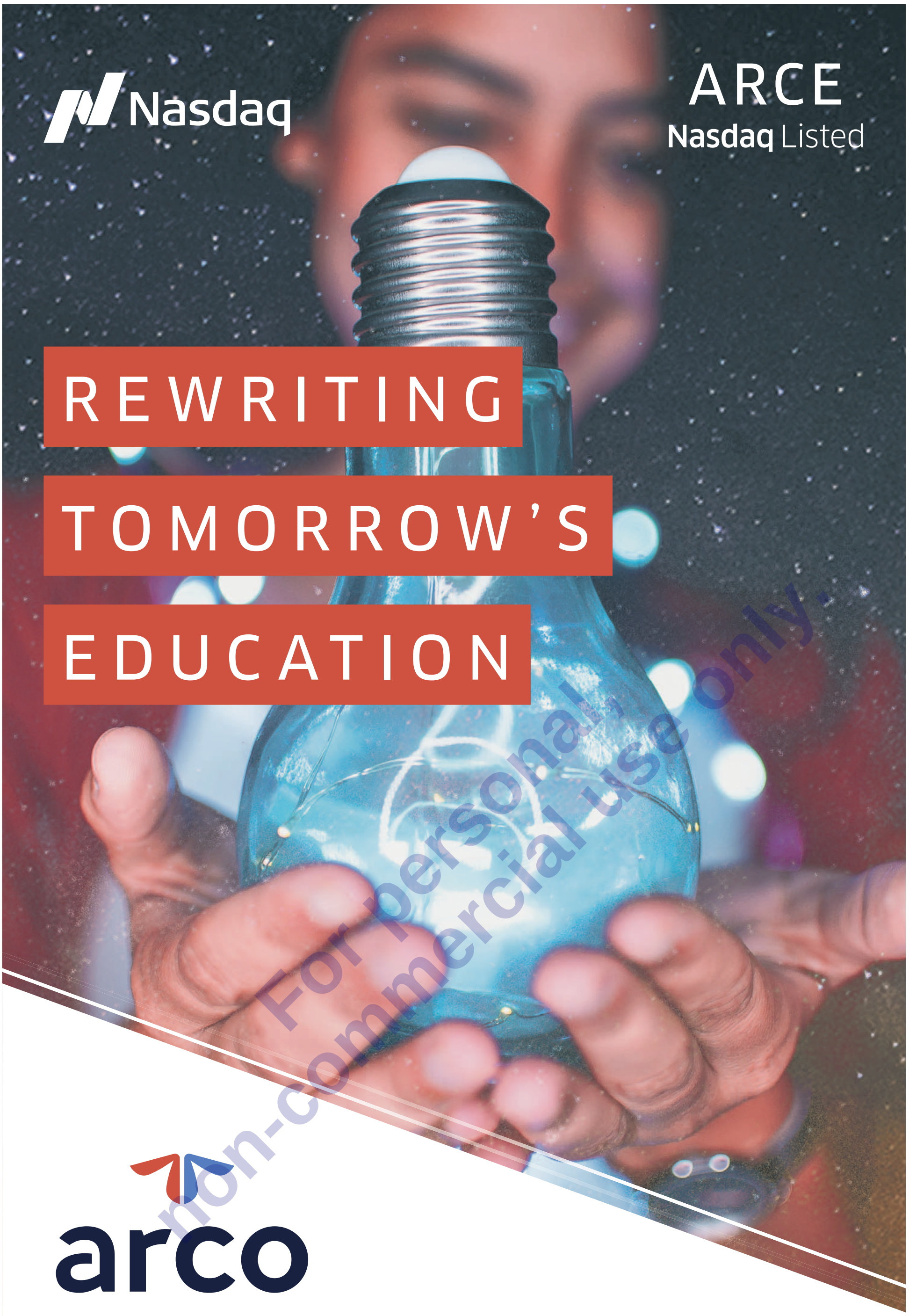

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LIFE & ARTS

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

Why Sexual Assaults Go Unreported

Victims often fear they won't be believed, or will be blamed themselves, says a psychologist who has long studied the issue

JON KRAUSE

The heated national debate about sexual misconduct has cast a spotlight on victims' reluctance to report assault.

The issue has been at the center of some of the most high-profile cases in the #MeToo era. The National Sexual Violence Resource Center, a Harrisburg, Pa., nonprofit, reviewed studies by the U.S. Department of Justice and Centers for Disease Control and Prevention, as well as academic legal research, and found only 5% to 20% of sexual-assault victims report attacks to law enforcement.

In testimony to the Senate Judiciary Committee Thursday, Christine Blasey Ford said she was reluctant to report an alleged assault by Supreme Court nominee Brett Kavanaugh: "For a very long time, I was too afraid and ashamed to tell anyone these details." Mr. Kavanaugh denied the allegations, saying, "I've never sexually assaulted anyone."

Experts say the reasons some people don't report are manifold. We talked to Timothy C. Marchell, a clinical psychologist and director of Cornell University's Skorton Center for Health Initiatives, which handles campus mental-health initiatives. Dr. Marchell has worked on the issue of sexual violence as a clinician, researcher, and educator for more than 35 years. Here are excerpts from the interview.

What factors influence whether a person reports the assault?

The decision is complex. Reporting can be re-traumatizing, empowering, or both. Part of healing is regaining a sense of control after having lost it in the assault. But when someone makes a report, they lose control again when systems take over.

People who have been victimized may not want to relive the trauma by having to talk about it publicly. The circumstances of the assault can also make a difference. If there is evidence of physical injuries, the person may be more likely to report. If they were intoxicated at the time and have a foggy memory of some details, they may be afraid they won't be believed.

Having strong support from family and friends may help. The person may also wonder whether reporting might prevent someone else from being harmed. If they think their assault is an isolated incident, they may be less likely to come forward. But if they see others reporting abuse from the same person, they may decide that coming forward is worth the risk.

What factors can make it particularly difficult for young people to report?

In most cases, the perpetrator is someone the victim knows—a friend or someone who walks the same halls at school. Victims may be afraid the perpetrator will get angry and hurt them again. One of the most basic developmental needs of young people is to be accepted by their peers, so the fear of being socially rejected is powerful. When someone has been assaulted, they may be afraid of being smeared by the perpetrator's friends. They may be pressured to recant their story or ostracized by their social circle. This kind of retaliation can be devastating.

Many people have an image of what a rapist looks like and can't wrap their mind around the idea that someone they know and trust would do something so terrible. This brings on confusion that they need to resolve. And they do so by altering their view of the person who was victimized. They decide that the person is distorting the facts, is a "slut," or is making things up.

Are more students coming forward these days to talk about an assault?

At Cornell and across the country, more students are talking with professionals about sexual assaults they've experienced, and a small but growing number decide to make official reports. This reflects a greater willingness to talk about experiences rather than an actual increase in the number of assaults. When people who've been victimized see others come forward, it can encourage them to notify the authorities. But it can take years before someone is ready to talk about what happened. Many people do tell someone, and usually that's a friend or family member. There's still a large gap between the number of people who are assaulted and the number who seek professional help or make a report.

We have a long history of victim blaming, and that fact is not lost on people who have been assaulted. Or they may feel shame because they've internalized the cultural belief that people who are assaulted are partly to blame. They may be afraid of not being believed or being treated like they are the one who did something wrong.

What trauma does sexual assault cause?

The emotional impact of sexual violence is deep and the effects vary depending on many factors, such as the nature of the act, the relationship between the two people, and an individual's personal history and psychological makeup. Being assaulted can lead to heightened anxiety, fear, and a feeling of loss of control. People may develop post-traumatic stress disorder, which can include flashbacks that feel like the assault is occurring again. It can also cause feelings of shame, self-blame, depression, and difficulty trusting other people.

How can parents support their child?

Having a child disclose that they have been sexually assaulted is extremely painful. And knowing that it is upsetting for parents is why some children never tell them. Kids may want to protect their parents, or they may fear that they will be angry, even at them. Parents sometimes inadvertently blame their child by saying things like, "I told you to watch out at parties," or "Didn't we discuss the risk of using alcohol?" If a child makes a disclosure, the most important thing a parent can do is be nonjudgmental. Don't ask why they were in that place, or why they didn't tell you sooner. Tell them that you are so sorry this happened and you are glad they told you. Tell them it was not their fault.

What can parents tell their boys about these issues?

It's important for parents to explain that sexual activity should involve mutual respect, not conquest. It's not okay to pressure someone into having sexual contact of any kind. Boys need to understand that consent involves someone clearly communicating that they want to engage in sexual activity. "No" doesn't mean "yes." Neither does silence. They also need to know that it's okay for them to say no, since sometimes boys feel pressured into sexual contact when they don't want it.

Parents can tell their kids that if they see a friend pressuring someone into any kind of sexual contact, they should intervene. And if someone they know tells them they were assaulted, they should believe and support them.

Riding together in the car can be a good time for a conversation. Let your kids know that you expect them to be respectful of others and that healthy relationships are built on mutual trust and caring.

INFLUENCERS

TERRORISM, CONFRONTED ON FILM

BY TOBIAS GREY

IN HIS FILMS "United 93," about one of the flights hijacked on 9/11, and "Captain Phillips," about the 2009 capture of an American ship by Somali pirates, Paul Greengrass sought to depict what he calls the "outrageous theatricality" of modern-day terrorism.The director's next film, "22 July," available on Netflix in the U.S. starting Oct. 10, takes on Anders Behring Breivik, the Norwegian right-wing extremist who killed 77 people in 2011. Mr. Greengrass re-creates the attack but focuses on Norway's decision to put Mr. Breivik on trial.

"22 July," which will have a weeklong theatrical run to qualify for awards consideration, airs some of the views of Mr. Breivik (played by Norwegian actor Anders Danielsen Lie), including his demand that Norway ban immigration."Of course the risk of giving him a platform is that you give his opinions more currency," says Mr. Greengrass. But the counterargument, which he says his movie conveys, is that "in the courtroom, Breivik's opinions and arguments could be challenged, and at some level both intellectually and morally defeated."

Mr. Breivik was convicted in 2012 and sentenced to 21 years in prison. His lawyer didn't respond to a request for comment.Mr. Greengrass, 63 years old, has also directed three of the "Bourne" action movies and cites films like Costa-Gavras's "Z" and Gillo Pontecorvo's "The Battle of Algiers" as influences on his style. He spoke with the Journal about his latest project, the backlash it has received and how he feels about the Jason Bourne franchise. Edited excerpts follow:

"22 July" is a slower, more reflective film than we're used to from you. Did the subject matter dictate the style?

I wanted to be restrained in as many ways as I could. This meant being restrained in the depth of camera I used, restrained in the way the actors performed, restrained in the music, which there is very little of. I didn't want to push with this film.

When it was announced you were going to make this film, there were about 20,000 people who signed a petition in Norway to try to halt it. Is it ever too soon to make a film about a traumatic event like this?

Probably there are times when it's too soon. I think the more pertinent issue is who decides whether it's too soon? That's the real issue and I think that the people who should rightfully decide that are the victims of the attack.

What I found in Norway among the families affected was this feeling that people were not grasping the real nature of this extreme right-wing threat in Europe and also in the U.S. So they were keen to support serious and responsible films, documentaries, television and books, because it is part of processing it.

ERIK AAVATSMARK/NETFLIX

Paul Greengrass, left, with '22 July' actor Jonas Strand Gravli.

Is this your most political film?

I don't make films for politics. I make them because I'm interested in putting a mirror up to the world. I think that what Norway faced then is what we're all facing now.

It's the first time you've worked with Netflix on a movie. Do you think that a film like this will have more of an impact on Netflix than elsewhere?

I think it will certainly get to be seen by a younger audience on Netflix or I would hope it does.

Is that also why you made it in English, to have the widest possible audience?

Yes, definitely. What was important to me, and I thought a lot about this in the beginning, is that I don't speak a word of Norwegian, so it would have been pointless for me to make a Norwegian film. So what I decided was to make it in Norway with an all-Norwegian cast and crew. That meant I was doing a lot of listening and learning about their sensitivities and nuances.

What has it been like working with documentary and fictional elements in your movies?

The world is always in action and in tension. I was trained to find ways to film it and tell a simple story in documentary form that was suitable for television. I suppose that training has always given my films their immersive quality. I've always liked to write as well, so I had to marry that with an overall sense of having a theme with an architecture.

Have you got anything else planned for the moment?

I haven't, actually. Sometimes you get to a point where you want to start again, so that's what I'm going to do. It feels quite exciting and I can't wait to get going.

Do you feel like you're done with Jason Bourne?

I do, but I hope very much that he continues his adventures. But yes, I think I'm done with him.

Who Is He?

Name: Paul Greengrass

What He Does: Director, writer and producer

How He Got There: In 1978, he began making documentaries for the current-affairs program "World in Action" after landing a contract at Granada TV in the U.K. A year later, he became the first person to get permission to film the inmates holding a hunger strike inside Northern Ireland's Maze Prison.

His Big Break: His TV film "Bloody Sunday," about a British army massacre of unarmed civilians in Northern Ireland, captured Hollywood's attention when it won the Audience Award at Sundance in 2002. It led to him directing "The Bourne Supremacy."

His Obsession: Crystal Palace soccer club. "I go to their matches all the time," he says.

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CLOCKWISE FROM TOP: JEN JUDGE FOR THE WALL STREET JOURNAL (2); DARLENE HILBOLDT

Don't Forget to Also Care for Yourself

The demands of caring for loved ones can be so intense that caregivers frequently fail to pay attention to their own needs and self-care activities, says Richard Schulz, a professor of psychology at the University of Pittsburgh and co-editor of the 2016 report Families Caring for an Aging America.

"Studies have shown that when caregiving responsibilities exceed 15 hours a week, the caregiver enters dangerous territory in terms of their own health," Dr. Schulz says. A 2016 study published in the Annals of Behavioral Medicine concluded that bouts of physical activity significantly decreased caregivers' distress and increased their well-being, sleep quality, self-efficacy for caregiving and overall quality of life. Dr. Schulz says many caregivers feel they don't have time for self-care, but doing something at or close to home, like going on a brisk walk or streaming a yoga class, helps. He suggests that caregivers keep a self-care diary.

"When you write down what you are doing, you become very aware when you start to neglect activities," he says. "It's also helpful to ask other people, like a friend or even your primary-care physician, to check up on you. The more you care for yourself, the better care you can give to others," he says.

WHAT'S YOUR WORKOUT? | By Jen Murphy

A Dance Turn for Dark Times

To cope with addiction and other illnesses in her family, a caregiver practices ballet, jazz and tap

LISE HILBOLDT danced through her grief this year.

In January, she found herself caring for her ex-husband, who was recovering from congestive heart failure. Her son, Charles Hilboldt-Frileck, now 23, checked himself back into rehab in his battle with drug addiction. And in June, Ms. Hilboldt's 90-year-old mother moved into her Santa Fe, N.M., home for the final months of her life.

"My mom was in a lot of distress. I could have dealt with it by having two martinis, but instead I would grab a pink leotard and tights," says Ms. Hilboldt, who is in a 12-step program with 27 years of sobriety.

A social worker from hospice reminded the 66-year-old Ms. Hilboldt the importance of self-care. "I told her ballet is my self-care," she says. "It made me tremendously resilient, no matter how exhausted I became from caring for others." In the three days after her mother died, she took five classes—ballet, tap and jazz.

Ms. Hilboldt, a theater actress, didn't discover dance until her mid-50s, when she took up beginner ballet to rehab a ski injury. Later, in her 60s, her fun hobby became a necessary escape from stress.

In 2012, she relied on it to cope with her then-teenage son's addiction. "I wanted to numb out [the hurt], and the music and intricate movement provided a relief," she says. "It was the only time I had relief from a situation in which I was so utterly powerless."

Top and right, Lise Hilboldt takes ballet classes at the National Dance Institute of New Mexico's studio in Santa Fe. Above, Ms. Hilboldt with her son, Charles Hilboldt-Frileck.

Ms. Hilboldt, who has put her career on hold to be with her family this year, never liked exercise. But dancing, she says, feels more like performing. "You are expressing yourself in a very physical way," she says. "There's a lot of emotional release. I find it's even more powerful than meditation."

The Workout

Far from a prima ballerina at the start, Ms. Hilboldt had, she says, "negligible turnout, weak derrière muscles and a lackluster pointe." Now strangers ask if she's a professional dancer. While she doesn't perform, she puts in hours a day at the barre.

Ms. Hilboldt swims 30 laps or rolls on a foam roller at home to warm up before dance. Monday through Thursday she takes 90-minute adult ballet classes at the National Dance Institute of New Mexico's Santa Fe studio. On Fridays she takes class at the School of Aspen Santa Fe Ballet. She spends the first 60 minutes there at the barre.

She will do the plié, a movement in which dancers bend and straighten their knees with their toes turned out and heels on the ground. Then comes the tendu, where dancers stretch one leg away from the body, with the tip of the toes still remaining in contact with the floor as their foot arches. "These moves are extraordinarily complex, like calculus for the body," she says.

The final half-hour is spent in the center of the room performing jumps, turns and new choreography. "The great art of ballet is to make it look effortless, even though it's one of toughest sports on the planet," she says. "Your hands have to look elegant, there can be no tension in your face and all the while your lower body must be extremely strong and powerful."

She recently added a 30-minute pointe class to her Tuesday routine. On Saturdays she takes Zumba, followed by tap class at a local community center. She also occasionally takes jazz class. When she travels she always finds a local dance studio. "When I vacationed in Kauai I would drive halfway around the island to take a class with teenagers," she say.

The Diet

"When I was acting I was always on a diet," she says. "Now I need to eat throughout the day to have energy." Breakfast is often a soft-boiled egg, a slice of smoked salmon and whole-grain toast with cream cheese and jam. She takes her coffee with cream. Lunch is a salad with good fats, like avocado, and a protein like sardines or stir-fried chicken. Her evening meal is similar to lunch but with a starch like a sweet potato. "On rare occasions I'll have a McDonald's Filet-O-Fish and a few fries," she says.

The Gear and Cost

Ms. Hilboldt regularly visits her son and keeps a travel bag of leotards and dance shoes. She dances in Capezio tights ($15-$20) and a black leotard. Her favorites brands include Lulli Dancewear ($62), Mirella ($64) and Ballet Rosa ($68). She also buys leotards by American company Motionwear (about $40). She has 10 pairs of dance shoes. Bloch makes her favorite ballet shoes ($28). She travels with a TriggerPoint muscle roller, tennis ball and resistance bands. She pays $5 for a drop-in Zumba class and $11 for dance class.

FILM REVIEW | By Joe Morgenstern

BRIGHTENING THE SUNSET YEARS

IN A WORD, "The Old Man & the Gun" is enjoyable; that's all it means to be and that's what it is. In two more words that are seldom applied to contemporary films, David Lowery's tale of an elderly bank robber coming up on the end of his career is pleasurably leisurely. No need for pounding pace or synthetic suspense when the main attraction is the star, Robert Redford, giving what's been billed as the last performance of his career.

Except that Mr. Redford, at the age of 82, seems to be having second thoughts, as well he might, about bowing out quite so soon. He has always been a skillful star, not to mention a luminously handsome one. Now, his features transformed by the passage of time, he's as skillful as ever in a role that's based loosely on a real-life character at the center of a 2003 New Yorker article by David Grann, who collaborated with Mr. Lowery on the screenplay.

The old man of the title, Forrest Tucker, spent most of his adult life behind bars—he died in a Texas prison in 2004, at the age of 83—escaped 18 times, and, in between incarcerations, liberated large amounts of money from a remarkable number of banks without visiting violence on a soul. (He and several larcenous comrades came to be known as the Over-the-Hill Gang.) Tucker fancied himself an escape artist, but the focus of the film is a string of heists in the 1980s, and the tone is picaresque, with the hero as a criminal of steadfast charm who does what he does for the sheer joy of it.

> Robert Redford stars as an elderly bank robber coming up on the end of his career

For all we know that may have been true. Mr. Grann's article was less concerned with psychological insights than with the colorful aspects of Tucker's life, and Mr. Redford has good fun with a role that inevitably evokes the classic robbers and con men he has played in the past, most memorably the Sundance Kid and Johnny Hooker in "The Sting."

"The Old Man & the Gun" also reminded me of Steven Soderbergh's "Out of Sight," a far more ambitious film with a much younger George Clooney as a compulsive bank robber named Jack Foley. It's tempting to see an older—a really old—version of Foley in Forrest Tucker, though the latter lacks the former's vitality and complexity. Tucker is, in the end, more of a conceit than a fully developed character, a simplified notion of advanced age, which is why Mr. Lowery's film seems less than the sum of its parts.

Still, it's a modest treat for movie lovers with memories that extend beyond last summer's comic-book extravaganzas, and not only because of Mr. Redford's presence. Danny Glover and Tom Waits are Tucker's partners in crime. Casey Affleck is John Hunt, the detective who tracks Tucker down (while admiring the old guy's style). And Sissy Spacek is Jewel, a woman who meets Tucker by chance and comes to love him. When Jewel and Tucker look into each other's glistening eyes, all's right with the movie world.

Robert Redford as Forrest Tucker

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EXHIBITION REVIEW

Exploring the First Christian Nation

For the creators of these objects, the celebration of beauty was also a religious act

BY EDWARD ROTHSTEIN

New York

IT IS REMARKABLE how deeply rooted our greatest art museums are in the religious realm. Artifacts reflecting profound faith—even those once used in the most sacred rituals—are at the foundation of these institutions. Removed from their origins in worship, these relics, illuminations, reliquaries and statues settle into an afterlife in our secular aesthetic temples, making it clear that for their creators (as for many viewers) the celebration of beauty is also a religious act.

Most of these opulent Armenian artifacts have never been seen in the U.S.

Such are the impressions left, too, by "Armenia!" at the Metropolitan Museum of Art. The title's exclamation point promises a sensation of amazement the Met has long cultivated. Gathered in eight galleries are more than 140 opulent Armenian artifacts created over more than a millennium beginning in the fourth or fifth centuries, many of which have not traveled for centuries and most of which have never been seen in the U.S.

Yet, secular amazement aside, with very few exceptions these are artifacts of devotion and worship, created by one of the world's most ancient cultures and organized by Helen C. Evans, the curator of Byzantine art at the Met and C. Griffith Mann, a curator of Medieval art at the museum. Here is a 13th-century liturgical book stand that once held the Lectionary of the Armenian Church, the vegetal and animal carvings testifying to fertile spiritual ground; and here, too, is a 3,000-pound stone Khachkar—a monumental carved image of the cross typically set into the walls of churches and monasteries, this one made in the late 12th-early 13th century, in which the cross is surrounded by delicate filigree of carved rock. There are gold-leaf illuminations of Gospel books and Bibles; ornate reliquaries said to hold relics of martyred saints; 17th-century ceremonial garments of gold, silver and silk threads.

These are the traces of a distinctive faith, for though Armenia's history is ornate and knotty and scarred by exile, disruptions and 20th-century mass killings, and though its lands were battered by Islamic conquest (Armenian terrain touching on regions between Turkey and Iran), we sense an astonishing consistency, a set of traditions and beliefs maintained over centuries.

Armenia is considered to have been the first Christian nation, its commitment sealed by a primal conversion, commemorated by the first artifact here: a four-sided stela from the fourth-fifth century showing an animal-headed man who may be King Tiridates the Great, who, out of stymied passion for a nun, brutally massacred her community, but was then converted to Christianity by the haloed St. Gregory, here carved in stone. An 13th-century English map of the Holy Land, drawn by a monk who spoke with Armenian travelers, shows another myth of origin: Armenia as the home of Noah's ark, the boat resting on the peaks of Mount Ararat.

We learn, too, that over the centuries, Armenians became global traders, situated at a crossroads and having, at times, access to three bodies of water: the Mediterranean, Black and Caspian seas. We see jewelry of the 11th-13th century from the Armenian city Dvin, which was, until its Mongol destruction in the 14th century, one of the largest cities east of Constantinople.

But it is not the artifacts of trade that are the attractions here, but the artifacts of faith. The Armenian kingdom of Cilicia on the Mediterranean may have had connections with the Crusader states, and Armenian merchants were active on trading routes that led them to England, China, India and Russia, but we are primarily aware of Armenian Christianity: It seems both precarious yet invariably firm—as if resembling the Ark resting on Ararat.

We accept that impression without fully grasping it in detail: The show's main flaw is that we never get a very clear picture of the distinctive aspects of Armenian Christianity. Yet we are suffused with its spirit as we make our way through the galleries. Some sense of its distinctiveness also arises from the photographs of churches and monasteries, both at the show and in the sumptuous catalog, looking as if hewed from rugged landscapes of mountain, rock and sea.

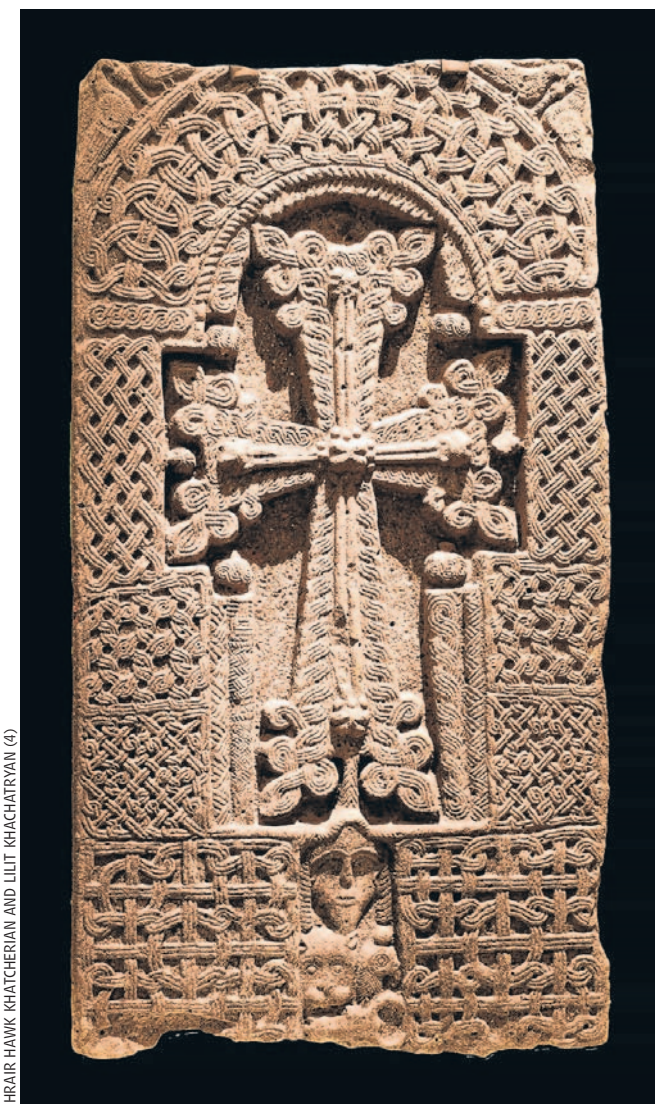
Here, we see, is a cosmopolitan culture under persistent assault and subject to perennial accommodation that yet held fast to its religious foundation in cloistered, forbidding settings. A devotional spirit is cast by the sounds from one gallery where we hear "Miajn Surb" from "Les Chants de La Liturgie Armenienne" by Makar Yekmalian (1856-1905), a work that seems to mix aspects of Gregorian chant with folkish turns and a sensuous serenity.

We get a more complicated sense of that devotion in images produced at medieval scriptoriums. They can combine a ritualistic formality with a wry individuality. In a 14th-century illumination for the Book of Psalms, the artist T'oros of Taron shows David playing an Armenian instrument from which the Psalms emerge, while on the facing page, the family tree of Jesse literally sprouts from his belly, leading to David as ancestor to Christ above. And in an illumination by Hakob of Julfa (c. 1550-1613) the Creator is given an all-too-human visage, gazing at his work of creation with a look of dismay, even bewilderment, as, perhaps, he envisions the history yet to unfold.

Armenia!
The Met Fifth Avenue, through Jan. 13, 2019

Mr. Rothstein is the Journal's Critic at Large.

Bible, Monastery of Gladzor, Siwnik', (1318), illuminated by T'oros of Taron, left; arm reliquary of St. Sahak Partev (late 17th-early 18th century), below



Reliquary cross with relics of St. George (1746), above; Khachkar, (12th-13th century), below

HRAIR HAWK KHATCHERIAN AND LILIT KHACHATRYAN (4)

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SPORTS

MLB

GAMES TO BREAK TIES

BY JARED DIAMOND

Six long months and 162 grueling games weren't enough to decide the composition of the baseball playoffs.

For the first time in history, MLB's regular season will conclude with two different tie-breakers, a thrilling conclusion to a topsy-turvy year across the National League. In the NL Central, the Chicago Cubs and Milwaukee Brewers finished with identical 95-67 records. In the NL West, the Colorado Rockies and Los Angeles Dodgers both went 91-71. All four teams won their games Sunday afternoon, setting up the chaos to come. It all adds up to make Monday—initially pegged as a day off for the entire sport—the most exciting day of 2018 thus far.

The Cubs and Brewers will kick things off at Wrigley Field (1:05 p.m. ET), an advantage Chicago earned by beating Milwaukee in 11 of their 19 previous matchups this season. The winner will claim the division crown, and the league's best record, giving that team the No. 1 seed throughout the NL playoffs.

The Dodgers and Rockies will follow that up at Dodger Stadium (4:09 p.m. ET), with Los Angeles seeking its sixth consecutive NL West championship and Colorado vying for the franchise's first ever division title.

The winners will advance to the division series, which begins Thursday. The losers face another daunting proposition: the do-or-die wild-card game on Tuesday night either in Chicago or Milwaukee, one final chance to continue their pursuit of a World Series championship.

In other words, three of these four teams will move on to the next round. One will go home to face the long, cold winter and deal with the knowledge that they failed to capitalize on a golden opportunity.

JERRY LAI/REUTERS

The Cubs have 95 wins this year.

Tiger Woods, left, and the U.S. team struggled with the tight fairways and heavy rough at Le Golf National. Right, Team Europe's Ian Poulter and Tommy Fleetwood celebrate after winning the Ryder Cup on Sunday.

FROM LEFT: CHARLES PLATIAU/REUTERS; PAUL CHILDS/REUTERS

RYDER CUP

U.S. Golfers Thrown Off Their Game

When precision matters more than power—a rarity in American golf—Europe is generally better off

BY BRIAN COSTA

Saint-Quentin-En-Yvelines, France

The comment was made away from spectators, barely more audible than a whisper. But what Phil Mickelson muttered after watching a tee shot disappear into thick grass during a practice round last week ended up being a fair assessment of the U.S. at this Ryder Cup.

"It's like fitting a round ball in a square," Mickelson said.

Europe held off a final-day comeback attempt by the U.S. and won, 17 ½ to 10 ½ on Sunday at Le Golf National to reclaim the trophy. The outcome was secured when Mickelson hit his tee shot into the water on the par-3 16th hole, handing the clinching point to Francesco Molinari.

On the face of it, the result was a stunner. Coming off a win in 2016, the U.S. brought what was by some measures its most talented Ryder Cup team ever and suffered its largest margin of defeat since 2006.

But American golfers have seldom been successful when the biennial event is held in Europe. They've won only once here since 1981, and not since 1993. They seemed particularly uncomfortable on a course whose tight fairways, modest length and heavy rough rendered ineffective the predominant style of the best U.S. players.

When precision matters more than power—a rarity in modern American golf—Europe is generally better off.

"These were the best conditions possible to play our best golf," Molinari said, "and this was the result."

The U.S. pinned its hopes to the belief that its roster of elite players could adapt to any course. But everything about the business of golf in America works against that possibility.

The courses on the PGA Tour generally allow players to bomb away off the tee with the confidence that if they miss the fairway, the penalty won't be too severe. "There's a lot of courses we play where the rough is not an issue," said Tony Finau, who went 2-1 in his Ryder Cup debut.

The PGA Tour is controlled by the players, who are endorsed by equipment and ball manufacturers, who can better market their products with a game that incentivizes raw distance.

The players not only get accustomed to that. At times, they have actively resisted changes that would better condition them for a course like Le Golf National. At TPC Boston, a new bunker added in 2017 to challenge players to be more precise off the tee was removed in 2018 following player criticism.

Geoff Ogilvy, a veteran Tour pro and course designer, said PGA Tour courses also incentivize distance over accuracy with soft greens. These are receptive to players who miss the fairway because they make it easier to control the landing of shots from the rough, which tend to have less spin. The reason: firm greens don't look as green, which is perceived to hurt the marketing value of hosting a tournament. "This is going on TV, and to most people's eyes, green is what they want to see," Ogilvy said.

Europe didn't view Le Golf National as some sort of alternate setup. To captain Thomas Bjorn, this was championship golf as it ought to be.

"When you put the best players on a golf course in the world, you want to see demanding golf courses," Bjorn said. "You want them to be tested. You're rewarded by playing well."

It is difficult to dig deep into performance data at the Ryder Cup because the event records virtually none of it. But analysts from the 15th Club, a London analytics firm that works for Team Europe, charted every shot during the first two days. The results were unsurprising. The only session the U.S. won—Thursday morning—was also the only one in which they hit a higher percentage of fairways than Europe (53% to 48%). In each of the next three sessions, Europe was more accurate by at least nine percentage points. The disparity was greatest in alternate-shot matches Saturday—68% to 51% in favor of Europe.

Of course, there is more than one reason the trophy is back in the hands of Europe.

Ian Poulter played his usual role as the bug-eyed slayer of U.S. Ryder Cup dreams. He beat world No. 1 Dustin Johnson, 2-up, even out-driving him on the 18th hole. Sergio Garcia became the all-time leader in Ryder Cup points won, with 25 ½ Molinari became the first European ever to finish 5-0 at a Ryder Cup.

Likewise, the U.S. cannot pin its failure on any one cause. The four captain's picks went 2-10, the worst point percentage in Ryder Cup history by a group of captain's picks, according to Golf Channel research. One of them was Mickelson, who became the all-time leader in Ryder Cup matches lost (22). Tiger Woods looked exhausted after winning the previous weekend for the first time since 2013. He lost to Jon Rahm on Sunday, 2&1, to finish 0-4.

Weather

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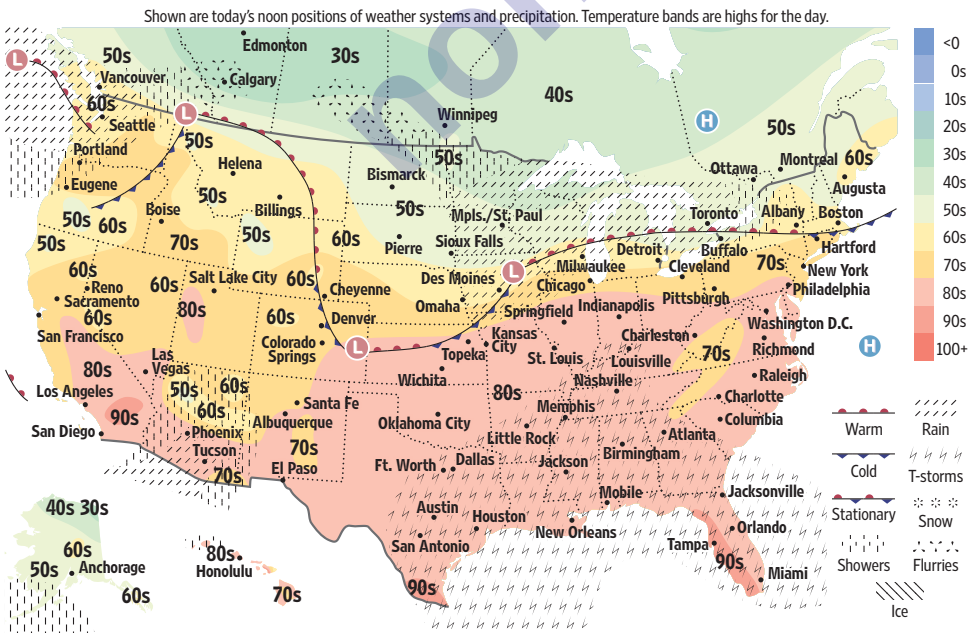
Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



U.S. Forecasts

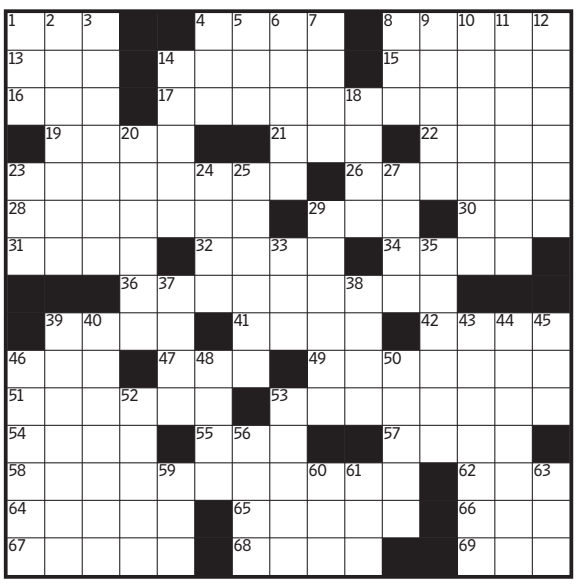
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Anchorage	57	44	s	55	47	s
Atlanta	83	68	c	84	68	pc
Austin	86	72	t	88	72	pc
Baltimore	81	64	s	81	65	pc
Boise	75	56	c	73	49	c
Boston	67	59	sh	68	61	c
Burlington	60	50	c	63	51	r
Charlotte	83	64	pc	84	65	pc
Chicago	77	61	c	68	59	sh
Cleveland	76	68	c	77	61	r
Dallas	85	72	t	86	72	pc
Denver	78	51	pc	79	56	c
Detroit	65	60	c	75	54	r
Honolulu	88	74	s	88	76	s
Houston	85	74	t	87	74	pc
Indianapolis	83	67	s	81	67	pc
Kansas City	84	64	c	85	71	pc
Las Vegas	87	71	t	83	70	r
Little Rock	83	65	t	87	67	pc
Los Angeles	87	68	pc	76	66	c
Miami	89	77	t	89	78	pc
Milwaukee	63	57	r	62	56	c
Minneapolis	53	45	r	62	57	c
Nashville	83	69	t	84	68	pc
New Orleans	88	77	t	90	77	pc
New York City	76	65	pc	78	66	pc
Oklahoma City	82	68	pc	83	70	pc
Omaha	65	52	r	76	71	pc
Orlando	89	75	t	88	73	pc
Philadelphia	81	65	s	81	65	pc
Phoenix	80	73	r	83	73	r
Pittsburgh	78	65	pc	75	62	r
Portland, Maine	59	48	c	59	52	r
Portland, Ore.	73	57	sh	70	49	pc
Sacramento	80	61	pc	73	59	r
St. Louis	87	70	pc	88	72	pc
Salt Lake City	79	62	t	74	59	r
San Francisco	72	60	pc	70	59	r
Santa Fe	79	53	c	76	53	sh
Seattle	67	55	r	63	46	pc
Sioux Falls	57	45	r	65	62	pc
Wash., D.C.	82	68	s	83	70	pc

International

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	55	47	c	60	49	sh
Athens	72	62	pc	75	65	pc
Baghdad	104	75	c	106	75	s
Bangkok	88	76	t	89	77	sh
Beijing	77	49	s	77	49	s
Berlin	57	41	c	54	46	pc
Brussels	55	43	c	57	47	pc
Buenos Aires	58	38	pc	63	44	s
Dubai	97	83	s	99	85	s
Dublin	55	48	pc	60	49	pc
Edinburgh	52	45	pc	54	42	pc
Frankfurt	59	36	c	57	49	pc
Geneva	55	41	sh	57	44	s
Havana	88	72	t	87	74	t
Hong Kong	87	74	pc	85	74	s
Istanbul	74	64	pc	71	64	sh
Jakarta	93	77	pc	93	77	s
Jerusalem	80	68	t	82	66	s
Johannesburg	81	55	s	83	57	s
London	57	46	pc	68	50	pc
Madrid	80	47	s	79	49	s
Manila	90	78	t	87	77	t
Melbourne	72	51	pc	72	59	pc
Mexico City	74	52	t	74	53	t
Milan	64	48	sh	68	45	pc
Moscow	56	39	s	56	46	pc
Mumbai	95	81	s	93	82	t
Paris	60	40	pc	61	55	pc
Rio de Janeiro	85	75	t	89	75	s
Riyadh	99	72	s	100	70	s
Rome	75	60	sh	69	58	sh
San Juan	88	74	sh	86	75	pc
Seoul	66	48	pc	68	52	s
Shanghai	76	60	s	79	63	s
Singapore	89	79	pc	89	79	pc
Sydney	69	54	s	73	58	s
Taipei City	86	68	s	82	70	pc
Tokyo	83	66	s	78	66	pc
Toronto	54	51	r	65	49	r
Vancouver	61	51	pc	58	44	pc
Warsaw	63	41	pc	57	44	pc
Zurich	52	38	sh	55	42	s

The WSJ Daily Crossword | Edited by Mike Shenk



GONE PHISHING | By Zhouqin Burnikel

Across

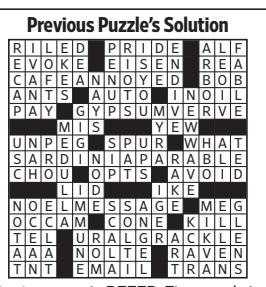
1 "Thrilla in Manila" champ
4 Spill the beans
8 Hackneyed
13 Poorly lit
14 Fit to be tied
15 Firetruck signal
16 Carry-___ (some bags)
17 *Ignored a noise ordinance, say
19 Unresponsive state
21 Mont. neighbor
22 ___ Spumante
23 *Annual pop culture gathering noted for cosplay
26 "Luncheon of the Boating Party" painter
28 Applies quickly, as brakes
29 Houston of Texas
30 Mrs. in Marseille
31 Chinese leader?
32 Fallon's predecessor
34 "Gotcha"
36 Warning to consumers, or what might be triggered by the starred answers
39 "Later!"
41 On a road trip
42 Guns, as an engine
46 ___ Antonio
47 Clean energy source
49 Zagreb's country
51 Yuletide door decor
53 *Flower garden hazard
54 Bobbles the ball
55 Thurman of "Henry & June"
57 Negotiator's skill
58 *Repeated lyric of a 1975 #1 disco hit
62 Penn of "Designated Survivor"
64 "The Waste Land" poet
65 Ranch ruminant
66 Self-importance
67 Boardwalk boards
68 Lettuce buy
69 Cowhand handle

Down

1 Big fuss
2 Roosevelt's neighbor on Mount Rushmore
3 "How could you!!!"
4 Bit of lingerie
5 Little fellow
6 Stayed home for dinner
7 Rosary unit
8 Airport screening org.
9 Costa ___
10 Annoying
11 Golf course reservation
12 Whole
14 Apple Store selections
18 ___ avis
20 Drink served in a champagne flute
23 CBS forensic franchise
24 Caffeinated drink
25 Like a very small band
27 Abu Dhabi dignitary
29 Offer comfort to
33 "Yup" opposite
35 Sedimentary rock layers
37 Asking price
38 Brontë heroine Jane
39 Cheshire Cat's creator
40 Problem for lazy people
43 Paperless flight document
44 Wine label datum
45 Give under pressure
46 Garbo and Nobel, for two
48 "Yup" opposite
50 Big blender brand
52 Give it ___ (attempt)
53 Moisten while roasting
56 Command to sled dogs
59 UFO passengers
60 Caffeinated drink
61 Went first
63 Cured salmon

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

Previous Puzzle's Solution



The contest answer is REFER. Five words in the grid suggest palindromes that fit the theme clues, like using RILED at 1-Across to make "deli riled," fitting the clue for 17-Across. The other palindromes are talc/ECLAT (for 25-Across), Elba/FABLE (39-Across), Liam/EMAIL (48-Across) and Neva/RAVEN (61-Across). The middle letters of the palindromes spell the contest answer.

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OPINION

Brazil's Trumpian Candidate

AMERICAS
By Mary Anastasia O'Grady

Donald Trump's candidacy was "the empty gin bottle" that voters had "chosen to toss through the window," David Gelernter wrote in an October 2016 Wall Street Journal op-ed. As Brazilians go to the polls Oct. 7 to elect a new president, they're tossing their own empty bottle, perhaps one that once held the potent sugar distillate called *cachaça*.

The Trumplike candidate is Jair Bolsonaro of the Social Liberal Party, a 63-year-old, thrice-married former army captain. Although he has been in Brazil's Congress since 1990 he is widely viewed as an outsider and wears his political incorrectness as a badge of honor. He's also leading in the polls, much to the consternation of "experts" in places like New York and London.

Mr. Gelernter's America was more than simply frustrated with an anemic economy. President Obama and Hillary Clinton had "emasculated" voters, he wrote. Their rebellion was against progressive snobs who belittled conservatives and their traditional values.

Yet the Trump base alone couldn't have elected the president. It took voters like Mr. Gelernter, whose profile as a professor of computer science at Yale puts him squarely in the category of the "elite," to produce the unforeseen victory. Confessing no admiration for the real-estate developer, Mr. Gelernter said he would vote for him "grimly." Why? Because the alternative was too awful to contemplate.

With 28% support, according to a Datafolha poll released Friday, a Bolsonaro victory is far from certain. Electoral rules require a candidate to earn 50% plus one of valid votes cast to win in the first round. If necessary, a runoff election will be held Oct. 28.

In a runoff Mr. Bolsonaro would likely face one-term former São Paulo Mayor Fernando Haddad. Mr. Haddad was chosen as candidate of the left-wing Workers' Party, or PT, after former President Luiz Inácio Lula da Silva, convicted of bribery, was barred from running. Mr. Haddad is polling in second place with 22% of the vote, according to Datafolha.

In a second round, Datafolha has Mr. Haddad with 45% and Mr. Bolsonaro with 38%. The PT machine has a strong ground game and masterful use of the media. But Mr. Bolsonaro could still surprise, which explains why a would-be assassin stabbed him in early September.

People vote their pocketbooks and while the economy has recovered from a nearly three-year recession, the central bank forecasts growth at a mere 1.4% this year and only 2.4% next year. The PT has tried to blame President Michel Temer of the Brazilian Democratic Movement Party, who was PT President Dilma Rousseff's vice president and took over when she was impeached in 2016. But many Brazilians don't buy that. They know that 13 years of PT governance made the mess.

Jair Bolsonaro is polling well because the educated dread a return of the left.

Mr. Bolsonaro's economics are shaky. He has moderated his longstanding views as an economic nationalist, but on specific issues—from privatization to protectionism—he has been difficult to pin down. The best guess is that his government would strive for greater fiscal restraint and deregulation.

Mr. Bolsanaro is one of few in Congress not tainted by the corruption scandals of recent years. Last week allegations arose that he has hidden assets from tax authorities. Even if true, that pales in comparison to the PT's arrogance.

The PT governments specialized in graft and bribery. The federal investigation known as Operation Carwash discovered systemic corruption inside the Brazilian development bank and the state-owned oil company Petrobras. Mr. da Silva, who was caught red-handed taking a bribe, still believes he ought to be above the law.

Putting the PT back in power, where it is more than likely to try to bend the judiciary toward its left-wing ideology, is a risk many Brazilians say they aren't willing to take.

Mr. Bolsonaro has support among evangelical Christians and farmers. He does better than Mr. Haddad among middle-income voters and especially well among the college-educated, who fear a return of the corrupt PT.

He talks tough on security and wants to restore the presence of the state in places taken over by organized crime. He speaks bluntly against PT land redistribution that has favored special interest groups. His critics call him racist for this, but trampling property rights is no way to raise living standards.

Mr. Bolsonaro supports agricultural development, whereas the PT treats farmers as an environmental menace. He also defends traditional views on sexuality, challenging the use of public schools to teach otherwise. He is labeled a homophobe by his critics, but in socially conservative Brazil his objections have been welcomed.

Mr. Bolsonaro's broadest appeal is that he speaks vigorously against the PT. In a nation where soaring hopes were dashed by PT recklessness and entitlement, that message sells.

Write to O'Grady@wsj.com.

Let's Throw a Patent-Burning Party

By Peter Kolchinsky

People used to throw mortgage-burning parties when they paid off their home loans—flame-fed celebrations marking an inflection point toward independence.

It's time to throw a party for Lyrica, Pfizer's Swiss army knife of a blockbuster drug that treats epilepsy, fibromyalgia and several neuropathic-pain-related ailments. Lyrica's patent expires in December. Once it "goes generic," its sales will almost immediately crater as multiple companies begin selling the drug's active ingredient, pregabalin, at steep discounts to Pfizer's brand.

As a society, we've nearly paid the mortgage on Lyrica. It was expensive. The FDA originally approved Lyrica in December 2004, and within three years the drug reached $1 billion in sales. In 2017 Lyrica's global sales nudged above $5 billion. Along the way Pfizer used many pharma tricks, legal and illegal, to boost sales. In 2012 Pfizer won a lawsuit against generics companies that challenged its patents. In 2009 the company paid a record $2.3 billion fine to the Justice Department for improperly marketing Lyrica.

Pfizer has also imposed its share of price increases. Lyrica's list price has risen 163% since 2012, although net price increases were lower due to the byzantine system of drug rebates. Pfizer has even developed a once-daily pregabalin (regular Lyrica is taken twice-daily). Approved in 2017 as Lyrica CR, and on patent until 2026, it will be a nice-to-have option for those unfazed by the higher copayment.

Because insurance companies saddle patients with high copays, branded drugs like Lyrica are unaffordable to some patients. In the U.S. only 11% of all prescriptions are for branded drugs, the rest for generics. Yet society can afford to make mortgage payments on these assets for our lasting benefit. At about 1.8% of U.S. gross domestic product, payments for branded drugs are a worthy investment. Health insurance in America should be reformed to pay for innovation and allow patients to afford their prescribed treatments.

When a drug goes generic, it's as if society has paid off a mortgage.

Lyrica's U.S. patents expire in December but are likely to be extended through June 2019 thanks to a Food and Drug Administration program encouraging companies to demonstrate whether drugs work on children. Until then, Lyrica will help power the biopharma ecosystem with profits. But whether in two months or eight, generic pregabalin will appear on the other side of the ledger, becoming an inexpensive societal resource indefinitely. Pfizer says that more than nine million Americans have been prescribed Lyrica. Over the next several decades, tens of millions more may benefit from generic pregabalin.

Lyrica's mortgage burning is a high-profile manifestation of the fundamental contract the biopharmaceutical industry has with America. Society pays for expensive patented drugs in order to incentivize intrinsically risky and expensive research and development. But patents expire, those expensive drugs become inexpensive generics, and society reaps the rewards forever, or until a better drug comes along on which it's worth paying a new mortgage. That's the ideal.

For the contract to really work, there are kinks to work out. Namely, some pharma companies go too far in trying to extend their drugs' patent lives, turning justifiable mortgages into unjustifiable rents. Occasionally they even rebrand older, off-patent medicines without any innovative upgrades, which may feel like having your house stolen and sold back to you. And insurers offload too much of the cost of innovative, patented drugs onto patients through onerous cost-sharing structures.

Because human biology is essentially unchanging, many drugs we use today will work as well in a century. Some may even work better with improved diagnostics, delivery technologies and insights into drug combinations. Thus the scientific progress we achieve in our lifetimes will also benefit future generations.

Generics work just as well and meet the same safety standards as original branded drugs, offer huge cost savings almost immediately, and, with few exceptions, remain inexpensive forever. Cholesterol-lowering statins alone have helped decrease deaths from heart attacks and strokes by 50% throughout the developed world over the last few decades. When Pfizer's patent on the best-selling statin Lipitor yielded to generic atorvastatin, the price quickly dropped by 95% and has remained comparatively negligible. Lyrica is likely to experience a similar fate.

Celebrating the end of a drug's patent life—and its new life as an extraordinarily inexpensive societal resource—reminds us why these drugs are so valuable to patients and physicians in the first place. We should celebrate, as a society and an industry, when the best drugs cross the generic threshold. Lyrica's mortgage is nearly paid off, and patients will enjoy the benefits of generic pregabalin for decades to come. Let's light the fire and start the party.

Mr. Kolchinsky is managing director of RA Capital Management LLC.

Meet the Polish Tiger

By Mateusz Morawiecki

Poland recently became the first country in nearly a decade to graduate from emerging-market status and enter the ranks of the world's developed economies. In September it joined countries such as the U.S., Germany and South Korea in the FTSE Russell index of advanced economies. For Poland, the first country in East-Central Europe to join the index, the distinction is the fruit of a long effort to build a flourishing market economy on the ruins of the communist system that the Solidarity movement helped topple in 1989.

It is especially gratifying for me as Poland's prime minister. Thanks to the efforts of millions of Poles, our economy and financial markets now meet the highest standards of integrity, transparency and sound regulation demanded by international investors.

When Poland embarked on this remarkable journey, its economy was in a shambles. In 1989 per capita gross domestic product was only $1,800 in today's dollars. Now it is $16,000. Poland is the biggest economy in the former Soviet bloc and the seventh largest in the European Union.

While many prospered, others were left behind. Too often connections, not hard work, provided success. In 2015 my party became the first to win an outright parliamentary majority since the fall of communism. We won the elections by promising to tackle corruption and pursue an inclusive growth strategy. The Law and Justice Party aims to embody the ideal of community that inspired the Solidarity movement and has always been a part of Poland's social fabric.

Since 2015 we have improved tax collection and strengthened the nation's fiscal position. We also have invested in health care, education and public works projects. We have shown that helping the least fortunate isn't incompatible with growth: Poland's economy has expanded by more than 10% in the past 2½ years, the most among the top 10 EU economies. Meanwhile, the fiscal deficit shrank to a record low 1.7% of GDP, from 7% in 2010. We achieved this while lowering tax rates on small companies.

Our market economy is booming, allowing us to take care of the least fortunate.

How was this possible? With the help of stepped-up enforcement and innovative digital tools, we cracked down on rampant tax fraud and evasion, increasing revenue from the value-added tax by 26% in only two years. We prosecuted transnational gangs that systematically filed bogus invoices for reimbursement of the VAT, sometimes with the connivance of corrupt officials. Equally important, we introduced a tax regime that provides incentives for investment and research and development, particularly for small and medium-size firms.

While doing all this, we have expanded support for Polish families. We are spending more on vocational education to help young Poles engage in the modern economy. Our government has focused heavily on developing overlooked rural areas. All Poles should benefit from our country's tremendous economic potential—and fulfill our common goals of solidarity, prosperity and growth.

Mr. Morawiecki is prime minister of Poland.

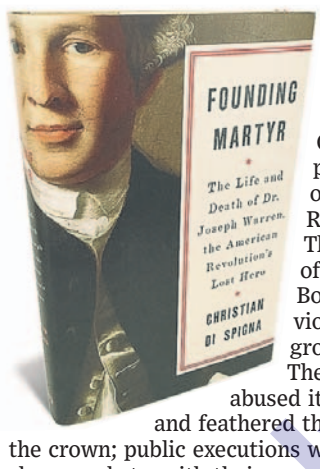
BOOKSHELF | By Gerald J. Russello

The Hero On Bunker Hill

Founding Martyr

By Christian Di Spigna
(Crown, 322 pages, $28)

Before George Washington, before Thomas Jefferson, even before Alexander Hamilton, there was Joseph Warren. A British commander once called him "the greatest incendiary in all America." Warren stood at the center of the colonial intrigue against the British in Boston, yet his story has largely been obscured by history. The future of America's nascent revolution was still in doubt in 1775 when Warren, at the age of 34, was shot and killed during the Battle of Bunker Hill. At the time, he was still considered a rebel and traitor to the King: There was not yet a Declaration of Independence, no Articles of Confederation, no Constitution, no United States. Warren and his allies set the groundwork for these milestones of independence during a period when the majority of colonists were still opposed to armed rebellion.



In "Founding Martyr," Christian Di Spigna has produced a gripping biography of one of the American Revolution's earliest activists. This is no whitewashed version of the Founding. Mr. Di Spigna's Boston is a rough place, with violence on all sides and a growing suspicion of British rule. The British army physically abused its soldiers; colonists tarred and feathered those thought sympathetic to the crown; public executions were grisly social occasions; slave markets, with their normalized brutality, still existed. And over it all lingered the constant fear of disease.

Most of Mr. Di Spigna's story takes place during the 1760s and early 1770s, when Boston was roiled by a low-level but violent insurgency. It wasn't until the battles of Lexington, Concord and Bunker Hill that the insurgency became an open rebellion. The action of those early days was more akin to the developing-world terrorism of today than the formal campaign for independence that the movement would later become.

Warren was born in 1741 in Roxbury, Mass., at the time a small town connected to the Boston peninsula by a narrow, mile-long strip of land known as the Boston Neck. The son of a farmer, Warren was educated at Harvard and then trained as a doctor. He developed "one of the largest medical practices in Boston," we are told, serving not just the Tories and those later called Loyalists, but also the rabble-rousers of Boston and its surrounding towns; among his patients were Paul Revere and Samuel and John Adams. Indeed, Warren established countless important connections among the populace, as when, during the 1764 smallpox epidemic, he inoculated many colonial leaders and laborers, sometimes free of charge.

In 1775, commemorating the Boston Massacre, Joseph Warren spoke boldly in defense of American liberty—while wearing a Roman toga.

In addition to his medical practice, Warren's humble background and financial success also gave him credibility with Bostonians across social and class divisions. Mr. Di Spigna is especially good at illuminating the importance of Warren's association with the Masons—whose membership included tradesmen, such as Revere, and British soldiers—as well as his religious congregation and more formal groups such as the Committee of Safety, which coordinated colonial protests.

Warren put all this success at risk for American independence. He came to the cause, Mr. Di Spigna convincingly argues, through a combination of moral conviction and personal motivation. In 1741 the British government enraged Massachusettsans by crushing the Land Bank, a rudimentary securities exchange designed to help revive the flagging local economy. Among those thrown into financial distress as a result of the Land Bank's demise were Warren's grandfather, Samuel Stevens, and Samuel Adams's father, Deacon Adams.

In 1766 Warren wrote to a friend that the colonies had "united for their common defense against what they believe to be oppression." In 1773, according to Mr. Di Spigna, Warren was at the center of the planning for the Boston Tea Party. By the following year, Warren's Suffolk Resolves—"a precursor to the Declaration of Independence"—called for a colonial boycott of British goods. The document's proposals were approved unanimously by the Continental Congress in Philadelphia.

For these and other actions, Warren was marked early by the British. When in 1775 he volunteered to give the annual speech commemorating the Boston Massacre, British soldiers threatened to assassinate him. Nevertheless, he defiantly took to the pulpit, dressed in a Roman toga and armed with pistols, and offered, Mr. Di Spigna tells us, "impassioned words" on American liberty that "would soon resonate throughout the colonies."

Drawing on his "vast network of connections in Boston and the surrounding towns," Warren set up the first real colonial spy network. Among his couriers were Revere and William Dawes, whom he sent to warn the colonials that the Redcoats were on their way. One reason we know comparatively little about Warren is that "as the original Whig spymaster, he had shrouded his illegal actions, his writings, his intelligence information, and even his private affairs in secrecy." Much of what he did put into writing, in correspondence and other papers, he burned when the British arrived in Boston.

Shortly before Bunker Hill, the Massachusetts Provincial Congress promoted Warren to the rank of major general, making him the highest-ranking colonial leader from Massachusetts. He was so well respected that John Hancock, in Philadelphia for a meeting of the Continental Congress, wrote to him asking that he be the person to receive Washington when the general arrived in Boston. The letters were not delivered in time. A man of great physical courage, in battle Warren refused to serve only as a medic, preferring to fight alongside his fellow Revolutionaries on the front line, which was where he died, killed by British musket fire.

At his death, Warren was feted by colonials who, Mr. Di Spigna writes, "refused to let him die in vain." More than two centuries later, the memory of his role in the Revolution has been overshadowed. "Founding Martyr" helps restore to their proper place Joseph Warren's important contributions to our nation's prehistory.

Mr. Russello is the editor of the University Bookman.

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OPINION

REVIEW & OUTLOOK

A Brave New Habitat

The Supreme Court hears a crucial case on regulatory deference.

The Supreme Court kicks off a new term on Monday, and it's a shame that Brett Kavanaugh won't be seated in time to hear *Weyerhaeuser v. U.S. Fish and Wildlife Service*, which challenges the limits of judicial deference to regulatory interpretations of law.

At issue is the government's ability to wall off and revamp private land into safe havens for endangered species. In 2001 the Fish and Wildlife Service (FWS) designated the dusky gopher frog an endangered species, estimating that its population had dwindled to 100 in Mississippi's DeSoto National Forest.

The Endangered Species Act directs the FWS to "the maximum extent prudent and determinable" to "designate any habitat of such [an endangered] species which is then considered to be critical habitat." The law defines "critical habitat" as land "occupied by the species" or that is determined to be "essential for the conservation of the species."

FWS explained in 2004 that critical habitat designations provide "little additional protection to most listed species, while consuming significant amounts of available conservation resources." But the Obama Administration in 2012 agreed to carve out 1,544 acres of commercial forest operated by timber company Weyerhaeuser in Louisiana's St. Tammany Parish for species conservation.

A few problems: No frog had been seen in the area for 50 years, and the species could not survive on the land without significant changes. The frog requires an open canopy forest with flush ground vegetation maintained by frequent fires. Weyerhaeuser's property contained a dense closed canopy with little groundcover.

The service nonetheless declared the land "essential" to the frog's conservation since it included one feature necessary for its reproduction—ephemeral ponds. FWS said that the land could be "actively managed" to accommodate the frog by chopping down the forest and using prescribed burns to produce more groundcover. Weyerhauser would also have to scrap inchoate plans to develop the land. Landowners stood to lose between $20 million and $34 million in development value.

Weyerhauser argues that land must actually be habitat for the agency to designate it as critical habitat. The ordinary English definition of habitat is a place where a species can naturally live and grow. Without this limiting principle, FWS could rezone nearly any land in the United States into a species refuge.

The Fifth Circuit Court of Appeals deferred to FWS's expansive definition of "critical habitat." But under the Court's *Chevron* precedent, judges are supposed to review a law's text closely and narrowly. The appellate court did neither. Only if a statute is vague may judges consider whether regulators' interpretation of law is reasonable.

FWS has other regulatory tools at its disposal to protect the frog and other imperiled species including buying land for conservation. Thanks to cooperative federal and state efforts, FWS reported in 2015 three naturally-occurring frog populations in Mississippi and 550 in captivity at 16 zoos. (See Jonathan Wood nearby for more on the best way to protect the frog.)

The Interior Department over the summer proposed regulatory reforms to the Endangered Species Act and the process for designating "critical habitat." But the Justice Department has continued to defend the federal government's broad authority to repurpose private property for species, and we wonder if anyone is awake at the White House asking what's up with the Solicitor General. A future Administration could undo Interior's reforms.

If Mr. Kavanaugh isn't confirmed, the Supreme Court will have only eight Justices and could split 4-4 on many cases. This is precisely what Democrats want so Kamala Harris can fill the seat in 2021. Meantime, the four sitting liberal Justices may not want to rein in the administrative state, but even they should agree that regulators can't redefine words willy-nilly.

Ignore Our Numbers—Please

A liberal think tank makes the case for tax deductions for the rich.

Democrats from high-tax states are campaigning against the GOP's tax reform, but they're in a pickle. They want to repeal the new $10,000 cap on the federal deduction for state and local taxes. Yet most Americans with tax bills that large are well off, and Democrats don't want to be caught helping—oh, no—"the rich."

Hence the tortuous if highly revealing argument floated last week at the Tax Policy Center, the left-leaning think tank that favors higher taxes. Howard Gleckman, a senior fellow at the tax center, writes that if Congress repealed the deduction cap, "the top 1 percent of households, those making $755,000 or more, would receive more than 56 percent of the tax cut." So how can populist Democrats avoid looking like hypocrites?

Simple, Mr. Gleckman says: They can ignore the Tax Policy Center's own analysis, which did not consider "what will happen to state budgets if high-income residents resist tax increases that are now less subsidized by the federal revenue code." Did you catch that?

With the deduction capped at $10,000, residents of high-tax states must pay nearly full freight for what happens in their spendthrift capitals. That seems fair enough.

Mr. Gleckman, however, suggests that restoring the old distortion "may indirectly benefit low- and moderate-income households" by propping up state spending. "Telling that story is much more complicated for blue states," he writes, "but it may be a more appropriate argument." In other words, allow more deductions for the rich so states can keep taxes and spending high.

Complicated? Democrats want to repeal the $10,000 cap so that states like New Jersey can keep their sky-high taxes and delay a fiscal reckoning. That argument may not fit on a bumper sticker, but a lack of simplicity isn't its problem.

Feinstein's 'Temperament' Gambit

Democrats lobby the ABA to reopen its Kavanaugh evaluation.

The intervention by American Bar Association President and Hillary Clinton supporter Robert Carlson against Brett Kavanaugh turns out to be even worse than we reported on Saturday. Now, exploiting the latest delay in a Senate confirmation vote, Democrats and liberals like Mr. Carlson are pressuring the ABA's Standing Committee on the Federal Judiciary to reopen its evaluation of Brett Kavanaugh.

The ABA committee submitted its evaluation to the Senate Judiciary Committee on Aug. 31. Paul Moxley, the Utah lawyer who chairs the ABA committee, wrote that "after an exhaustive evaluation process, the Standing Committee has determined by a unanimous vote that Judge Kavanaugh is 'Well Qualified.'" That is the ABA's highest rating.

The excuse now being pushed on the ABA behind the scenes isn't merely the uncorroborated claims of sexual misconduct, which are being investigated by the FBI. The new claim is that Mr. Kavanaugh's passionate defense of his reputation before the Senate last week showed that he is too political and lacks the proper judicial temperament.

"Judge Kavanaugh did not reflect an impartial temperament or the fairness and even-handedness one would see in a judge," Senate Democrat Dianne Feinstein tweeted on Friday. "He was aggressive and belligerent."

The media have picked up the meme. "The judge who previously served as a top aide to President George W. Bush and worked for independent counsel Ken Starr's investigation of President Bill Clinton tossed aside his earlier judicious language of neutrality," opined CNN legal analyst Joan Biskupic.

"His declaration was the product of his personal anger, to be sure, and the move of a nominee whose professional and personal fate was on the line. But the result—of his rhetoric and the overall tenor of the nomination—means he could forever be marked as a politician on the bench rather than a neutral jurist," Ms. Biskupic added.

The "overall tenor of the nomination?" Seriously? Who does the high-minded Ms. Biskupic think lowered the tone?

Mr. Kavanaugh didn't ignore his 307 judicial opinions and hunt for dirt to destroy his reputation. Mr. Kavanaugh didn't float charges about gang rape and ask questions about adolescent entries in a high-school yearbook. That was the "tenor" supplied by Ms. Feinstein and Democratic yearbook scholar Sheldon Whitehouse.

Mr. Kavanaugh is fighting for his professional life, has been accused of being a violent drunk and gang rapist, and he is supposed to respond like he's at a Supreme Court oral argument on the separation of powers? Under this Feinstein-Biskupic standard, Democrats are allowed to say anything to ruin a nominee and then disqualify that nominee because he fights back rather than withdraws.

As for Judge Kavanaugh being a partisan Republican, what else is new? The four liberal Justices on the Supreme Court are partisan Democrats. The relevant standard for a judge is whether he can separate his legal analysis from his partisan affiliation. Judge Kavanaugh has a decade-long record of doing exactly that on the federal bench.

Speaking of judicial temperament, recall Justice Ruth Bader Ginsburg's rhetorical assault on Donald Trump in July 2016. "I can't imagine what the country would be—with Donald Trump as our President," the Justice averred, adding that the possibility brought to mind her late husband's advice: "Now it's time for us to move to New Zealand." How does that rate on partiality?

Reopening the ABA's evaluation now would be unjustified and betray the legal guild as the left-wing partisan force in politics that it so often is. Mr. Moxley deserves credit for noting on Friday that Mr. Carlson's last-minute freelance request for an FBI probe doesn't change the ABA's evaluation. He shouldn't bow under backroom pressure this week.

LETTERS TO THE EDITOR

High Prices and Incentives for Cancer Drugs

Dr. Ezekiel Emanuel's prescription to cure high drug prices in "We Can't Afford the Drugs That Could Cure Cancer" (Review, Sept. 22) sounds worse than the disease. He proposes setting cancer-treatment prices based partly on negotiations. His justification includes the conclusion that companies "are charging so much for these revolutionary, lifesaving therapies because it's what the market will bear."

The article's analysis of pharmaceutical economics neglects to consider that manufacturers must cover the cost of developing and producing the single, lifesaving therapy for which a drug charges such a steep price plus the cost of failed treatments that never make it to market. Because some failure is inevitable, it makes no sense to look at the pricing of a particular drug in a vacuum.

Dr. Emanuel also claims that drugmakers are making "more than enough profit to continue substantial research." Yet these companies depend on capital to bring drugs to market, and capital will be attracted to companies with the highest returns over the shortest period of time.

Before killing the golden goose that is America's pharmaceutical industry through government price controls, it would better to reduce the amount of time it takes for government to approve lifesaving therapies and to allow competition to flourish sooner.

GREG MUNSON
Tallahassee, Fla.

I have metastatic prostate cancer. At the moment, I am being kept alive by Zytiga. Like Dr. Emanuel, I am appalled at the drug's cost, though very grateful for the insurance that makes it possible for me. My hope is that Zytiga will keep me alive long enough to take advantage of coming immunotherapies. When those therapies are available, one would expect the value of the Zytiga patent to plummet. The patent holder will then be left to eat whatever unrecovered costs remain. This is Schumpeter's creative destruction at work, and it leads drug companies to charge heavily while they have the only game in town.

For myself and for future generations, I want to see the present chaotic but productive system of drug development continue. If adopted, Dr. Emanuel's system of bureaucratic control will lead to stagnation as drug developers focus more on pleasing bureaucrats than on saving patients.

ELDON LONBORG
Oakville, Wash.

Why I Support Colorado's Fracking Proposal

Regarding your editorial "Colorado's Fracking Fright" (Sept. 21): Proposition 112 promotes sensible regulations on extreme oil operations in residential areas. I was a homeowner and victim of a 40 oil-well development in my old neighborhood. The mineral rights of hundreds of my neighbors and I were threatened to be taken by the oil company against our will via the state. Prop. 112 is a grass-roots response by individuals with little power in the face of government officials purchased by oil companies. I gathered the signatures of tea-party and Republican and Democratic neighbors for 2,500-foot setbacks. You report $250,000 being donated to this grass-roots effort by environmental groups, most of it from individual donations. Compare this to the $2.5 million contribution to Colorado's 2018 elections by a single oil company.

A recent explosion of a gas company pipeline in the Firestone neighborhood killed two and injured one in their home. A recent study of one million babies found that infants born within one kilometer of a fracking well were 25% more likely to have low birth weights (less than 5.5 pounds) than infants born more than three kilometers away. A recent study from the Colorado School of Public Health found carcinogens increase dramatically near Colorado's oil and gas facilities, exceeding the EPA's upper threshold by more than 800%. These facts are more concerning since the Colorado Oil and Gas Conservation Commission has 29 inspectors for more than 45,000 active wells. Often these inspections don't measure air and water quality, which are monitored by state agencies other than the commission. All this to protect up to 1% of Colorado's jobs?

The bigger the oil company money, the smaller the citizen.

BERNARD MCKIBBEN
Golden, Colo.

Dining With and Without a Glowing Screen

Regarding Bob Brody's "If I Wanted a TV Dinner, I'd Stay Home" (op-ed, Sept. 21): Mr. Brody may soon pine for the days when restaurants provided a TV screen for diners to watch. Smartphones, high-speed internet and low-cost data plans are cementing their hold. Last week I had dinner at a local restaurant that featured table service and entrees in the $15-$20 range. A couple was seated at the table next to mine. While I ate, the man took out his phone and began viewing live-stream video from a news station, with the volume turned up. He proceeded to prop the phone on the table, in my line of sight, so that he and his companion could watch and listen while they ate. Is this the new normal?

A wall-mounted TV provided by a restaurant is one screen, playing one program selected by the management and offers at least the hope of a shared experience among patrons. If everyone brings his or her own screen and tunes in to his or her own channel that will be cacophony enough to make me look back fondly on the lesser distraction of an old-fashioned TV.

STEVEN SAPORTA
Jersey City, N.J.

While we're at it, let's put the kibosh on "background" music played at a level that requires me to shout at my tablemates.

MICHAEL LEBUTT
Cheboygan, Mich.

California State Long Beach Has Only Begun

Regarding "Notable & Quotable: 'Beach'" (Sept. 26): California State Long Beach finally is moving on from its mascot Prospector Pete, an offensive symbol of the 1849 California Gold Rush when indigenous peoples of California endured subjugation, violence and threats of genocide. However, merely expunging Prospector Pete seems like a token atonement for all that is wrong with Cal State Long Beach's sordid history of honoring exploiters.

Spaniards seized the area now known as Long Beach in the 18th century. They referred to parts of the west coast of what are now Mexico and the U.S. as "California." After the Mexican-American War ended in 1848 with the U.S. seizure of land previously seized from indigenous peoples by Spanish conquistadors and settlers, the area that now is Long Beach was sold to an American family of ranchers. In 1882 American pioneer William Willmore bought land from the ranchers and began to develop Willmore City—later renamed Long Beach.

"California" is a name assigned by conquerors from Spain who were looking for gold. "Long Beach" is a name assigned by capitalist American developers of land that had been confiscated by Spaniards. The word "state" comes from the Old French "estat" that was derived from the Latin "status." "Cal State Long Beach" therefore wreaks of exploitation and cultural appropriation and is soaked in the blood of indigenous peoples (who at some point spilled the blood of other indigenous peoples).

Shame on Cal State Long Beach President Jane Close Conoley for offering up Prospector Pete as scapegoat for a university, city and state that all have names associated with occupiers who murdered and subjugated indigenous peoples.

BRIAN REED
Atlanta

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Pepper ... And Salt

THE WALL STREET JOURNAL

"Can you turn it down? We're trying to hibernate."

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Don't Let Jim Mattis Get Away

By Michael O'Hanlon

President Trump is reportedly considering a change of leadership at the Pentagon, perhaps after the midterm elections. He shouldn't do it. Rather than ask Defense Secretary Jim Mattis to resign, Mr. Trump should keep him through 2020.

To be sure, I am exactly the kind of moderate foreign-policy establishmentarian who would say such a thing. That people like me admire Mr. Mattis is one of the reasons Mr. Trump may want a change. Yet there are two compelling reasons to keep "Chaos," Mr. Mattis's call sign and preferred nickname, that have little to do with making the establishment happy.

Trump chose an excellent defense secretary, who needs more time in the job.

First, he is an excellent defense secretary—and he is Mr. Trump's choice. That obvious point is too frequently forgotten. In the daily rough and tumble of Washington, the president may feel that no one gives him personal credit for his wise selection. But the history books won't forget.

Second, Mr. Mattis needs more time. Since the position of defense secretary was created in 1947, almost all important legacies were achieved by men who held the job at least three or four years. The Defense Department is simply too big, the challenges of American national security policy too sweeping, and the domestic politics of implementing a given vision at the Pentagon too daunting for meaningful change to happen more quickly.

In the Eisenhower administration, Secretary Charles Wilson (1953-57) stabilized the U.S. Cold War posture in both Europe and Asia while implementing Ike's "New Look" defense strategy. He was in office four years. Melvin Laird (1969-73) managed the U.S. drawdown in Vietnam during Richard Nixon's first term, after the tumult of the Robert McNamara era. Jimmy Carter's secretary, Harold Brown (1977-81), helped usher stealth aircraft, cruise missiles, and other modern technologies into the American arsenal, while beginning the military buildup that Caspar Weinberger (1981-87) expanded and sustained under Ronald Reagan.

In the post-Cold War era, Dick Cheney (1989-93) undertook the most successful major U.S. military drawdown in history while overseeing Operation Desert Storm. William Perry (1994-97) continued the careful drawdown and brought order to an initially unsteady Clinton foreign policy team. Robert Gates (2006-11) oversaw the successful surge in Iraq and became the first defense secretary to work long periods for presidents of both political parties, restoring a nonpartisan aspect to American defense policy after Donald Rumsfeld's controversial tenure (2001-06).

There have been other defense secretaries. Many have been impressive, but few have been historically memorable, usually because they didn't have time to effect real change.

Secretary Mattis, a seasoned warrior from America's "forever wars" in the Middle East, is trying to reorient the Pentagon to reinforce deterrence of China and Russia. That change in priority is necessary and momentous. It is also hard to pull off while the forever wars—to say nothing of today's partisan Washington wars—continue. It requires a sophisticated touch, lest America overdo it and wind up in an actual violent confrontation with China or Russia. "Chaos" Mattis is anything but. At this moment, America badly needs his calm and his vision.

Mr. O'Hanlon is a senior fellow at the Brookings Institution.

This Is No Mere 'Job Interview'

By Alan M. Dershowitz

Until Judge Brett Kavanaugh was accused of horrible crimes—sexual assault, lewd conduct and even gang rape—his confirmation hearings could fairly, if not entirely accurately, be characterized as a "job interview." The burden was on him to demonstrate his suitability to serve on the Supreme Court. He apparently met that burden in the eyes of a majority, a partisan one to be sure, and seemed on the way to getting the job.

But now everything has changed. So should the burden of persuasion. The behavior of which Judge Kavanaugh has been accused is so serious and devastating that it requires a high level of proof before forming the basis for his rejection. There is an enormous and dispositive difference between a candidate's rejection on ideological grounds, as was the case with Robert Bork, and rejection on the ground that he has committed crimes warranting lifetime imprisonment rather than a lifetime appointment.

Being on the Supreme Court is a privilege, not a right. But being disqualified based on a false accusation of a crime would be a violation of the fundamental right to fairness. Some will argue that the issue of Judge Kavanaugh's ideological and professional qualifications should be merged with the sexual allegations and that doubts should be resolved against a lifetime appointment.

In some cases that would be a plausible argument. But it is too late for that kind of nuanced approach now, because these accusations have received world-wide attention. Judge Kavanaugh is on trial for his life. At stake are his career, his family, his legacy and a reputation earned over many decades as a lawyer and judge.

JOSE LUIS MAGANA/AFP/GETTY IMAGES

Protesting Brett Kavanaugh's nomination outside the Supreme Court, Sept. 27.

If he is now denied the appointment, it will be because he has been depicted as a sexual predator who deserves contempt, derision and possible imprisonment. He may no longer be able to teach law, coach sports or expect to be treated respectfully. He could be forced to resign his current judicial position, because having a "convicted" rapist on the bench is unseemly. For these reasons, he now has the right—perhaps not a legal right, but a right based on fundamental fairness—to have the charges against him put to the test of clear and convincing evidence or some standard close to that.

Even in the court of public opinion, basic fairness should preclude conviction without clear evidence.

The court of public opinion is different from a court of law, but it too is an important court. Wouldn't anyone rather be convicted in a court of law of drunken driving—also a serious crime—than convicted in the court of public opinion of being a serial sex predator? Many would even rather go to prison for a year on drunken driving charges than be labeled a sexual predator for life. In a nation dedicated to fairness and due process, explicit constitutional rights often serve as a metaphor and guide in the kind of basic fairness we demand even in nonlegal proceedings. That model should operate here as well.

Had Judge Kavanaugh been rejected on ideological or professional grounds before these sordid accusations were leveled, he could go back to his life, as Robert Bork did. But if the Senate fails to confirm him now, his life will never be the same.

Some would argue that if Judge Kavanaugh is now confirmed in the face of these serious accusations, it will have an equally damaging effect on the life, reputation and credibility of his accusers. That is false. Even if he is confirmed, those accusers will be treated as heroes by the many people who believe them. It will not have close to the impact on them that a failure to be confirmed will have on Judge Kavanaugh. The best evidence of that is Anita Hill, who has gone on to a distinguished career as an academic, writer, commentator and feminist. The stakes are simply not comparable.

I don't know whether Judge Kavanaugh is guilty, innocent or somewhere in between. I don't know whether he told the truth, the whole truth and nothing but the truth. Judge Kavanaugh wouldn't have been my candidate of choice for the Supreme Court. I am a liberal Democrat who believes Republicans improperly denied Judge Merrick Garland a seat on the high court.

But this is no longer about who would make the best Supreme Court justice. It is about the most fundamental issues of fairness this country has faced since the McCarthy era, when innocent people were accused of trying to overthrow the government and had their lives ruined based on false accusations, while being denied all semblance of due process or fairness. The American Civil Liberties Union stood strong against McCarthyism by demanding due process and hard evidence. But the ACLU now argues that "unresolved questions regarding credible allegations of sexual assault" be resolved against the accused nominee.

We have come a long way since McCarthyism, but we now live in an age that risks a new form of sexual McCarthyism. We must not go to that even darker place. The best way of assuring that we don't is to accord every person regardless of his status, the kind of fundamental fairness we would expect for ourselves if we were accused.

Mr. Dershowitz is a professor emeritus at Harvard Law School and author of "The Case Against Impeaching Trump."

Russia Wages a Religious War Against Ukraine

By Michael Khodarkovsky

Russia's assault on Ukraine unfolded along military, economic and diplomatic lines. Vladimir Putin's Moscow also is waging a less-noticed war on Ukraine's religious sovereignty. To understand this, look at the structure of Eastern Orthodox Christianity. The church consists of 14 autocephalous, or self-governing, churches. Religious and national identities often overlap, as in the Orthodox Churches of Russia, Romania, Bulgaria and Georgia. Each national church falls under a particular patriarchate, and the ecumenical patriarch of Constantinople is considered first among equals.

In recent centuries, Ukrainian believers had belonged to the Russian Orthodox Church. Shortly before the demise of the Soviet Union in 1991, a council of bishops in Ukraine declared the church's independence from Russia. In the '90s, the new leader of the Ukrainian Orthodox Church—Filaret, the metropolitan bishop of Kiev—came under pressure from Russian church and security officials to resign. He refused. In 1997 the patriarch of the Russian church excommunicated him and declared his followers schismatics.

An estimated 12,300 parishes in Ukraine continue to follow Moscow and belong to what is known as the Ukrainian Orthodox Church of the Moscow Patriarchate. Meantime, some 5,100 parishes switched to the Ukrainian Orthodox Church of the Kiev Patriarchate, led by Filaret.

Patriarch Filaret seeks recognition of the Ukrainian Orthodox Church as autonomous and independent, and he is about to get it. The ultimate arbiter in this dispute is Ecumenical Patriarch Bartholomew of Constantinople. On Sept. 23 he confirmed his intention to issue a *tomos*, or decree that confers the independence of a local church, for Ukraine.

The ties between the Kremlin and the Moscow Patriarchate are as old as Russia itself. Throughout its history, the Russian Orthodox Church had been subservient to the state and an unshakable supporter of autocracy. Since the late 15th century, the church provided Moscow's rulers with a political theology of manifest destiny, asserting that Moscow had become the Second Jerusalem and the Third Rome (Constantinople being the second).

The emergence of the atheist Soviet state in 1922 dealt a severe blow to the church. The state confiscated most ecclesiastical property. It destroyed many churches while turning others into storage places. Steeples that rose high enough became jamming stations to prevent Voice of America or the BBC from reaching Soviet citizens. Few seminaries survived. Those that did, trained a small number of priests. The KGB infiltrated the priesthood, informing on clergy and promoting Soviet interests abroad.

During Russia's brief experiment with democracy in the 1990s, the church rebounded from decades of suppression. But under Mr. Putin the state quickly co-opted and subsumed the church. The Kremlin has relied on the Orthodox Church as the main unifying force in the country and provides it with generous financial support. In return, the church has been the key promoter of the "Russian World" concept that casts the Kremlin as a defender of Russians outside Russia. Patriarch Kirill has called the Putin era "a miracle of God."

The prospect of Ukraine's autocephaly would mean losing millions of dollars worth of properties and thousands of priests in Ukraine. It would deprive Moscow of power over several million Ukrainians. Most important, it would deal a serious blow to Moscow's ambition of being the leader of Orthodox Christianity.

Moscow has put pressure on Patriarch Bartholomew using unsavory methods. A group of Kremlin-connected hackers, recently indicted in the U.S., stole thousands of email messages from Patriarch Bartholomew's aides. That backfired: The patriarch does not use email and no compromising material from his aides emerged.

The Kremlin tries without success to dominate the Eastern Orthodox Church.

On Aug. 31 Patriarch Kirill made an urgent visit to Istanbul to dissuade Patriarch Bartholomew from issuing a tomos. The two do not see eye to eye. While Patriarch Kirill considers Western values as antithetical to the Russian Orthodoxy, Patriarch Bartholomew supports closer ties with Western churches, including the Vatican.

Patriarch Kirill argued that Moscow has led the Ukrainian Orthodox church for 300 years, but this sounded hollow in the halls of Patriarch Bartholomew's Istanbul headquarters. For Bartholomew and other patriarchs the historical record is clear: the Constantinople patriarchs never officially approved Russia's claims over the Ukrainian church. Patriarch Kirill returned to Moscow empty-handed.

Moscow has resorted to traditional bullying, issuing unspecified threats and denouncing Patriarch Bartholomew as an agent of the U.S. and the Vatican. When the threats failed, on Sept. 14 the Russian church issued a formal statement condemning Bartholomew's intention to grant autocephaly to Ukraine. In a sign of an ultimate break, Moscow also announced that it would stop using Bartholomew's name in prayers.

Mr. Putin's geopolitical goal of turning Ukraine into a satellite state instead has given Ukraine a renewed sense of its national identity. Russia's spiritual imperialism has also diminished the Russian Orthodox Church. These expansionist policies, holy and worldly, are leading to Russia's further isolation.

Mr. Khodarkovsky, a professor of history at Loyola University Chicago, is author of "Russia's 20th Century: A Journey in 100 Histories," forthcoming from Bloomsbury.

The Feds Bungle Frog Hospitality

By Jonathan Wood

When startled, the dusky gopher frog covers its eyes, looks out, and covers its eyes again, as if playing peekaboo. This shy frog would seem an unlikely candidate to draw the attention of the Supreme Court. Yet the dusky gopher frog is the star of a case that will be heard Monday, *Weyerhaeuser v. U.S. Fish and Wildlife Service.*

For decades the dusky gopher frog's habitat has been shrunk by fire suppression, human development and other factors. Today this species lives only in a few isolated ponds in southern Mississippi. Like most endangered species—70% of which depend on private land for most of their habitat—the dusky gopher frog's recovery depends on private landowners' incentives to create conditions in which it can flourish.

Unfortunately, federal regulations skew those incentives. Under the Endangered Species Act, the government imposes burdensome regulations on private landowners who preserve habitats and allow rare species to live on their property. In effect, the law punishes the very people responsible for species' survival.

Weyerhaeuser concerns a provision of the act that authorizes bureaucrats to designate private land as "critical habitat" for rare species, costing private owners time and money. That might seem reasonable to protect wildlife, but the government has often extended critical-habitat status to areas where endangered species aren't threatened—or where they aren't even present. *Weyerhaeuser* asks whether the federal government can designate private land as "critical habitat" if it isn't even habitat at all.

In 2011 the U.S. Fish and Wildlife Service designated 1,500 acres of private land in Louisiana for the dusky gopher frog, even though it acknowledges none live there or could survive there without substantially changing the land. The agency based the designation on the *possibility* that the land could be converted to habitat by burning down its trees, planting different ones, and by altering its ponds to provide breeding sites. The agency has no authority to require these changes, so that the designation harms landowners without any benefit to the species.

Critical-habitat status makes it more difficult to recover species by discouraging landowners from creating and maintaining suitable habitats. In the dusky gopher frog case, the government estimates that the designation will cost property owners as much as $34 million. Do the feds expect the owners will go on to make the additional investments needed to prepare for hypothetical frogs? The designation breeds resentment among landowners who otherwise might be partners in conservation.

That's a shame, because the dusky gopher frog's future depends on such partnerships. Its existing habitat is too small for a full recovery. Recognizing this challenge, the Nature Conservancy, one of the world's largest environmental groups, has worked for 18 years to create habitat for the frog on its properties. The group must actively manage the land to maximize the species' chances of survival and reproduction, including through prescribed burns. That work is paying off. The frog has increased from one breeding population in 2004 to six today.

Instead of punishing landowners, government should encourage them to undertake recovery efforts like the Nature Conservancy's. That starts with removing the strong disincentive to conservation created by critical-habitat status. Restoring and creating habitat requires landowners to sink significant resources and energy into the effort and possibly forgo other lucrative uses of their land. A heavier regulatory burden discourages these investments and increases the cost of recovering species.

If the Supreme Court sides with the property owner, it will have struck a small blow for recovering species. It wouldn't be a complete fix. Ultimately, the Endangered Species Act needs reform, so that rare species are assets rather than liabilities for property owners. Meanwhile, the Supreme Court should not allow regulators to make matters worse by expanding their power at the expense of property owners' incentives to pursue conservation.

Mr. Wood is an attorney at Pacific Legal Foundation and a research fellow with the Property and Environment Research Center.

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PERSONAL TECHNOLOGY: ALTERNATIVES EMERGE TO THE QWERTY KEYBOARD B4

BUSINESS & FINANCE

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California Sets Female Board Quota

State is the first to order companies to hire women directors or face penalties

By Vanessa Fuhrmans

California became the first state to require companies based within its borders to put female directors on their boards, adding to pressure on boardrooms across the country to give more women a seat at the table.

California Gov. Jerry Brown on Sunday signed a bill mandating that all publicly traded companies with headquarters in the state have at least one woman on their boards by the end of next year. By 2021, companies with at least five directors would need to have two or three female directors, depending on the size of the board, according to the new law. Those that don't would face financial penalties.

"It's high time corporate boards include the people who constitute more than half the 'persons' in America," Mr. Brown said in a letter to the California state Senate announcing his decision.

Though the law would immediately affect a limited number of companies, its passage puts Silicon Valley's startups on notice to include women on their boards as part of any plans to go public. The law would also require tech giants such as **Facebook** Inc. and Google parent **Alphabet** Inc.—which have two female board members each—to make sure to include a third within a few years, since their boards have more than six directors. (Both companies have said they are already considering women and other candidates with underrepresented backgrounds for all new board appointments.)

More broadly, the measure could accelerate the diversification of boardrooms elsewhere in the U.S., contributing to the pressure big investors such as **State Street Global Advisors** and **BlackRock** Inc. are putting on companies with all-male boards to add women. In some cases, they are withholding votes for directors at companies that don't comply.

The California mandate could also fuel similar movements elsewhere. In recent years, Massachusetts, Illinois, Pennsylvania and Colorado have passed nonbinding resolutions that push companies to improve the gender balance on their boards, though it is unclear how effective they have been.

California's state legislature

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Stocks Advance Despite Risks

By Corrie Driebusch

U.S. stocks are entering the fourth quarter near records even as risks abound, prompting some investors to question how much further stocks can increase following a nine-year rally.

Most agree the general economic outlook looks bright, but stocks face a number of obstacles in the next three months: The Federal Reserve is expected to raise interest rates again in December; the U.S. has yet to resolve its trade disputes with China, Canada and other partners; and the coming midterm election cycle is anticipated to be contentious.

Many investors, though, are quick to point to robust corporate earnings, high business and consumer confidence and an unemployment rate at its lowest level in nearly two decades as catalysts that can keep driving stocks higher.

"There are lots of reasons investors are worried," said Erik Davidson, chief investment officer for Wells Fargo

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M.B.A. Programs See Fall in Students

By Kelsey Gee

Applications to American M.B.A. programs dropped for a fourth straight year, with even elite universities starting to show signs of struggling to lure young professionals out of the strong job market.

For the first time in nearly a decade, waning interest in the traditional master of business administration degree hit business schools that draw the most applications, including Harvard and Stanford universities, according to a survey of 360 schools by the Graduate Management Admission Council, a nonprofit that administers the GMAT admissions exam. Those top-tier programs were until recently thought to be immune to the shakeout plaguing less-prestigious programs.

Americans are saddled with more college debt than ever, and they have grown increasingly reluctant to leave behind jobs for a year or more to pursue one of the nation's most expensive degrees, school administrators say—particularly as the economy has improved. In response, schools in recent years have launched cheaper,

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INSIDE

FOOD GIANTS LEARN TO SELL SMALL BRANDS

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Saudis Shelve SoftBank Solar Plan

FAYEZ NURELDINE/AGENCE FRANCE-PRESSE/GETTY IMAGES

A solar plant in Saudi Arabia. A SoftBank solar project was to be part of an economic transformation under way in the country.

By Rory Jones and Summer Said

Saudi Arabia has put on hold a $200 billion plan with **SoftBank Group** Corp. to build the world's biggest solar-power-generation project, Saudi government officials said, a complication for another eye-catching transformation project in the kingdom.

The stalled project marks a setback for a partnership between Saudi Arabia and SoftBank that has pursued ambitious ideas.

Together, they have created a $100 billion fund for technology-company investments that has resulted in a rush of new money flooding into startups.

The solar effort is the latest ambitious Saudi project to face problems. The kingdom has set aside plans to publicly list its state oil company, Saudi Arabian Oil Co., foreign investment has fallen in recent years and efforts to build massive new cities in the Saudi desert have made progress but will take years to materialize.

The project would have turned the world's most important oil producer into a giant in solar power, ultimately generating about 200 gigawatts of energy—more than three times what the country needs every day.

The plan was announced by SoftBank Chief Executive Masayoshi Son and Crown Prince Mohammed bin Salman in New York last March and was meant to be an extension of their partnership.

Now, officials and a Saudi government adviser said, no one is actively working on the project.

Instead, the officials and the adviser said the Saudi kingdom is working up a broader, more practical strategy to boost renewable energy, to be announced in late October around the time of an investment conference in Riyadh.

The announcement will help clarify the kingdom's renewable-energy goals, a Saudi official said.

"It is easy to sway or grab one's attention" with the SoftBank-led project, said a senior adviser to the Saudi government. "But difficult to do any execution."

SoftBank declined to comment. Representatives for the Saudi government didn't respond to requests for comment on the project.

The solar project was meant to be part of the once-in-a-generation economic and societal transformation under way in Saudi Arabia.

Under 33-year-old Prince Mohammed, the kingdom has lifted the world's only ban on women driving, allowed the

Please turn to page B2

Splashing the Cash

Saudi Arabia's sovereign-wealth fund's recent billion-dollar deals

Name	Location	Year	Value
SoftBank	Japan	2016	$45.0 billion
Blackstone	U.S.	'17	20.0
Russian DIF	Russia	'17	10.0
AccorInvest*	France	'18	5.3
Uber	U.S.	'16	3.5
Tesla†	U.S.	'18	2.0
Adeptio†	UAE	'16	1.2
Posco	S. Korea	'15	1.1
Virgin	U.S.	'17	1.0
Noon	UAE	'16	0.5
Magic Leap	U.S.	'18	0.4

*Part of a Consortium of buyers. †Estimated 4.6% purchase in listed shares reported by Financial Times. ‡Estimated value based on company's total sale value.

Source: Public Investment Fund press releases. Includes committed capital and announced stake purchases

THE WALL STREET JOURNAL.

EU May Fine Facebook $1.63 Billion Over Breach

By Sam Schechner

A European Union privacy watchdog could fine **Facebook** Inc. as much as $1.63 billion for a data breach announced Friday in which hackers compromised the accounts of over 50 million users, if regulators find the company violated the bloc's new privacy law.

Ireland's Data Protection Commission, which is Facebook's lead privacy regulator in Europe, said Saturday it has demanded more information from the company about the nature and scale of the breach, including which EU residents might be affected.

In an email, the regulator said it is "concerned at the fact that this breach was discovered on Tuesday and affects many millions of user accounts but Facebook is unable to clarify the nature of the breach and the risk for users at this point."

A spokeswoman for Facebook said Sunday the company will respond to follow-up

Please turn to page B2

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JEENAH MOON/BLOOMBERG NEWS

SoftBank CEO Masayoshi Son and Saudi Crown Prince Mohammed bin Salman sign solar-power agreement in March.

Saudis Put Solar Deal On Hold

Continued from page B1

first theaters in decades to open and made moves to lessen the influence of extremist religious views.

Together, the kingdom's sovereign-wealth fund and SoftBank had already unveiled a $100 billion venture, known as the Vision Fund, to invest in new global technologies and companies.

Though the solar project had a steep price tag, its first phase consisted of a $1 billion investment by the Vision Fund this year.

It was to produce roughly 7.2 gigawatts within two years and the total capacity of 200 gigawatts by 2030, Mr. Son said in March.

The Vision Fund hasn't disclosed whether it has invested any cash yet in the Saudi project.

Saudi energy officials hadn't decided on the solar project's key details, such as the land that would be used; the structure of development or whether it would receive subsidies from the state, said a Saudi energy official and adviser familiar with the matter.

"Everyone is just hoping this whole idea would just die," the Saudi energy official said.

Building such large capacity now might mean Saudi Arabia locks in a price of development that will seem expensive in the future with the advent of new technologies, another official said.

The project and the 200 gigawatt goal were considered a loose agreement and potential ambition, not an explicit commitment to generate that amount of capacity by 2030, and it isn't clear whether the power created could be exported to other countries, the same official added.

The framework set to be announced in October won't preclude SoftBank from becoming involved in building solar-power generation in the future, but it isn't likely to lead to the development of a massive 200 gigawatt project, the official added.

With vast desert plains and abundant sunshine, Saudi Arabia has long sought to move from global oil producer to solar-power player, but its plans have faced high costs and logistical issues.

Before the agreement with SoftBank, Saudi Arabia's energy ministry had begun a solar and wind-power generation program with the aim of producing a modest 9.5 gigawatts of power by 2023, consisting of roughly 10% of total capacity in the kingdom.

The ministry tendered 300 megawatts of the 2023 goal in February, awarding a contract to a local private company to develop and produce solar power at one of the lowest prices globally for the end consumer.

Saudi Arabia has almost no solar-power generation and produces its electricity by burning crude oil, diesel and gas.

Mr. Son has a history of announcing massive renewable projects around the world that fall short of the initial sweeping objectives.

After the earthquake and tsunami that devastated Japan in 2011 and caused a nuclear meltdown, Mr. Son said SoftBank would build enough megasolar power plants to help make up for some 50 gigawatts worth of nuclear-power capacity, but the conglomerate has yet to reach that goal.

—Mayumi Negishi contributed to this article.

BUSINESS & FINANCE

Car Makers Are Turning to Africa

By William Boston

FADEL SENNA/AGENCE FRANCE-PRESSE/GETTY IMAGES

A Renault-Nissan plant in Morocco. The country is soon expected to make more cars a year than Italy.

BERLIN—Auto manufacturers are betting on Africa as the next growth frontier, and they're building a new production hub to power it.

In a rare industrialization success story for the continent, some of the largest car makers have been transforming North Africa into the world's newest car-manufacturing cluster. **Volkswagen** AG, **Renault** SA, **Peugeot** SA, **Hyundai Motor** Co. and **Toyota Motor** Corp. have invested billions in Africa in recent years, drawn by growth prospects that maturer auto markets no longer offer. New-car sales in the U.S., China and Europe are ebbing after a bumper decade.

The new car-building cluster, largely meant to serve local and regional demand, could become the model for companies rethinking their global supply chains as trade barriers rise around the world, largely spurred by President Trump's policies.

While still a small market, the Middle East and Africa are expected to have 90 million vehicles on the road by 2040, up from 59 million today, according to OPEC forecasts.

Morocco has already overtaken South Africa as the continent's automotive hub and is soon expected to produce more cars a year than Italy. The kingdom is also becoming a major supplier for European auto factories, including **Ford Motor** Co.'s plant in Valencia, Spain, which imports car seats, wiring and other components from Morocco.

Auto makers' investments in the region are expanding partly because several African nations have begun shunning auto imports to attract production capacity.

Since last year, Algeria has required nearly all new cars sold in the country to be produced there.

That decision helped persuade Volkswagen to build a new assembly plant in Relizane, Algeria, which began churning out cars from several of its volume brands there, including the Caddy small delivery van, popular with tradesmen, and the Polo compact.

Watchdog May Fine Facebook

Continued from page B1

questions from Ireland's DPC and keep regulators apprised of further developments. Facebook Chief Executive Mark Zuckerberg said Friday the social network was taking the breach seriously, and that it is still trying to determine many details around the scope and impact of the incident.

For Facebook, the breach is a significant blow to its efforts to regain trust after a series of privacy and security snafus that have riled users and lawmakers alike.

It marks one of the first significant tests of how regulators will apply the breach-notification and data-security provisions of the new European law, dubbed the General Data Protection Regulation, that went into effect earlier this year. It might also be a sign that the law's threat of massive fines are already changing how firms handle big breaches—forcing them to disclose them faster and more publicly than before.

While there have been other recent breaches under GDPR—such as British Airways' disclosure in September that hackers had intercepted financial details of clients who made bookings—few if any have been on the scale of Facebook's breach, privacy lawyers say. The main question regulators will face is whether Facebook invested enough in security to avert a breach.

"When you talk about a business like Facebook that has huge resources and a large user base, that is inevitably going to be seen as a higher bar. The expectation should be that they are going to be deploying a very significant amount of resources" on security, said Andrew Dyson, a partner at DLA Piper.

Under GDPR, companies that don't do enough to safeguard their users' data risk a maximum fine of €20 million ($23 million), or 4% of a firm's global annual revenue for the prior year, whichever is higher. Facebook's maximum fine would be $1.63 billion using the larger calculation.

The law also requires companies to notify regulators of breaches within 72 hours, under threat of a maximum fine of 2% of world-wide revenue.

"The 72 hours is focusing everyone's mind," said a European privacy lawyer who works with big tech firms, but doesn't represent Facebook.

The occurrence of a breach alone isn't enough to merit a fine. European Union regulators often decline to issue the maximum possible fine in cases in which a company has cooperated or been in at least partial compliance.

—Deepa Seetharaman contributed to this article.

U.S. Stocks Power Ahead

Continued from page B1

Private Bank. "There are a lot of things that could go wrong, but the risk of things going right is equally as likely."

The S&P 500 climbed 7.2% in the third quarter, its best performance since the fourth quarter of 2013.

The index is within 1% of its Sept. 20 record and up 9% for the year.

One of the prime reasons some investors are cautious is the longevity of the current bull market, which by some measures in August became the longest in history.

7.2%

The S&P 500's climb in the third quarter, its highest since 2013

But Mr. Davidson and others believe that as long as U.S. companies can continue posting strong profit growth, stocks can keep rising.

Corporate earnings, while still robust, are projected to slow in the third quarter from the breakneck pace of the previous two periods.

Companies in the S&P 500 index are expected to report a 19% jump in profit when earnings season kicks off in mid-October, according to FactSet.

That is down slightly from the 25% increase they posted for the first and second quarters, which were driven partly by last year's big tax overhaul.

The streak of strong profit growth has made valuations much more attractive than they were in January at the market's previous peak, easing concerns among investors that stocks were far too pricey.

"Markets are at records, but valuations are reasonable because earnings have been incredibly strong," said Richard Nackenson, portfolio manager of the Neuberger Berman Multi-Cap Opportunities Fund.

Many investors are also cautiously optimistic that stocks will be able to continue weathering the dual threat of trade tensions and higher interest rates.

As the U.S. has continued sparring with key trading partners in recent weeks, tariff threats have roiled individual stocks—particularly auto, machinery and semiconductor makers—but they have had only a marginal impact on the broader stock market.

In fact, the Dow Jones Industrial Average, which is home to big multinational conglomerates and therefore more sensitive to trade talks, outperformed other U.S. indexes in the third quarter, logging a 9% gain.

"The results of tariffs just implemented haven't found their way into the market yet," said Jurrien Timmer, director of Global Macro at Fidelity Investments. "If there is an impact, we will see it in the earnings in the fourth quarter."

So far, the trade spat has made a bigger splash in China: The benchmark Shanghai Composite is down 15% this year, while Hong Kong's Hang Seng has dropped 7.1%.

Other political bickering in Washington, along with the coming midterm elections, has largely been dismissed as "noise" by investors who are more interested in data showing a robust pace of job creation and economic expansion.

Although investors overwhelmingly expect the Fed to raise short-term interest rates in December for the fourth time this year, there have been few signs inflation is spiraling out of control or that the U.S. central bank will abandon its commitment to a course of gradual rate increases.

Rate-sensitive sectors of the S&P 500, like utilities and consumer staples that pay steady dividends, have underperformed this year as higher rates have made other asset classes, such as government bonds, more attractive.

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Tencent Targets Business Customers in Restructuring Plan

BEIJING—Chinese internet giant **Tencent Holdings** Ltd. announced its first restructuring in six years Sunday, including creating a new division to focus on business services such as cloud computing.

Tencent has lagged behind **Alibaba Group Holding** Ltd. in cloud computing. Business services are seen as a potential growth area as revenue from videogames and advertising slows. "It's a really major change and signals they are looking for a new strategy," said Shawn Yang, executive director of Blue Lotus Capital Advisors.

Tencent shares have plunged some 20% this year as Chinese regulators have frozen approval of new videogames, Tencent's single biggest source of revenue.

The Shenzhen-based company said it will trim its business units from seven to six by consolidating most of the responsibilities of several of its content-focused groups. President Martin Lau said the company had to "stay awake" to "lead Tencent into the next era." Chief Executive Pony Ma called the changes "a new starting point for Tencent in the next 20 years."

—Shan Li

REUTERS

Major U.S. Banks Face More Cyberattacks

By Emily Glazer
And Maureen Farrell

Some large U.S. banks have seen an uptick in attempted cyberattacks in recent weeks, according to people familiar with the matter, at a time federal officials are stepping up warnings to banks about cyberthreats.

The federal officials have asked the banks—which include **Bank of America** Corp., **Citigroup** Inc., **JPMorgan Chase** & Co. and **Wells Fargo** & Co.—to monitor traffic from hackers who appear to be searching for weaknesses in the firms' networks, these people said. The officials have warned banks to be on high alert for potential cybersecurity breaches.

Financial institutions are attractive targets to hackers because of their wealth of sensitive consumer information. Moreover, an attack on an institution has the potential to cause market turmoil.

Concerns about cybersecurity at companies and in the government have taken on increased urgency amid high-profile breaches. U.S. intelligence agencies have accused Russian hackers of targeting U.S. voting systems in 2016. On Friday, Facebook Inc. said it discovered a security flaw allowing outsiders to gain access to nearly 50 million user accounts. Last year's Equifax Inc. hack led many Americans to freeze their credit to prevent thieves from opening credit-card accounts or other loans in their names.

Cyberrisk warnings from the Treasury have become more prevalent in recent weeks, some of the people said. Within the Treasury, the Office of Critical Infrastructure Protection and Compliance Policy works with financial firms to share information about cybersecurity and other threats.

Cyberrisk warnings from the Treasury have become more prevalent.

Messages about the government warnings also have been shared among member banks of the Financial Services Information Sharing and Analysis Center, a financial-industry organization for cyber and physical threat intelligence, people familiar with the notices said.

A spokeswoman for FS-ISAC said the finance industry remains vigilant against potential attacks and there has been "no heightened increase of cyberthreats to the financial services sector."

The White House recently announced its intent to appoint Wells Fargo's chief information security officer to an advisory council focusing on the security of infrastructure and information systems, including cyber.

U.S. officials have long acknowledged they remain fearful of—and find it hard to prepare for—the potential confidence effect of an attack on financial data. Banks for years have worried about hackers destroying or locking data, which could leave a bank unable to operate for a certain time and could block consumers from accessing their accounts.

Banks in the U.S. have been doing more to protect themselves from cyberattacks. In 2016 they launched a doomsday project to help prevent a run on the financial system, should one of them suffer a debilitating cyberattack. The project, named Sheltered Harbor and backed by FS-ISAC, has required banks and credit unions to individually back up data so it can be used by other firms to serve customers of a disabled bank.

BUSINESS WATCH

ALIBABA GROUP HOLDING

Ma Steps Further From Company

Chinese e-commerce tycoon Jack Ma has surrendered his ownership of entities that hold **Alibaba Group Holding** Ltd.'s business licenses in China.

Mr. Ma, 54 years old, relinquished ownership in Alibaba's main "variable interest entities," Alibaba confirmed Monday. Those entities allow Chinese technology companies to take investments from overseas entities. The news was earlier reported by the Financial Times.

The change was made to reduce the administrative burden on Mr. Ma and was disclosed in a filing with the Securities and Exchange Commission in July, Alibaba said.

Mr. Ma announced Sept. 10 that he would step down as executive chairman of Alibaba in one year, handing over the job to Chief Executive Daniel Zhang.

—Shan Li

HUSKY ENERGY

MEG Receives Bid Of $2.6 Billion

Husky Energy Inc. said it has made an unsolicited bid to acquire oil-sands producer **MEG Energy** Corp. in what would be a combination of Canadian petroleum companies.

Calgary-based Husky said it was proposing to purchase MEG for 3.3 billion Canadian dollars (US$2.6 billion) in a cash-and-stock deal. Husky also will assume MEG's debt, which is about C$3.1 billion.

John Rogers, MEG's vice president of investor relations, said management and the board were examining the bid.

Robert Peabody, Husky's chief executive, said he approached MEG several months ago and made a formal offer in the summer, but that he was rebuffed. He said in an interview he didn't know why MEG rejected the earlier offer.

—Russell Gold

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PERSONAL TECHNOLOGY | By David Pierce

Physical Keyboards' Grip Starts to Loosen

Since those early days of the computer revolution, the look of our machines has been changing endlessly. Except for the keyboard. You could sit down at just about any computer built in the past 40 years and immediately know how to enter text. That keyboard—nicknamed QWERTY for its first six keys—is the tech industry's unkillable cockroach.

It isn't that QWERTY is perfect—in fact, one popular (but probably apocryphal) story says it was designed specifically to slow typists to prevent keys from jamming. And yet software program Mavis Beacon has now trained computer users for decades on those familiar home rows, with even average users able to type 45 words per minute.

Pretty soon, though, something has to give. The most interesting internet-connected gadgets today aren't evolved typewriters with Intel inside. They're watches, headsets and fridges, without space for roomy keyboards. Even ultrathin phones can barely serve up a QWERTY experience. That's why tech firms had to invent autocorrect.

Going forward, our fingers might play a role, even if there's no physical keyboard. But in the long run, today's text-based interactions might seem as quaint as typing commands in the pre-mouse era. Recently I've tried tools that aim to provide more nuanced, more human ways to capture all the ways we communicate, from our words to our movements to our facial expressions.

QWERTY endures in part because the only thing worse than an imperfect keyboard is a keyboard you don't know how to use. "We've done user studies that found humans are creatures of habit," said Angana Ghosh, a product manager working on Gboard, Google's digital keyboard. When someone wants to dash off a message, the last thing they want is to learn a new way to do it.

EMILY PRAPUOLENIS/THE WALL STREET JOURNAL

Keyboard alternatives include the Tap wearable device. Users tap their fingers to generate letters.

Dovid Schick, however, would like to teach you a new way. Mr. Schick is the co-founder of Tap Systems, which built a one-handed wearable keyboard called the Tap. With it on, a tap of my index finger on a table registered as "E," and my middle and pinkie fingers together made a "Z."

The $179 Tap is likely most useful in places that can't support a full keyboard, Mr. Schick said. He envisions Tap wearers typing while immersed in virtual reality, or sending long screeds from smartwatches.

Mr. Schick said it takes about three weeks of practice to get good at tapping. He proved his own proficiency by tapping out the beginning of the Declaration of Independence at 54 words a minute. For my part, I was able to slowly pound through about half the alphabet in a few minutes. It wasn't exactly love at first tap.

Years ago, the keyboard was for more than communication: The only way to use a computer was to endlessly enter code. Now that we deal with complex, visual experiences every day, reducing interaction to letters makes less sense. "It's weird that a child with a piece of clay has more power than a professional with a computer," said **Leap Motion** Chief Executive Michael Buckwald.

Leap has spent years building a system that could track your hands with remarkable speed and accuracy, replicating their every minute motion in the digital world so you can operate within it just as you would the real world.

The company is working on putting its technology into next-generation game consoles, virtual-reality headsets and more. In a demo, I picked up its system almost immediately. There's almost nothing to learn: I was in a room full of blocks, and just grabbed, threw, poked and moved them like I would anything else.

Leap's technology can coexist with physical keyboards, especially in augmented-reality situations where you can see both real and digital objects. But the company also revealed its own idea of a future-proof, VR-friendly keyboard: a digital menu attached to the inside of my left hand, which I could virtually tap on with my right to select or type.

Over time, the keyboards and touch screens in your life will be replaced by lots of new kinds of interfaces.

You might control your music with a brush of your jacket sleeve, as with Google's Project Jacquard, which uses conductive yarn to send signals to your smartphone. You might type just by staring at keys, using technology from companies such as **Tobii** and **Fove**. They track your eye motion, inputting whatever letter you stare at.

Maybe all you'll need to do is think about the letters, if companies like **Openwater** succeed. They're building technology to track and identify your brain waves, so you can communicate practically telepathically.

For now, speech is by far the most mature of these new interfaces. A 2016 study found that you can text nearly three times as fast by speaking your message rather than typing it.

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CLASS ACTION

Legal Notice

UNITED STATES DISTRICT COURT EASTERN DISTRICT OF VIRGINIA

This is a notice of a proposed settlement of a class action lawsuit.

***Baker v. Navient Solutions, LLC*, No. 1:17-cv-1160 (LMB/JFA)**

What is the lawsuit about?

Plaintiff Denise Baker ("Baker") filed this lawsuit on October 16, 2017. Baker was listed as a credit reference on a Navient Solutions, LLC's ("NSL") borrower's student loan application, and NSL subsequently called her cellular telephone, using a dialing process that it contends is manual, in connection with efforts to locate that borrower. Baker alleges that NSL violated the Telephone Consumer Protection Act ("TCPA"), 47 U.S.C. § 227, et seq., in making these calls because the dialing technology constitutes an automatic telephone dialing system, within the meaning of the TCPA, and NSL did not have the requisite prior express consent to call her. The parties have agreed to a settlement.

What does the settlement provide?

NSL will establish a settlement fund in the amount of $2,500,000. Out of the settlement fund, NSL will pay: (1) settlement compensation to class members; (2) the costs and expenses of administrating the class action settlement; (3) an award of attorneys' fees in an amount up to one-third of the settlement fund, or $833,333, subject to the Court's approval; (4) costs and expenses incurred litigating this matter, not to exceed $35,000, subject to the Court's approval; and (5) a service award to Baker, in an amount up to $15,000, subject to the Court's approval. How much each class member receives depends on how many people make approved claims. Plaintiff estimates that the amount of the cash award may be $50.00.

When and where will the Court decide whether to approve the settlement?

The Court will hold a final fairness hearing on **February 8, 2019 at 10:00 a.m.** The hearing will take place in the United States District Court for the Eastern District of Virginia, 401 Courthouse Square, Alexandria, VA 22314, before the Honorable Leonie M. Brinkema. At the final fairness hearing, the Court will consider whether the settlement is fair, reasonable and adequate and, if so, whether final approval of the settlement should be granted.

What are your rights and options in this settlement?

If you received a call on your cellular phone from NSL between October 16, 2013 and July 3, 2018, as a credit reference on a student loan, here are your rights and options:

Submit a Claim Form. You must mail a valid claim form to the Baker Settlement Administrator, Baker Settlement Administrator, PO Box 44, Minneapolis, MN 55440-0044 **postmarked by November 30, 2018**. Or you must submit a valid claim through www.BakerTCPAsettlement.com **by November 30, 2018**.

Exclude Yourself From The Settlement. You may exclude yourself from the settlement, in which case you will not receive a payment. If you wish to exclude yourself from the settlement, you must mail a written request for exclusion to the settlement administrator, **postmarked by November 30, 2018**.

Object to the Settlement. If you do not exclude yourself from the settlement, you can object to the settlement if you do not believe it is fair, reasonable, and adequate. If you wish to object, you must mail a written notice of objection, **postmarked by November 30, 2018**, to class counsel, NSL's attorneys, and to the Court.

Do Nothing. If you do nothing and the Court approves the Settlement Agreement, you will not receive a share of the settlement fund, but you will release any claim you have against NSL related to the allegations.

This is only a summary of the proposed settlement. For more information, you may write to: Baker Settlement Administrator, PO Box 44, Minneapolis, MN 55440-0044. You can also call: 1-866-404-0137 or visit: www.BakerTCPAsettlement.com.

Do not contact the Court, NSL or NSL's counsel.

For More Information: www.BakerTCPAsettlement.com 1-866-404-0137

BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK

In re:	**Chapter 15**
ENNIA Caribe Holding N.V., *et al.*,[1]	**Case No. 18-12908 (MG)**
Debtors in a Foreign Proceeding.	**(Jointly Administered)**

RULE 2002 NOTICE BY PUBLICATION OF PETITIONS FOR RECOGNITION OF A FOREIGN PROCEEDING AND MOTION FOR AN ORDER GRANTING RECOGNITION OF A FOREIGN PROCEEDING

PLEASE TAKE NOTICE that on September 25, 2018, R.M. Hermans, Ph.D., LL.M., M.Sc. (the "**Foreign Representative**"), the duly appointed foreign representative of ECH and each of the other above-captioned Debtors that are subject to the application of *noodregeling* (which means "emergency regulations") ("**Emergency Regulations**") in Curaçao pursuant to Article 60 of the *Landsverordening Toezicht Verzekeringsbedrijf* (which means "National Ordinance on the Supervision of the Insurance Industry") (the "**LTV**") by order of the Court of First Instance of Curaçao (the "**Curaçao Court**," and the proceedings of the Debtors under the Emergency Regulations pursuant to such order, the "**Foreign Proceeding**"), filed (a) petitions for recognition of a foreign proceeding (the "**Petitions**") under chapter 15 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq*. (the "**Bankruptcy Code**") and (b) *the Foreign Representative's Petition for an Order Granting Recognition of a Foreign Proceeding* (the "**Recognition Motion**").

The Bankruptcy Court has scheduled a hearing before the Honorable Martin Glenn in Room 523 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004, on October 23, 2018 at 2:00 p.m. (prevailing Eastern time) to consider approval of the Petitions and granting of the relief requested in the Recognition Motion (the "**Recognition Hearing**"). At the Recognition Hearing, the Court may order the scheduling of a case management conference to consider the efficient administration of the chapter 15 cases. The Recognition Hearing will be an evidentiary hearing at which witnesses may testify.

Any response or objection to the Petitions or the Recognition Motion must be (a) filed electronically with the Court on the Court's electronic case filing system in accordance with and except as provided in General Order M-399 and the Court's Procedures for the Filing, Signing and Verification of Documents by Electronic Means, (b) delivered to the Chambers of the Honorable Martin Glenn, United States Bankruptcy Judge, and (c) served upon (i) Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, NY 10017 (Attn: Timothy Graulich, James I. McClammy and Adam L. Shpeen), (ii) each of the notice parties at the addresses set forth in the notice party matrix filed by the Foreign Representative at docket entry no. 8, (iii) all other parties that request notice in the chapter 15 cases prior to the date of such service and (iv) all other parties that this Court may direct, in each case **so as to be actually received by each of them no later than 4:00 p.m. (prevailing Eastern time) on October 16, 2018**. If no response or objection is timely filed and served, the Court may grant the Petitions and the Motion without further notice or hearing.

Copies of the Petitions and certain other pleadings filed contemporaneously therewith are available by (a) accessing the Bankruptcy Court's Electronic Case Filing System, which can be accessed from the Bankruptcy Court's website at https://ecf.nysb.uscourts.gov (a PACER login and password are required to retrieve a document) or (b) emailing or calling Mary Prager at mary.prager@davispolk.com and +1 (212) 450-3509.

This announcement is not an offer for sale of securities in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. Neither ECH nor any of its affiliates intend to register any portion of any offering or conduct a public offering of securities in the United States.

[1] The debtors in the chapter 15 cases, along with each debtor's trade register number, are: ENNIA Caribe Holding N.V. (trade register number 63986) ("**ECH**"), EC Holding N.V. (trade register number 138313) ("**EC Holding**"), ENNIA Caribe Leven N.V. (trade register number 36875) ("**ECL**"), ENNIA Caribe Zorg N.V. (trade register number 51811) ("**ECZ**"), ENNIA Caribe Schade N.V. (trade register number 63987) ("**ECS**") and EC Investments B.V. (trade register number 99988) ("**ECI,**" and, together with ECH, EC Holding, ECL, ECZ and ECS, the "**ENNIA Group**" or "**Debtors**"). The mailing address of the lead debtor in the Chapter 15 Cases, ECH, is John B. Gorsiraweg 6, Willemstad, Curaçao.

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PUBLIC NOTICES

Publication Notice

PLEASE TAKE NOTICE that the Court-appointed Receiver for Stanford International Bank, Ltd. ("SIB") and related entities ("Stanford Entities"), and certain Plaintiffs, have reached an agreement to settle all claims asserted or that could have been asserted against Proskauer Rose LLP relating to or in any way concerning SIB and the Stanford Entities (the "Settlement Agreement"). As part of the Settlement Agreement, the Receiver and Plaintiffs have requested orders that permanently enjoin, among others, all Interested Parties, including Stanford Investors (i.e., customers of SIB, who, as of February 16, 2009, had funds on deposit at SIB and/or were holding certificates of deposit issued by SIB), from bringing any legal proceeding or cause of action arising from or relating to the Stanford Entities against Proskauer Rose LLP or the Proskauer Released Parties (as defined in the Settlement Agreement).

Complete copies of the Settlement Agreement, the proposed bar orders, and settlement documents are available on the Receiver's website http://www.stanfordfinancialreceivership.com. All capitalized terms not defined in this Notice are defined in the Settlement Agreement.

Interested Parties may file written objections with the United States District Court for the Northern District of Texas on or before November 23, 2018.

THE WALL STREET JOURNAL.

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PATRICK T. FALLON/BLOOMBERG NEWS

Gwynne Shotwell started as the head of business development.

At SpaceX, Musk Aide Is the 'Secret Sauce'

By Andy Pasztor

Gwynne Shotwell was among the first dozen employees hired in 2002 by tiny startup **Space Exploration Technologies** Corp. Now, as president of the industry-leading rocket maker, she serves as the essential counterpoint and buffer for its mercurial chairman, Elon Musk.

Some space experts cite the 54-year-old's calm and collegial manner for helping closely held SpaceX avoid the management and legal turmoil roiling **Tesla** Inc., where Mr. Musk agreed to step down as chairman as part of a settlement with the Securities and Exchange Commission.

"She has managed to not only survive but thrive in a tough role that other people haven't managed as well," said Lori Garver, a former senior official at the National Aeronautics and Space Administration who dealt frequently with Ms. Shotwell. Her personality and leadership, Ms. Garver said, "provide the secret sauce for the company, which has helped keep it successful."

Today, SpaceX, as the company with 7,000 workers is called, has challenged the space-transportation business by slashing costs and reusing boosters.

A sign of Ms. Shotwell's effectiveness was her use of her NASA connections in 2013 to help SpaceX snare an exclusive, long-term lease for launchpad 39A at the Kennedy Space Center, according to people familiar with the matter, contracting documents and agency emails obtained under the Freedom of Information Act. Pad 39A helped launch U.S. astronauts to the moon and now is integral to SpaceX's operations.

Ms. Shotwell and Mr. Musk, through a SpaceX spokeswoman, declined to be interviewed or provide comment.

Over the years, Mr. Musk has considered taking SpaceX public but stopped short to avoid ceding some control, according to former employees, business partners and others. At SpaceX, he can focus on technical specifics because he has someone, in Ms. Shotwell, who can manage business strategy and operations. Antonio Abad Martin, operations chief at Spanish satellite operator Hispasat Group, a longtime customer of SpaceX, said Ms. Shotwell told him early on that he should deal primarily with her because "she knew how to manage Elon."

Ms. Shotwell started at SpaceX as the head of business development with nothing to sell but the promise of a rocket.

She became president in 2008, responsible for fast-growing operations, along with government and legal affairs. Ms. Shotwell's profile at SpaceX rose because of her success a decade ago snaring the company's first major contract with NASA to launch cargo into orbit.

Critics say Ms. Shotwell also has a reputation for outflanking potential rivals. Others fault Ms. Shotwell for failing to prevent burnout among certain SpaceX workers; and former employees say she didn't keep Mr. Musk from abruptly pushing out various managers and then threatening to sue them if they spoke poorly about the company.

Some people praise Ms. Shotwell for serving as a mediator or cushion for Mr. Musk. Industry veterans credit Ms. Shotwell with eventually persuading her boss to refrain from riling lawmakers by attacking NASA's proposed deep-space rocket. Ms. Shotwell worked hard "to keep him from being too publicly negative" and creating unnecessary enemies on Capitol Hill, Ms. Garver said.

Mr. Musk has shown his trust in Ms. Shotwell, as she is the only other company official usually permitted to clear press statements or stand in for him at launch sites, according to current and former company officials.

The battle for launchpad 39A underscores Ms. Shotwell's effectiveness. SpaceX bested Jeff Bezos and Blue Origin, the Amazon.com Inc. founder's rocket company, for access to the facility. Blue Origin declined to comment.

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Comedy 'Night School' Ranks at Top of Class

Associated Press

For the first time in more than two years, a straight-up comedy was No. 1 at the box office.

Kevin Hart and Tiffany Haddish's "Night School" made its debut with $28 million in ticket sales, according to estimates Sunday.

Warner Bros.' animated release "Smallfoot," which cost about $80 million to make, trailed in second place, with $23 million.

Not since Melissa McCarthy's "The Boss" topped the box office in April 2016 has a comedy that didn't mix other genre elements been No. 1.

The romantic comedy "Crazy Rich Asians" was a huge success, leading the box office for four straight weeks, and Tyler Perry's two horror-comedies—"Boo! A Madea Halloween" and its sequel—both opened at the top.

But big-screen comedy has been in a tailspin for years. It took two of comedy's biggest names teaming up to push Universal's "Night School" to the year's best comedy opening.

More than most studios, Universal has stuck by comedy. This year, it also released the prom-night farce "Blockers" ($60.1 million world-wide on a $21 million budget) and the comic musical "Mamma Mia! Here We Go Again" ($390.1 million world-wide on a $75 million budget).

It is the second straight No. 1 for Universal, which last week led ticket sales with the Amblin Entertainment-produced fantasy "The House With a Clock in Its Walls." It earned $12.5 million in its second weekend.

Frights, not laughs, have become the hotter attraction at the movies, but for one weekend at least, horror and comedy switched roles. Lions Gate's Halloween-themed "Hell Fest" made its debut meekly with $5.1 million.

Estimated Box-Office Figures, Through Sunday

FILM	DISTRIBUTOR	SALES, IN MILLIONS WEEKEND*	CUMULATIVE	% CHANGE
1. Night School	Universal	$28	$28	--
2. Smallfoot	Warner Bros.	$23	$23	--
3. The House With a Clock in Its Walls	Universal	$12.5	$44.8	-53
4. A Simple Favor	Lions Gate	$6.6	$43.1	-36
5. The Nun	Warner Bros.	$5.4	$109	-45

*Friday, Saturday and Sunday Source: comScore

GABE PALACIO FOR THE WALL STREET JOURNAL

Chief Executive Michele Buck says Hershey and its growing portfolio of emerging brands require different business models.

Food Giants Foster Small Brands

By Julie Jargon And Annie Gasparro

Big food companies say they are learning how to better integrate into their sprawling businesses the smaller brands they are relying on to drive sales growth.

Hershey Co., for instance, kept the headquarters of Amplify Snack Brands in Austin, Texas, after it acquired the SkinnyPop popcorn maker last year. Now Amplify's offices will be Hershey's hub for a growing portfolio of smaller brands, including Pirate's Booty cheese puffs after that acquisition is completed.

"Hershey requires one business model. Our emerging brands require another," Hershey Chief Executive Michele Buck said at The Wall Street Journal's Global Food Forum on Thursday.

Promoting big brands requires more mass marketing, she said, while newer brands do better with more tailored, digitally focused advertising. "It's about investing differently," she said.

Smaller food startups have been taking market share from grocery-store mainstays for several years. Large food companies have responded by buying some of them but have then struggled to integrate those often idiosyncratic businesses into their operations.

Sales at natural-foods maker Kashi fell a decade after **Kellogg** Co. bought it in 2000. When it bought protein-bar maker Rxbar last year for $600 million, Kellogg said it wouldn't repeat the mistakes that diluted Kashi's appeal, such as slower and less adventurous product development.

After **General Mills** Inc. in 2014 acquired Annie's Homegrown Inc., maker of organic bunny-shaped pasta, some Annie's employees said they didn't want to "get Kashi-ed."

Carla Vernon, president of General Mills' natural-and-organics business, including the Annie's brand, said Thursday she is still looking for the "secret sauce" to merge small brands General Mills acquires with the corporate conglomerate. "We've done every acquisition differently," she said.

Food conglomerates acknowledge they have a lot to learn from their smaller rivals.

Beth Ford, chief executive of dairy-foods cooperative **Land O'Lakes** Inc., said she was startled by the ability of some startups to win the attention of customers and retailers with modest resources.

She said her organization has to get faster at introducing new products and more ruthless about discontinuing those that aren't working.

M.B.A. Applications Decline

Continued from page B1

more flexible or more customized master's degrees in hot areas such as data science and supply-chain management.

In the application year ended this spring, U.S. business schools received 140,860 applications for programs including the traditional two-year M.B.A., down 7% from the previous year, GMAC data shows.

Until recently, international students had been a bright spot for U.S. business schools. Now, foreign students face steeper hurdles to getting work visas after graduation, leading fewer to apply to U.S. schools, university administrators say.

Overall applications fell more sharply this year than in 2017 as international students submitted 11% fewer applications this year. Applications from U.S. candidates fell 2%.

The decline in M.B.A. applicants hadn't affected top schools until now, even as smaller programs such as those at the University of Iowa and Wake Forest University closed programs, citing weak demand. A handful of top-tier M.B.A. programs such as Harvard Business School and the University of Pennsylvania's Wharton School last year received a little more than half of all business-school applications, according to recent GMAC data.

Harvard Business School received 9,886 applications for this fall's entering class, down 4.5% from last year—the biggest drop since 2005. Applications to Wharton fell 6.7% to 6,245. At Stanford's Graduate School of Business, they slid 4.6% to 7,797. Such top schools are still receiving many more applications than they can accept, but the declines mark a reversal after years of growth.

"People are thinking, 'Oh my gosh, if the top is struggling to find applicants, what are the rest of us going to do?' " said George Andrews, director of admissions at Rice University's Jones Graduate School of Business, which saw a 27% drop in full-time M.B.A. applications to 587 this year.

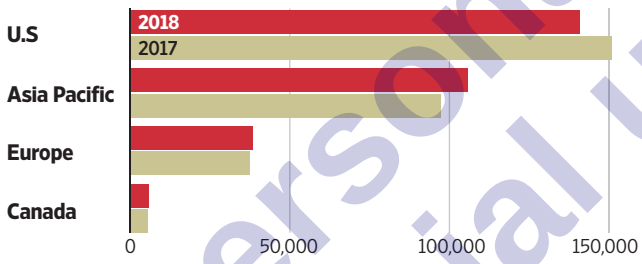
Representatives of Harvard and Wharton declined to comment. A Stanford spokeswoman said the number of applicants will vary from year to year, but that an M.B.A. degree and the Stanford experience remain valuable.

The M.B.A. was once considered a prerequisite for climbing the ladder at many American corporations. But as students have sought out shorter and more specialized degrees, applications have been scattered across a wider array of schools and types of business degrees, further weakening the M.B.A.'s hold on distinguishing high-performing talent to employers.

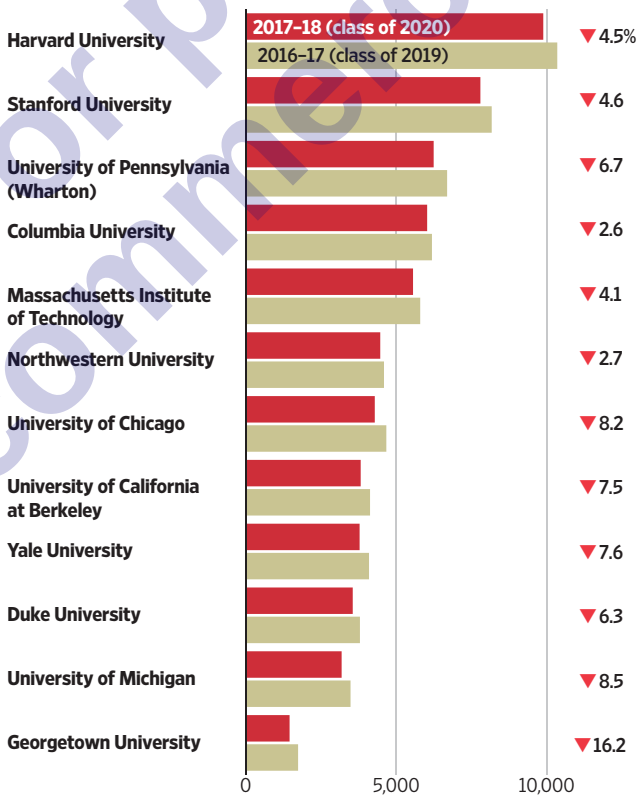
GMAC's survey this year included a record 1,087 business-school programs, including 571 M.B.A. programs. In 2015, it included 641 business degrees, 426 of them M.B.A. programs.

Not With the Program

Applications to U.S. business schools, including M.B.A. programs, dropped, while universities in Asia and Europe gained in popularity.



Applications to two-year M.B.A. programs are down, below a sampling



Sources: Graduate Management Admissions Council (volume); the schools (applications)

THE WALL STREET JOURNAL.

Board Quota Set For Women

Continued from page B1

is dominated by strong Democratic majorities and the measure was signed as part of a package of bills related to issues inspired in part by the #MeToo movement, which began a year ago when several women came forward to accuse Hollywood mogul Harvey Weinstein of sexual predation.

Mr. Brown, California's longest serving governor, waited until the last possible day to sign the legislation. In this term alone, he has signed a number of laws from promoting renewable energy to eliminating cash bail so that pretrial detention isn't determined by how much money a defendant has.

In his letter to the state Senate, Mr. Brown acknowledged the legal concerns that the legislation raised but suggested it was necessary to allow women to be heard and have adequate representation. "I don't minimize the potential flaws that may indeed prove fatal to its ultimate implementation," he said. "Nevertheless, recent events in Washington, D.C.—and beyond—make it crystal clear that many aren't getting the message."

The law, opposed by several business groups and even some gender-diversity advocates, faces possible legal challenges, though. One of the lead opponents, the California Chamber of Commerce, argues the mandate violates the U.S. and California constitutions because it could put companies in the position of rejecting or displacing men seeking to serve on boards.

Opponents say the legislation also runs afoul of constitutional principles because it seeks to apply to companies based in California, even if they are chartered in another state. Many companies are incorporated in Delaware in particular because of its business-friendly legal framework.

Joseph Grundfest, a Stanford University law professor and former commissioner of the Securities and Exchange Commission, said that while he believes corporate boards are still too white and male and that the law is "well-intentioned," he considered the mandate unconstitutional and would likely affect only a fraction of companies if successfully challenged on jurisdiction grounds. That is because relatively few companies are both based and chartered in California. The Supreme Court has ruled that a corporation's internal affairs, such as the makeup of its board, are governed by the statutes of the state in which it is chartered, not headquartered, he wrote in a working paper published in September.

Among firms in the Russell 3000 Index, which includes most public companies on major U.S. exchanges, 485, or 17%, had all-male boards in the second quarter, according to Equilar, a research firm that gathers data on executives and boards.

—Alejandro Lazo contributed to this article.

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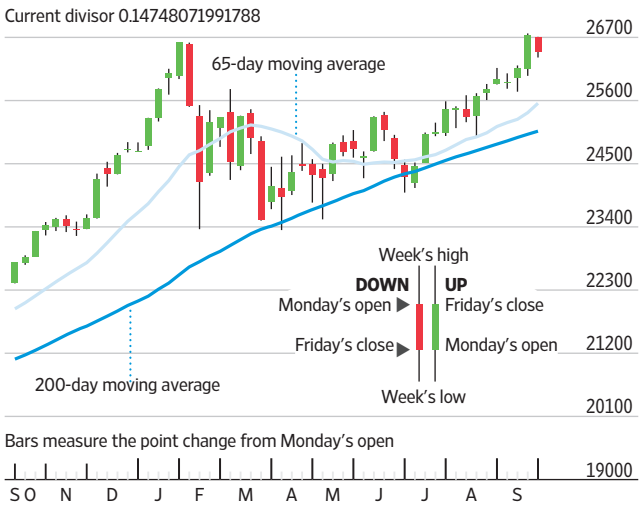
MARKETS DIGEST

Dow Jones Industrial Average

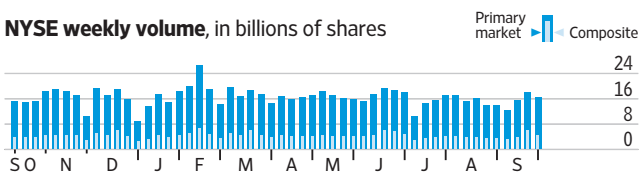
26458.31 ▼285.19, or 1.07% last week

High, low, open and close for each of the past 52 weeks

	Last	Year ago
Trailing P/E ratio	23.90	20.61
P/E estimate *	17.11	18.89
Dividend yield	2.09	2.28
All-time high	26743.50, 09/21/18	



NYSE weekly volume, in billions of shares



*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2913.98 ▼15.69, or 0.54% last week

High, low, open and close for each of the past 52 weeks

	Last	Year ago
Trailing P/E ratio *	24.40	24.22
P/E estimate *	18.09	19.19
Dividend yield	1.80	1.98
All-time high	2930.75, 09/20/18	

Financial Flashback

The Wall Street Journal, October 1, 2013

Campbell Soup Co. agreed to sell its European simple-meals business to private-equity firm CVC Capital Partners for €400 million ($542.2 million).

Major U.S. Stock-Market Indexes

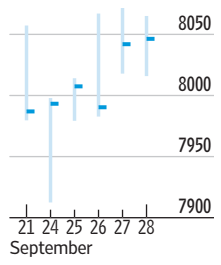
	Latest Week High	Low	Close	Net chg	% chg	52-Week Low	Close (●)	High	% chg	% chg YTD	3-yr. ann.
Dow Jones											
Industrial Average	26709.94	26349.34	**26458.31**	-285.19	**-1.07**	22405.09		26743.5	**18.1**	7.0	**18.2**
Transportation Avg	11515.12	11290.63	**11379.36**	-153.20	**-1.33**	9440.87		11570.84	**14.8**	7.2	**14.0**
Utility Average	726.88	703.11	**720.60**	-6.56	**-0.90**	647.90		774.47	**-0.4**	-0.4	**8.3**
Total Stock Market	30375.30	30086.99	**30189.60**	-175.61	**-0.58**	26148.54		30390.61	**15.5**	9.1	**15.5**
Barron's 400	776.90	764.83	**767.31**	-10.06	**-1.29**	676.86		786.73	**13.1**	7.9	**15.4**
Nasdaq Stock Market											
Nasdaq Composite	8071.56	7912.47	**8046.35**	59.40	**0.74**	6495.96		8109.69	**23.9**	16.6	**21.0**
Nasdaq 100	7657.80	7447.23	**7627.65**	96.58	**1.28**	5979.30		7660.18	**27.6**	19.2	**23.0**
S&P											
500 Index	2931.15	2903.28	**2913.98**	-15.69	**-0.54**	2519.36		2930.75	**15.7**	9.0	**15.7**
MidCap 400	2039.56	2008.13	**2019.55**	-21.81	**-1.07**	1795.94		2050.23	**12.5**	6.3	**14.3**
SmallCap 600	1072.89	1055.23	**1061.92**	-12.43	**-1.16**	889.94		1098.36	**17.5**	13.4	**18.1**
Other Indexes											
Russell 2000	1712.08	1686.99	**1696.57**	-15.74	**-0.92**	1463.79		1740.75	**13.8**	10.5	**15.9**
NYSE Composite	13237.81	13065.93	**13082.52**	-153.92	**-1.16**	12177.70		13637.02	**7.2**	2.1	**10.9**
Value Line	589.79	580.77	**582.86**	-6.93	**-1.17**	533.26		593.57	**8.1**	3.7	**10.5**
NYSE Arca Biotech	5425.40	5219.32	**5381.09**	175.15	**3.36**	4045.25		5400.34	**28.0**	27.4	**17.1**
NYSE Arca Pharma	596.31	589.64	**593.60**	1.17	**0.20**	516.32		593.6	**8.9**	8.9	**5.2**
KBW Bank	110.18	104.67	**104.87**	-5.20	**-4.72**	97.59		116.52	**5.6**	-1.7	**15.2**
PHLX§ Gold/Silver	67.85	63.80	**65.18**	-0.85	**-1.29**	61.92		92.08	**-23.0**	-23.6	**13.5**
PHLX§ Oil Service	151.81	147.42	**149.48**	1.92	**1.30**	127.61		170.18	**5.1**	-0.05	**-1.8**
PHLX§ Semiconductor	1389.06	1350.56	**1366.74**	-16.34	**-1.18**	1171.74		1445.9	**16.6**	9.1	**33.3**
CBOE Volatility	13.22	11.55	**12.12**	0.44	**3.77**	9.14		37.32	**27.4**	9.8	**-24.0**

§Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

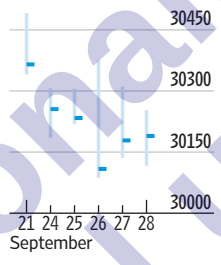
Nasdaq Composite

▲ 59.40, or 0.74% last week



DJ US TSM

▼ 175.61, or -0.58% last week



International Stock Indexes

Region/Country	Index	Latest Week Close	% chg	52-Week Range Low	Close	High	YTD % chg
World	**The Global Dow**	3123.27	**-1.01**	2907.67		3323.74	1.2
	DJ Global Index	404.49	**-0.73**	376.58		425.41	1.8
	DJ Global ex U.S.	252.84	**-0.91**	245.00		285.34	-5.2
Americas	**DJ Americas**	691.89	**-0.55**	608.24		695.86	7.7
Brazil	**Sao Paulo Bovespa**	79342.43	**-0.13**	69814.74		87652.64	3.8
Canada	**S&P/TSX Comp**	16073.14	**-0.93**	15034.53		16567.42	-0.8
Mexico	**S&P/BMV IPC**	49504.16	**0.32**	44647.37		51065.49	0.30
Chile	**Santiago IPSA**	3906.88	**-3.30**	3704.57		4442.56	-7.2
EMEA	**Stoxx Europe 600**	383.18	**-0.29**	363.18		402.81	-1.5
	Stoxx Europe 50	3067.94	**0.02**	2894.75		3274.97	-3.5
Eurozone	**Euro Stoxx**	378.27	**-1.11**	366.11		404.86	-1.9
	Euro Stoxx 50	3399.20	**-0.92**	3278.72		3697.40	-3.0
Austria	**ATX**	3344.04	**-0.74**	3224.40		3688.78	-2.2
Belgium	**Bel-20**	3706.74	**-1.81**	3640.78		4176.88	-6.8
France	**CAC 40**	5493.49	**-0.01**	5066.28		5640.10	3.4
Germany	**DAX**	12246.73	**-1.48**	11787.26		13559.60	-5.2
Greece	**Athex Composite**	691.69	**-1.01**	678.83		886.54	-13.8
Israel	**Tel Aviv**	1642.77	**-1.65**	1391.67		1676.03	8.8
Italy	**FTSE MIB**	20711.70	**-3.83**	20269		24544	-5.2
Netherlands	**AEX**	549.62	**-0.03**	518.33		576.24	0.9
Portugal	**PSI 20**	5359.27	**0.25**	5232.99		5791.88	-0.5
Russia	**RTS Index**	1192.04	**3.70**	1043.46		1324.62	3.3
South Africa	**FTSE/JSE All-Share**	55708.47	**-2.55**	54602.68		61684.77	-6.4
Spain	**IBEX 35**	9389.20	**-2.10**	9171.2		10609.5	-6.5
Sweden	**OMX Stockholm**	612.92	**-0.07**	546.21		617.64	7.8
Switzerland	**Swiss Market**	9087.99	**1.03**	8456.95		9611.61	-3.1
U.K.	**FTSE 100**	7510.20	**0.27**	6888.69		7877.45	-2.3
Asia-Pacific							
Australia	**S&P/ASX 200**	6207.60	**0.21**	5651.8		6352.2	2.3
China	**Shanghai Composite**	2821.35	**0.85**	2651.79		3559.47	-14.7
Hong Kong	**Hang Seng**	27788.52	**-0.59**	26345.04		33154.12	-7.1
India	**S&P BSE Sensex**	36227.14	**-1.67**	31283.72		38896.63	6.4
Japan	**Nikkei Stock Avg**	24120.04	**1.05**	20356.28		24124.15	6.0
Malaysia	**FTSE Bursa Malaysia KLCI**	1793.15	**-0.97**	1663.86		1895.18	-0.2
Singapore	**Straits Times**	3257.05	**1.22**	3109.91		3615.28	-4.3
South Korea	**Kospi**	2343.07	**0.17**	2240.80		2598.19	-5.0
Taiwan	**TAIEX**	11006.34	**0.31**	10329.94		11253.11	3.4

Source: SIX Financial Information; Dow Jones Market Data

Commodities and Currencies

	Last Week Close	Net chg	% Chg	YTD % chg
DJ Commodity	**625.37**	5.36	**0.86**	-0.001
TR/CC CRB Index	**195.16**	1.18	**0.61**	0.67
Crude oil, $ per barrel	**73.25**	2.47	**3.49**	21.23
Natural gas, $/MMBtu	**3.008**	0.034	**1.14**	1.86
Gold, $ per troy oz.	**1191.50**	-5.10	**-0.43**	-8.79
U.S. Dollar Index	**95.13**	0.91	**0.97**	3.27
WSJ Dollar Index	**89.70**	0.60	**0.67**	4.33
Euro, per dollar	**0.8617**	0.0106	**1.24**	3.43
Yen, per dollar	**113.69**	1.12	**0.99**	0.88
U.K. pound, in dollars	**1.30**	-0.0050	**-0.38**	-3.57

	52-Week Low	Close (●)	High	% Chg
DJ Commodity	579.76		667.35	**6.77**
TR/CC CRB Index	180.90		206.38	**6.59**
Crude oil, $ per barrel	49.29		74.15	**41.77**
Natural gas, $/MMBtu	2.55		3.63	**0.03**
Gold, $ per troy oz.	1176.20		1362.40	**-7.02**
U.S. Dollar Index	88.59		96.73	**2.21**
WSJ Dollar Index	82.70		90.39	**3.94**
Euro, per dollar	0.7996		0.8816	**1.80**
Yen, per dollar	104.73		114.17	**1.06**
U.K. pound, in dollars	1.27		1.43	**-2.75**

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Plus, get deeper money-flows data and email delivery of key stock-market data.

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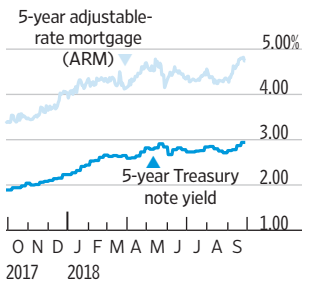
Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

Five-year ARM, Rate

Bankrate.com avg†:	**4.74%**
American Airlines Federal Credit Union	**3.50%**
Ft Worth, TX	800-533-0035
Foxboro Federal Savings	**3.50%**
Foxboro, MA	877-369-3331
Haven Savings Bank	**3.50%**
Hoboken, NJ	201-659-3600
NBT Bank, NA	**3.50%**
Canajoharie, NY	800-449-6842
Capitol Federal Svgs Bk	**3.88%**
Shawnee, KS	800-222-7312

Interest rate	Yield/Rate (%) Last	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	**2.00-2.25**	1.75-2.00	1.00	2.00	**2.00**
Prime rate*	**5.25**	5.00	4.25	5.25	**2.00**
Libor, 3-month	**2.40**	2.37	1.33	2.40	**2.07**
Money market, annual yield	**0.47**	0.47	0.25	0.53	**0.17**
Five-year CD, annual yield	**1.88**	1.87	1.44	1.88	**0.41**
30-year mortgage, fixed†	**4.74**	4.87	3.85	4.87	**0.87**
15-year mortgage, fixed†	**4.14**	4.16	3.14	4.17	**1.06**
Jumbo mortgages, $424,100-plus†	**4.96**	5.16	4.21	5.16	**0.52**
Five-year adj mortgage (ARM)†	**4.74**	4.77	3.38	4.82	**1.46**
New-car loan, 48-month	**3.93**	4.43	2.99	4.52	**0.75**

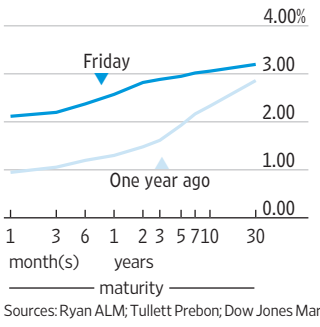
Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks.† Excludes closing costs.

Sources: SIX Financial Information; Dow Jones Market Data; Bankrate.com

Benchmark Yields and Rates

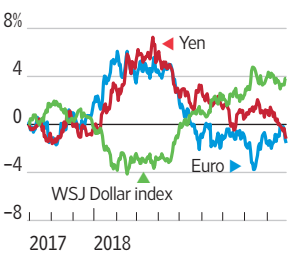
Treasury yield curve

Yield to maturity of current bills, notes and bonds



Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Sources: Ryan ALM; Tullett Prebon; Dow Jones Market Data

Corporate Borrowing Rates and Yields

Bond total return index	Yield (%) Last	Wk ago	Spread +/- Treasurys, in basis pts, 52-wk Range Last	Low	High	Total Return 52-wk	3-yr
10-yr Treasury, Ryan ALM	**3.055**	3.068				-3.82	-0.78
DJ Corporate	**4.150**	4.155				-1.33	3.02
Aggregate, Barclays Capital	**3.460**	3.470	39	34	45	-1.22	1.34
High Yield 100, Merrill Lynch	**5.821**	5.871	286	285	376	2.735	6.687
Fixed-Rate MBS, Barclays	**3.590**	3.600	28	20	31	-0.95	1.04
Muni Master, Merrill	**2.690**	2.693	13	5	17	-0.116	1.880
EMBI Global, J.P. Morgan	**6.670**	6.768	362	289	407	-2.937	5.790

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

New to the Market

IPO Scorecard B8

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range($) Low/High	Bookrunner(s)
10/4	9/5	**Elastic NV** Software company developing products that ingest and store data and perform search, analysis, and visualization.	**ESTC** N	**7.0**	26.00/ 29.00	GS, JPM, Barclays, RBC Cptl Mkts, BofA ML, Citi, Jefferies, Canaccord Genuity
10/3	9/5	**Guardant Health** Developer of diagnostic technologies.	**GH** Nq	**13.0**	15.00/ 17.00	JPM, BofA ML
10/3	9/7	**Kodiak Sciences** Biopharmaceutical company specializing in novel therapeutics to treat retinal diseases.	**KOD** Nq	**9.0**	13.00/ 15.00	MS, BofA ML, Barclays
10/2	9/6	**Upwork** Software company operating an online marketplace that enables businesses to find and work with freelancers.	**UPWK** Nq	**n.a.**	10.00/ 12.00	Citi, Jefferies, RBC Cptl Mkts, Stifel, JMP Secs

Lockup Expirations

None expected this week

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Expected	Issuer/Business	Symbol/ Primary exchange	Amount ($mil.)	Friday's price ($)	Bookrunner(s)
Oct. 4	**Azure Power Global** Utility & Energy	**AZRE** N	185.0	16.18	Credit Suisse, Barclays, HSBC

Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/ Registration date	Deal value ($ mil.)	Registration (mil.)	Bookrunner(s)
Digital Realty Trust Real Estate/Property	Sept. 24 Sept. 22,'17	**$1,105.0**	...	BofA ML, Citi, BTIG, JPM, Sumitomo Mitsui, Scotiabank, TD Secs, Barclays, CS, DB, MUFG, Mizuho, MS, PNC Bank, RBC Cptl Mrkts, WFS
Opiant Pharmaceuticals Healthcare	Sept. 25 Oct. 13,'17	**$12.0**	...	Cantor Fitzgerald & Co
AnaptysBio Healthcare	Sept. 25 Feb. 5,'18	**$239.0**	...	CS, JPM, Jefferies
CenterPoint Energy Utility & Energy	Sept. 25 Jan. 31,'17	**$850.0**	...	MS, GS, Citi, WFS, Barclays, CS, DB, JPM
CenterPoint Energy Utility & Energy	Sept. 25 Jan. 31,'17	**$1,650.0**	...	MS, GS, Citi, WFS, Barclays, CS, DB, JPM
Ashford Finance	Sept. 25 Dec. 11,'17	**$20.0**	...	UBS, RBC Cptl Mkts, Janney Montgomery Scott
Clearway Energy Utility & Energy	Sept. 25 May 4,'18	**$76.0**	...	UBS
CyrusOne Real Estate/Property	Sept. 25 May 4,'16	**$496.0**	...	MS, DB, RBC Cptl Mkts, TD Secs, Barclays, BofA ML, GS, JPM, KeyBanc Cptl Mrkts
PetIQ Healthcare	Sept. 26 Sept. 4,'18	**$195.0**	...	Jefferies, W. Blair
Digital Ally Technology	Sept. 26 May 25,'18	**$7.0**	...	Roth Cptl Ptnrs
Aldeyra Therapeutics Healthcare	Sept. 27 July 20,'18	**$72.0**	...	Citi, Cantor Fitzgerald & Co
Veru Inc Consumer Products	Sept. 27 Oct. 25,'17	**$10.0**	...	Cantor Fitzgerald & Co
Kimbell Royalty Partners Oil & Gas	Sept. 27 July 30,'18	**$57.0**	...	CS, UBS, Raymond James, RBC Cptl Mkts

Public and Private Borrowing

Treasurys

Monday, October 1

Auction of 13 and 26 week bills; announced on September 27; settles on October 4

Tuesday, October 2

Auction of 4 week bill; announced on October 1; settles on October 4

Public and Municipal Finance

Deals of $150 million or more expected this week

Sale	Final maturity	Issuer	Total ($mil.)	Rating Fitch	Moody's	S&P	Bookrunner/ Bond Counsel(s)
Oct. 5	prelim.	Columbus City-Ohio	354.0	N.R.	N.R.	N.R.	BoA Merrill/—
Oct. 5	prelim.	Tennessee Hsg Dev Agcy (THDA)	225.0	N.R.	N.R.	N.R.	Raymond James/—
Oct. 5	prelim.	Texas Public Finance Auth (TPFA)	181.8	N.R.	N.R.	N.R.	Raymond James/—

Source: Thomson Reuters/Ipreo

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 285.19 points, or 1.07%, 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 $32,996, or a gain of 9.99%, on the $30,000 investment, including reinvested dividends.

The Week's Action Pct chg (%)	Stock price change	Point chg in average*	Company	Symbol	Close	$1,000 Invested (year-end '17) $1,000
5.92	6.54	44.34	**Walt Disney**	DIS	$116.94	$1,096
3.71	8.08	54.79	**Apple**	AAPL	225.74	1,349
1.35	0.63	4.27	**Intel**	INTC	47.29	1,044
1.20	1.99	13.49	**McDonald's**	MCD	167.29	991
0.95	1.15	7.80	**Chevron**	CVX	122.28	1,004
0.19	0.09	0.61	**Cisco Systems**	CSCO	48.65	1,300
0.10	0.11	0.75	**Microsoft**	MSFT	114.37	1,354
0.03	0.04	0.27	**Visa**	V	150.09	1,323
0.02	0.01	0.07	**Pfizer**	PFE	44.07	1,251
-0.09	-0.14	-0.95	**IBM**	IBM	151.21	1,017
-0.09	-0.33	-2.24	**Boeing**	BA	371.90	1,280
-0.14	-0.10	-0.68	**Walgreens**	WBA	72.90	1,022
-0.18	-0.15	-1.02	**Exxon Mobil**	XOM	85.02	1,048
-0.23	-0.16	-1.08	**Merck**	MRK	70.94	1,290
-0.24	-0.63	-4.27	**UnitedHealth Group**	UNH	266.04	1,219
-0.84	-0.39	-2.64	**Coca-Cola**	KO	46.19	1,034
-0.97	-0.83	-5.63	**Nike**	NKE	84.72	1,366
-1.60	-2.27	-15.39	**United Technologies**	UTX	139.81	1,114
-1.89	-1.03	-6.98	**Verizon**	VZ	53.39	1,045
-2.08	-1.99	-13.49	**WalMart**	WMT	93.91	968
-2.47	-5.24	-35.53	**Home Depot**	HD	207.15	1,111
-2.49	-3.89	-26.38	**Caterpillar**	CAT	152.49	983
-2.60	-5.62	-38.11	**3M**	MMM	210.71	913
-3.02	-2.59	-17.56	**Procter & Gamble**	PG	83.23	930
-3.30	-4.71	-31.94	**Johnson & Johnson**	JNJ	138.17	1,009
-3.52	-4.73	-32.07	**Travelers**	TRV	129.71	973
-3.98	-4.41	-29.90	**American Express**	AXP	106.49	1,084
-4.25	-5.01	-33.97	**JPMorgan Chase**	JPM	112.84	1,072
-4.72	-11.10	-75.26	**Goldman Sachs**	GS	224.24	889
-7.72	-5.38	-36.48	**DowDuPont**	DWDP	64.31	918

*Based on Composite price. DJIA is calculated on primary-market price.

Source: Dow Jones Market Data; FactSet.

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CLOSED-END FUNDS

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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 of entire period. 12 month yield is computed 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

September 28, 2018

Fund (SYM)	NAV	Close	Prem /Disc	52 wk Ttl Ret
General Equity Funds				
Adams Divers Equity Fd **ADX**	19.34	16.67	-13.8	20.0
Boulder Growth & Income **BIF**	NA	11.21	NA	14.0
Central Securities **CET**	35.44	29.50	-16.8	18.5
CohSteer Opprtnty Fd **FOF**	13.53	12.94	-4.4	6.3
EtnVnc TaxAdvDiv **EVT**	24.16	24.52	+1.5	19.4
Gabelli Dividend & Incm **GDV**	NA	23.90	NA	13.0
Gabelli Equity Trust **GAB**	NA	6.48	NA	10.5
Genl American Investors **GAM**	43.86	36.97	-15.7	13.8
HnckJohn TxAdv **HTD**	24.72	23.31	-5.7	-1.2
Liberty All-Star Equity **USA**	NA	6.81	NA	25.7
Royce Micro-Cap **RMT**	10.95	10.21	-6.8	17.3
Royce Value Trust **RVT**	17.60	16.35	-7.1	11.8
Source Capital **SOR**	NA	40.20	NA	2.4
Tri-Continental **TY**	31.42	27.87	-11.3	14.5
Specialized Equity Funds				
Aberdeen Glbl Prem Prop **AWP**	NA	6.06	NA	0.3
Adams Natural Rscs Fd **PEO**	23.81	19.94	-16.3	8.0
AllnzGl NFJ Div Interest **NFJ**	14.72	13.10	-11.0	4.6
BlkRk Enh Cap Inco **CII**	17.90	17.20	-3.9	17.1
BlkRk Engy Res Tr **BGR**	15.81	14.58	-7.8	13.3
BlackRock Enh Eq Div Tr **BDJ**	10.03	9.49	-5.4	11.2
BlackRock Enh Gl Div Tr **BOE**	12.19	10.99	-9.8	-3.2
BlkRk Intl Grwth&Inco **BGY**	6.41	5.73	-10.6	-5.9
BlkRk Health Sci **BME**	39.81	42.53	+6.8	24.6
BlackRck Rscs Comm Str Tr **BCX**	10.18	9.07	-10.9	9.0
BlackRock Science & Tech **BST**	32.62	35.50	+8.8	53.2
BlackRock Utilities Infr **BUI**	19.60	20.82	+6.2	6.2
CBREClarionGlblRlEstIncm **IGR**	8.34	7.30	-12.5	0.0
Cohen & Steers Infr Fd **UTF**	24.09	22.13	-8.1	4.8
C&S MLP Incm & Engy Opp **MIE**	11.20	10.44	-6.8	9.6
Cohen & Steers Qual Inc **RQI**	13.01	12.25	-5.8	5.6
CohnStrsPfdInco **RNP**	21.74	19.53	-10.2	-0.6
Cohen & Steers TR **RFI**	12.89	12.17	-5.6	5.5
CLSeligmn Prem Tech Gr Fd **STK**	21.37	21.38	0.0	8.0
DNP Select Income Fund **DNP**	9.26	11.07	+19.5	4.8
Duff&PhelpsGblUtilIncFd **DPG**	16.14	14.51	-10.1	-1.8
Eaton Vance Eqty Inco Fd **EOI**	15.88	16.01	+0.8	22.4
Eaton Vance Eqty Inco II **EOS**	17.64	17.66	+0.1	25.8
EtnVncRskMngd **ETJ**	10.04	9.94	-1.0	16.0
Etn Vnc Tax Mgd Buy-Write **ETB**	16.27	16.65	+2.3	7.7
Eaton Vance BuyWrite Opp **ETV**	15.58	16.11	+3.4	14.8
Eaton Vance Tax-Mng Div **ETY**	12.78	12.84	+0.5	19.6
Eaton Vance Tax-Mngd Opp **ETW**	11.21	12.03	+7.3	11.8
EtnVncTxMngGlDvEqInc **EXG**	9.24	9.50	+2.8	12.0
FT Energy Inc & Growth Fd **FEN**	22.93	22.21	-3.1	-2.5
FstTrEnhEqtIncFd **FFA**	16.59	16.00	-3.6	14.1
First Tr Engy Infr Fd **FIF**	17.24	15.75	-8.6	-9.3
First Tr MLP & Engy Incm **FEI**	13.01	12.52	-3.8	-8.9
Gabelli Hlthcr & Well **GRX**	NA	11.02	NA	14.6
Gabelli Utility Tr **GUT**	NA	5.82	NA	-4.5
GAMCOGlblGoldNatRscs&Inc **GGN**	NA	4.70	NA	-5.8
John Hancock Finl Opps Fd **BTO**	37.26	37.00	-0.7	3.2
Neuberger Berman MLP Incm **NML**	9.56	8.69	-9.1	-1.5
Neubrgr Brm Rl Est Sec Fd **NRO**	NA	4.94	NA	-2.1
Nuveen Dow 30 Dynamic **DIAX**	NA	19.79	NA	24.4
Nuveen Core Eq Alpha **JCE**	NA	15.60	NA	18.6
Nuveen Diversified Div **JDD**	NA	10.90	NA	-5.6
Nuveen Engy MLP Fd **JMF**	NA	11.07	NA	2.0
Nuv NASDAQ 100 Dyn Over **QQQX**	NA	24.03	NA	16.2
Nuveen Real Est Incm Fd **JRS**	NA	9.80	NA	-4.1
Nuveen Real Asset Income **JRI**	NA	16.11	NA	-3.4
Nuv S&P 500 Dyn Overwrite **SPXX**	NA	16.91	NA	15.4
Nuveen S&P 500 Buy-Write **BXMX**	NA	14.37	NA	10.1
Reaves Utility Fund **UTG**	32.54	30.66	-5.8	3.3
Tekla Hlthcr Investors **HQH**	25.62	23.15	-9.6	NE
Tortoise Energy **TYG**	27.31	26.93	-1.4	2.4
Tortoise MLP Fund **NTG**	16.68	16.07	-3.7	-1.9
Income & Preferred Stock Funds				
Calamos Strat Fd **CSQ**	13.40	13.44	+0.3	20.3
Cohen & Steers Dur Pfd **LDP**	25.52	23.81	-6.7	-4.0
Cohen & Strs Sel Prf Inco **PSF**	25.84	26.61	+3.0	2.2
FT Interm Duration Pfd **FPF**	23.40	21.56	-7.9	-5.8
John Hancock Pfd Income **HPI**	21.03	21.98	+4.5	8.5
John Hancock Pfd II **HPF**	20.73	21.17	+2.1	4.7
John Hancock Pfd Inc III **HPS**	18.50	18.65	+0.8	7.5
JHancock Pr Div **PDT**	14.72	16.23	+10.3	7.6
Nuveen Pfd & Incm Opps Fd **JPC**	NA	9.27	NA	-5.2
Nuveen Pfd & Incm Secs Fd **JPS**	NA	8.80	NA	-8.8
Nuveen Preferred & Incm **JPI**	NA	22.70	NA	-3.3
Nuv Tax-Adv Div Gr **JTD**	NA	17.73	NA	13.6
TCW Strategic Income Fund **TSI**	NA	5.60	NA	1.4
Virtus Global Dividend **ZTR**	NA	11.19	NA	-4.7
Convertible Sec's. Funds				
AllianzGl Conv & Incm **NCV**	6.23	6.95	+11.6	10.4
AllianzGl Conv & Incm II **NCZ**	5.59	6.13	+9.7	10.5
AllianzGl Equity & Conv **NIE**	24.60	22.95	-6.7	18.7
Calamos Conv Hi Inco Fd **CHY**	11.92	13.27	+11.3	23.4
Calamos **CHI**	11.29	12.04	+6.6	15.6
World Equity Funds				
Aberdeen Total Dyn Div **AOD**	NA	8.78	NA	5.2
Calamos Glbl Dyn Inc **CHW**	8.79	9.06	+3.1	10.0
Cdn Genl Inv **CGI**	36.92	25.60	-30.7	21.1
China Fund **CHN**	21.55	19.60	-9.0	-1.1
EtnVncTxAdvGblDiv **ETG**	18.51	17.89	-3.3	11.6
EatonVance TxAdv Opport **ETO**	24.47	25.32	+3.5	12.4
First Trust Dynamic Eur **FDEU**	17.06	15.78	-7.5	-11.8
Gabelli Glbl Multimedia **GGT**	NA	9.24	NA	5.0
GDL Fund **GDL**	NA	9.09	NA	-7.0
India Fund **IFN**	NA	22.13	NA	0.3
Japan Sml Cap **JOF**	12.88	11.07	-14.1	2.2
Korea Fund **KF**	42.02	36.64	-12.8	-0.3
Mexico Fund **MXF**	18.94	16.30	-13.9	-1.8
Morgan-Stanley Asia-Pac **APF**	19.07	16.51	-13.4	-3.2
MS China a Shr Fd **CAF**	25.22	21.49	-14.8	-5.3
MS Emerging Fund **MSF**	18.03	15.60	-13.5	-10.0
MS India Invest **IIF**	26.38	23.45	-11.1	-15.5
New Germany Fund **GF**	20.55	18.20	-11.4	5.5
Swiss Helvetia Fund **SWZ**	8.86	8.51	-4.0	7.4
Templeton Dragon **TDF**	22.28	19.93	-10.6	3.9
Templeton Emerging **EMF**	16.96	14.66	-13.6	-4.8
Virtus Total Return Fund **ZF**	NA	10.54	NA	-8.7
Wells Fargo Gl Div Opp **EOD**	NA	5.29	NA	-5.5
Fund (SYM)	**NAV**	**Close**	**Prem /Disc**	**12 Mo Yld**
U.S. Mortgage Bond Funds				
BlackRock Income Trust **BKT**	6.23	5.72	-8.2	5.6
Nuveen Mtg Opp Term Fd **JLS**	NA	24.00	NA	7.9
Investment Grade Bond Funds				
Blackrock Core Bond Tr **BHK**	13.94	12.78	-8.3	6.0
BlkRk Credit Alloc Incm **BTZ**	14.09	12.24	-13.1	6.5
John Hancock Income Secs **JHS**	14.46	13.37	-7.5	5.6
MFS Inc Tr **MIN**	4.08	3.76	-7.8	9.6
Western Asset Infl Opps **WIW**	12.29	10.84	-11.8	3.9
Loan Participation Funds				
Apollo Sr Fltg Rate Fd **AFT**	NA	15.98	NA	6.9
BlkRk Debt Strat Fd **DSU**	12.60	11.14	-11.6	7.2
BlackRock FR Incm Strat **FRA**	14.95	13.79	-7.8	5.3
Blkrk FltRt InTr **BGT**	14.42	13.20	-8.5	5.3
BlackstoneGSO Strat Cred **BGB**	NA	15.90	NA	7.9
Blackstone GSO Sr Float **BSL**	NA	17.99	NA	6.5
Eagle Point Credit **ECC**	NA	17.90	NA	13.2
Eaton Vance FR Incm Tr **EFT**	15.76	14.60	-7.4	5.6
EatonVnc SrFltRate **EFR**	15.47	14.06	-9.1	6.0
Eaton Vance Sr Incm Tr **EVF**	7.33	6.45	-12.0	5.6
First Trust Sr FR Fd II **FCT**	14.09	12.72	-9.7	5.8
FT Sr Floating Rate 2022 **FIV**	NA	9.30	NA	5.3
Highland FR Opps Fd **HFRO**	NA	15.42	NA	5.5
Invesco Credit Opps Fund **VTA**	13.29	11.47	-13.7	6.7
Invesco Senior Income Tr **VVR**	4.95	4.30	-13.1	5.5
Nuveen Credit Strt Inc Fd **JQC**	NA	7.97	NA	6.5
NuvFloatRteInco Fd **JFR**	NA	10.39	NA	7.4
Nuv Float Rte Opp Fd **JRO**	NA	10.31	NA	7.7
Nuveen Senior Income Fund **NSL**	NA	6.16	NA	7.4
Pioneer Floating Rate Tr **PHD**	12.33	11.03	-10.5	6.5
High Yield Bond Funds				
AllianceBernstein Glbl **AWF**	NA	11.65	NA	7.1
Barings Glbl Short Dur HY **BGH**	20.75	19.38	-6.6	9.0
BlackRock Corp Hi Yd Fd **HYT**	11.89	10.51	-11.6	7.8
BlackRockDurInco Tr **BLW**	16.75	14.89	-11.1	6.3
Brookfield Real Assets **RA**	24.09	23.06	-4.3	10.2
Credit Suisse High Yld **DHY**	2.67	2.63	-1.5	9.6
DoubleLine Incm Solutions **DSL**	NA	20.20	NA	8.8
Dreyfus Hi Yd Strat Fd **DHF**	NA	3.22	NA	8.8
Fst Tr Hi Inc Lg/Shrt Fd **FSD**	17.07	14.75	-13.6	9.3
Ivy High Income Opps Fund **IVH**	15.95	14.26	-10.6	9.0
Neuberger Berman HYS **NHS**	12.87	10.95	-14.9	7.6
NexPoint Strat Opps Fund **NHF**	NA	22.40	NA	10.4
Nuveen Credit Opps 2022 **JCO**	NA	9.55	NA	5.9
Nuveen Gl Hi Incm Fd **JGH**	NA	15.59	NA	8.8
Nuveen High Incm Dec18 **JHA**	NA	9.85	NA	3.7
Nuveen High Incm Dec19 **JHD**	NA	9.86	NA	4.8
Nuveen Hi Incm Nov 2021 **JHB**	NA	9.53	NA	5.9
PGIM Global Short Dur HY **GHY**	16.19	13.87	-14.3	7.5
PGIM Short Duration HY Fd **ISD**	16.37	14.14	-13.6	7.4
Pioneer High Income Trust **PHT**	10.32	9.25	-10.4	8.3
Wells Fargo Incm Opps Fd **EAD**	NA	7.92	NA	8.0
Other Domestic Taxable Bond Funds				
Ares Dynamic Credit Alloc **ARDC**	NA	15.53	NA	7.4
Barings Corp Investors **MCI**	NA	15.32	NA	7.7
BlackRock Multi-Sector IT **BIT**	18.91	16.92	-10.5	8.6
BlackRock Taxable Mun Bd **BBN**	22.69	21.20	-6.6	7.0
Doubleline Oppor Credit **DBL**	NA	20.57	NA	9.5
Duff & Phelps Utl & Cp Bd **DUC**	9.16	8.39	-8.4	5.6
EtnVncLtdFd **EVV**	14.67	12.68	-13.6	7.1
Franklin Ltd Duration IT **FTF**	11.19	10.18	-9.0	11.7
Invesco High Incm 2023 **IHIT**	NA	9.91	NA	6.0
KKR Income Opps Fund **KIO**	NA	16.41	NA	9.1
MFS Charter **MCR**	8.71	7.76	-10.9	9.1
Nuveen Build Am Bd Fd **NBB**	NA	20.00	NA	5.9
PIMCO Corporate & Incm **PTY**	NA	17.85	NA	8.6
PIMCO Corporate & Incm **PCN**	NA	18.29	NA	7.4
PIMCO HiInco **PHK**	NA	8.39	NA	10.8
PIMCO Inco Str Fd **PFL**	NA	11.82	NA	8.9
PIMCO Incm Strategy Fd II **PFN**	NA	10.55	NA	9.0
Putnam Mas Inco **PIM**	4.94	4.52	-8.5	6.5
Putnam Premier Income Tr **PPT**	5.52	5.26	-4.7	5.9
Wells Fargo Multi-Sector **ERC**	NA	12.16	NA	10.3
World Income Funds				
Abeerden Asia-Pacific **FAX**	NA	4.14	NA	10.0
Etn Vnc Short Dur Fd **EVG**	NA	12.91	NA	6.8
MS EmMktDomDebt **EDD**	7.36	6.74	-8.4	8.8
PIMCO Dynamic Credit **PCI**	NA	24.12	NA	8.1
PIMCO Dynamic Income Fund **PDI**	NA	33.49	NA	8.0
PIMCO Income Opportunity **PKO**	NA	27.61	NA	8.3
PIMCO Strat Income Fund **RCS**	NA	9.76	NA	8.6
Templeton Emerging **TEI**	11.19	10.00	-10.6	10.2
Templeton Global **GIM**	7.01	6.12	-12.7	5.5
National Muni Bond Funds				
AllianceBrnstn NtlMun **AFB**	14.11	12.39	-12.2	4.5
Blackrock Invest **BKN**	15.16	13.27	-12.5	5.0
BlackRock Mun 2030 Target **BTT**	23.38	20.71	-11.4	3.9
BlackRock Municipal Trust **BFK**	13.85	12.44	-10.2	5.7
BlackRockMuni **BLE**	14.40	12.99	-9.8	5.6
BlackRockMuni Tr **BYM**	14.49	12.78	-11.8	5.1
BlkRk MuniAssets Fd **MUA**	13.99	12.97	-7.3	4.9
BlkRk Munienhanced **MEN**	11.33	10.07	-11.1	5.8
BlkRk MuniHldgs Inv **MFL**	13.91	12.52	-10.0	6.0
BlkRk MuniHldgs Qlty II **MUE**	13.31	12.06	-9.4	5.7
BlkRk MuniVest **MVF**	9.23	8.75	-5.2	5.9
BlkRk MuniVest II **MVT**	14.59	13.31	-8.8	5.9
BlkRk MuniYield **MYD**	14.24	13.13	-7.8	5.5
BlkRk MuniYld Quality **MQY**	15.08	13.52	-10.3	5.6
BlkRk MuniYld Qlty II **MQT**	13.25	11.74	-11.4	5.3
BlRkMunyldQltyIII **MYI**	13.72	12.08	-12.0	5.7
Dreyfus Mun Bd Infr Fd **DMB**	13.87	12.42	-10.5	5.0
Dreyfus Strat Muni Bond **DSM**	8.05	7.34	-8.8	5.9
Dreyfus Strategic Munis **LEO**	NA	7.50	NA	5.9
DWS Muni Income Trust **KTF**	11.88	10.49	-11.7	5.7
Eaton Vance Mun Bd Fd **EIM**	12.94	11.53	-10.9	5.0
Eaton Vance Mun Income **EVN**	12.82	11.48	-10.5	5.3
EV National Municipal Opp **EOT**	20.91	21.50	+2.8	4.7
Invesco Adv Mun Incm II **VKI**	NA	10.54	NA	5.9
Invesco Mun Incm Opps Tr **OIA**	NA	7.68	NA	5.1
Invesco Mun Opportunity **VMO**	NA	11.44	NA	5.6
Invesco Municipal Trust **VKQ**	NA	11.54	NA	5.8
Invesco Qlty Mun Inco **IQI**	NA	11.58	NA	5.6
Invesco Inv Grade Muni **VGM**	NA	11.88	NA	6.0
Invesco Value Mun Incm Tr **IIM**	NA	13.84	NA	5.1
MainStay Mac Defined Muni **MMD**	20.11	19.64	-2.3	5.3
Nuveen AMT-Free Mun Value **NUW**	NA	14.76	NA	4.6
Nuveen AMT-Free Quality **NEA**	NA	12.66	NA	5.2
Nuveen AMT-Free Mun **NVG**	NA	14.56	NA	5.6
Nuveen Mun Credit Incm Fd **NZF**	NA	14.41	NA	5.6
Nuveen Enhncd Mun Val Fd **NEV**	NA	13.09	NA	5.5
Nuveen Intermed Dur Mun **NID**	NA	12.49	NA	4.6
NuveenMuniIncoOpp Fd **NMZ**	NA	12.55	NA	5.7
Nuveen Muni Value Fund **NUV**	NA	9.36	NA	3.9
Nuveen Qual Mun Incm Fd **NAD**	NA	12.79	NA	5.2
Nuveen Sel TF **NXQ**	NA	13.36	NA	3.7
PIMCO MuniFd **PMF**	12.42	12.97	+4.4	5.4
Pimco Muni Inc II **PML**	11.73	13.23	+12.8	5.9
PIMCO Muni Inc III **PMX**	10.68	11.59	+8.5	5.8
Pioneer Mun Hi Inc Adv Tr **MAV**	11.39	10.66	-6.4	5.5
Pioneer Mun Hi Incm Tr **MHI**	12.37	11.12	-10.1	5.4
Putnam Tr **PMM**	7.76	6.92	-10.8	5.2
Putnam Muni Opportunities **PMO**	12.88	11.42	-11.3	4.9
Single State Muni Bond				
BlackRock CA Municipal Tr **BFZ**	14.54	12.35	-15.1	5.1
BlkRk MuniHldgs CA Qlty **MUC**	14.77	12.56	-15.0	5.0
BlkRk MunHI NJ Qlty **MUJ**	15.05	12.56	-16.5	5.6
BlRk MuHldg NY Qlty **MHN**	14.07	11.93	-15.2	5.0
BlkRk MuniYld CA Fd **MYC**	14.85	12.73	-14.3	5.0
BlkRk MuniYld CA Quality **MCA**	14.99	12.81	-14.5	5.0
BlkRk MuniYld MI Qlty **MIY**	14.78	12.40	-16.1	5.4
BlRk MuyId NY Qlty **MYN**	13.50	11.51	-14.7	4.8
Eaton Vance CA Mun Bd **EVM**	11.78	9.96	-15.4	5.0
Invesco CA Value Mun Incm **VCV**	NA	11.70	NA	5.2
Invesco PA Value Mun Incm **VPV**	NA	11.89	NA	5.5
Invesco Inv Grade NY Muni **VTN**	NA	12.47	NA	5.4
Nuveen CA AMT-Free Qual **NKX**	NA	12.87	NA	5.3
Nuveen CA Muni Value **NCA**	NA	9.36	NA	3.8
Nuveen CA Quality Muni **NAC**	NA	12.94	NA	5.2
Nuveen MD Qual Muni **NMY**	NA	11.78	NA	4.6
Nuveen MI Qual Muni **NUM**	NA	12.35	NA	4.5
Nuveen NJ Qual Muni **NXJ**	NA	12.85	NA	5.2
Nuveen NY AMT-Free **NRK**	NA	11.90	NA	4.6
Nuveen NY Qual Muni **NAN**	NA	12.31	NA	4.9
Nuveen OH Qual Muni **NUO**	NA	13.50	NA	4.7
Nuveen PA Qual Muni **NQP**	NA	12.45	NA	5.1
Nuveen VA Qual Muni **NPV**	NA	11.84	NA	4.5
PIMCO California Muni **PCQ**	13.51	15.93	+17.9	5.4
PIMCO California Mun II **PCK**	8.34	8.37	+0.4	5.3
Fund (SYM)	**NAV**	**Close**	**Prem /Disc**	**52 wk Ttl Ret**
Specialized Equity Funds				
NexPointHCOpp;A	18.14	NA	NA	NS
NexPointHCOpp;C	18.09	NA	NA	NS
NexPointHCOpp;Z	NA	NA	NA	NE
NorthStar RE Cap Inc:Adv	NA	NA	NA	NS
PREDEX;I	26.17	NA	NA	6.4
PREDEX;T	26.16	NA	NA	NS
PREDEX;W	26.16	NA	NA	NS
SharesPost 100;A	29.00	NA	NA	12.7
SharesPost 100:I	29.05	NA	NA	NS
SharesPost 100:L	28.95	NA	NA	NS
USQ Core Real Estate:I	25.51	NA	NA	6.4
USQ Core Real Estate:IS	25.51	NA	NA	6.4
Versus Cap MMgr RE Incl	28.05	NA	NA	NE
Versus Capital Real Asst	25.20	NA	NA	2.6
Wildermuth Endwmnt:A	13.40	NA	NA	8.9
Wildermuth Endwmnt:C	13.13	NA	NA	8.0
Wildermuth EndowmentI	13.49	NA	NA	9.0
Income & Preferred Stock Funds				
Flat Rock Opportunity	NA	NA	NA	NS
MultiStrat Gro & Inc:A	14.14	NA	NA	-1.9
MultiStrat Gro & Inc:C	13.75	NA	NA	-2.5
MultiStrat Gro & Inc:I	14.35	NA	NA	-1.6
MultiStrat Gro & Inc:L	13.88	NA	NA	-2.3
Convertible Sec's. Funds				
Calamos Dyn Conv & Incm **CCD**	21.42	21.72	+1.4	13.2
World Equity Funds				
BMO LGM Front ME	10.00	NA	NA	-1.6
Calamos Global Tot Ret Fd **CGO**	12.92	13.95	+8.0	8.7
Fund (SYM)	**NAV**	**Close**	**Prem /Disc**	**12 Mo Yld**
U.S. Mortgage Bond Funds				
Vertical Capital Inc:A	12.22	NA	NA	3.1
Vertical Capital Inc:C	12.38	NA	NA	NS
Loan Participation Funds				
504 Fund	9.59	NA	NA	3.8
Angel Oak Str Crdt:Inst	NA	NA	NA	NS
Blackstone/GSO FR El I	NA	NA	NA	NS
Blackstone/GSO FR El T	NA	NA	NA	NS
FedProj&TrFinanceTendr	10.00	NA	NA	3.7
Invesco Sr Loan A	6.82	NA	NA	3.9
Invesco Sr Loan C	6.84	NA	NA	3.2
Invesco Sr Loan IB	6.83	NA	NA	4.1
Invesco Sr Loan IC	6.82	NA	NA	4.0
Invesco Sr Loan Y	6.82	NA	NA	4.1
Sierra Total Return:T	NA	NA	NA	5.2
High Yield Bond Funds				
Griffin Inst Access Cd:A	NA	NA	NA	5.4
Griffin Inst Access Cd:C	NA	NA	NA	5.4
Griffin Inst Access Cd:F	NA	NA	NA	NS
Griffin Inst Access Cd:I	NA	NA	NA	5.4
Griffin Inst Access Cd:L	NA	NA	NA	NS
PIMCO Flexible Cr I;Inst	10.43	NA	NA	7.3
PionrILSBridge	NA	NA	NA	NS
Other Domestic Taxable Bond Funds				
Am Beacon Apollo TR:Y	10.05	NA	NA	NS
Am Beacon SP Enh Inc:Y	10.24	NA	NA	NS
BlackRock Mlt-Sctr Oppty	96.15	NA	NA	NS
Capstone Church Capital	11.92	NA	NA	3.1
CION Ares Dvsfd Crdt;A	NA	NA	NA	5.4
CION Ares Dvsfd Crdt;C	NA	NA	NA	5.4
CION Ares Dvsfd Crdt;I	NA	NA	NA	5.4
CION Ares Dvsfd Crdt;L	NA	NA	NA	NS
CNR Select Strategies	10.13	NA	NA	0.0
GL Beyond Income	2.13	NA	NA	NE
OFI Carlyle Pvt Credit;A	NA	NA	NA	NS
OFI Carlyle Pvt Credit;I	NA	NA	NA	NS
OFI Carlyle Pvt Credit;L	NA	NA	NA	NS
OFI Carlyle Pvt Credit;Y	NA	NA	NA	NS
Palmer Square Opp Inc	NA	NA	NA	4.5
Resource Credit Inc:A	NA	NA	NA	6.2
Resource Credit Inc:C	NA	NA	NA	5.4
Resource Credit Inc:I	NA	NA	NA	6.4
Resource Credit Inc:L	NA	NA	NA	5.9
Resource Credit Inc:W	NA	NA	NA	6.2
World Income Funds				
Destra Int&Evt-Drvn Crdt	24.50	NA	NA	NS
National Muni Bond Funds				
Tortoise Tax-Adv Soc Inf	9.98	NA	NA	NS

IPO Scorecard

Performance of IPOs, most-recent listed first

Company **SYMBOL** IPO date/Offer price	Friday's close ($)	% Chg From Offer price	% Chg From 1st-day close
CooTek **CTK** Sept. 28/$12.00	9.44	**-21.3**	...
Gritstone Oncology **GRTS** Sept. 28/$15.00	14.24	**-5.1**	...
Arvinas Holding **ARVN** Sept. 27/$16.00	16.87	**5.4**	5.1
LAIX **LAIX** Sept. 27/$12.50	12.55	**0.4**	-0.8
Ra Med Sys **RMED** Sept. 27/$17.00	18.20	**7.1**	-9.0
Sutro Biopharma **STRO** Sept. 27/$15.00	15.00	**...**	-1.3
Urovant Sciences **UROV** Sept. 27/$14.00	12.00	**-14.3**	3.0
Arco Platform **ARCE** Sept. 26/$17.50	22.80	**30.3**	-3.0
Capital Bancorp **CBNK** Sept. 26/$12.50	12.72	**1.8**	-0.6
Entasis Thera Hldgs **ETTX** Sept. 26/$15.00	10.88	**-27.5**	2.1

Sources: Dow Jones Market Data; FactSet Research Systems

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 September 28, 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

Biggest 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 ($) in transaction	$ Value (000s)	Close ($)	Ytd (%)
Buyers									
Sept. 25	**Molecular Templates**	**MTEM**	S. Morenstein	**DI**	545	5.50	**3,000**	5.39	-46.2
Sept. 21			D. Hirsch	**DOI**	365	5.50	**2,008**		
Sept. 21	**Revlon**	**REV**	R. Perelman	**DOI**	100	20.60-21.29	**2,095**	22.30	2.3
Sept. 25			R. Perelman	**DOI**	35	21.50	**752**		
Sept. 24-26	**Odonate Therapeutics**	**ODT**	K. Tang	**CEOI**	40	19.07-20.30	**790**	19.41	-22.4
Sept. 25	**Plains GP Holdings**	**PAGP**	J. Raymond	**D**	25	23.40	**585**	24.53	11.8
Sept. 24	**Tallgrass Energy**	**TGE**	D. Dehaemers	**CEOI**	15	22.21	**333**	23.58	-8.4
Sept. 26	**Spark Energy**	**SPKE**	W. Maxwell	**DO**	38	8.10	**305**	8.25	-33.5
Sept. 20-25			W. Maxwell	**DO**	24	7.95-8.27	**196**		
Sept. 20-21	**E. W. Scripps**	**SSP**	E. Scripps	**B**	18	16.55-16.63	**292**	16.50	5.6
Sept. 26			M. Peirce	**B**	11	16.43	**182**		
Sept. 25			C. Granado	**B**	11	16.24	**180**		
Sept. 24	**Univar**	**UNVR**	K. Preete	**D**	8	30.23-30.24	**249**	30.66	-1.0
Sept

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Tax Law Spurs New Property Investments

By Peter Grant And Gregory Zuckerman

Billions of dollars have started piling into new real-estate funds targeting disadvantaged U.S. neighborhoods, as investors line up to capitalize on a section of last year's tax overhaul.

The tax bill created more than 8,000 tax-advantaged "opportunity zones." They range from parts of New York, Los Angeles and Washington, D.C., to rural areas and the entire U.S. territory of Puerto Rico. On Thursday, Treasury Secretary Steven Mnuchin predicted the zones will attract over $100 billion in private capital.

Opportunity-zone investments could be "the biggest thing to hit the real-estate world in perhaps the past 30 or even more years," said Bruce Stachenfeld of law firm Duval & Stachenfeld.

The zones have multiple tax benefits. Anyone with capital gains—from real estate, Amazon.com shares or most any other source—can defer taxes on them until 2026 if they roll those gains into investments in these designated zones. Investors can also get a discount of up to 15% on those taxes when they eventually pay them. And capital gains from qualified investments in the zones that are held for at least 10 years won't be taxed at all.

"Billions of dollars, maybe more, will be coming into the market, with the investors saying, 'We only want to put this money into these communities because of these tax benefits,'" said Seth Pinsky, executive vice president of New York developer RXR Realty, which is exploring creating an opportunity-zone fund.

Multiple tax benefits are expected to lure billions of dollars in private capital.

So many investors are expected to take advantage of the tax break and invest in these zones that it will cost the government $7.7 billion between 2018 and 2022. The cost will shrink to $1.6 billion over 10 years as deferred taxes are paid, according to the Joint Committee on Taxation.

The tax benefits apply to most equity investments in the zones, including real-estate development and operating businesses such as restaurants, stores and technology startups. But most of the initial investments are expected to be in real estate, partly because opportunity-zone tax law provides the most benefits to investors who can quickly deploy a lot of capital.

Developers and investors say there are still many unanswered questions, including whether the tax breaks will produce the intended benefits for targeted neighborhoods. They are hoping for more clarity when the Internal Revenue Service issues further guidance.

The program—partly conceived by Sean Parker, who helped launch Facebook and Napster—has raised concerns among community groups about the impact on existing residents of low-income areas. "There's a tipping point where the people who were there before get pushed out, and the people who come in are the people who are benefiting," said Mr. Pinksy.

Aaron Betru, managing director of the Milken Institute's Center for Financial Markets, said he has heard about close to 20 firms that have either started raising or are planning to raise funds ranging from $100 million to $500 million.

James Lang, a tax attorney in Greenberg Traurig's Tampa, Fla., office, said he has fielded 10 to 15 calls each day on the topic since July and his firm has assembled about 45 lawyers to focus on opportunity-zone investing.

Some developers that happen to be working on projects inside zones already find themselves in prime positions. Florida-based firm **Waypoint Residential** was planning a 250-unit rental-apartment project in the suburbs of Louisville, Ky., before the area was designated an opportunity zone.

Raising capital turned out to be a breeze, said Scott Lawlor, Waypoint's chief executive. "We were 50% oversubscribed within two weeks."

Developers are aware that opportunity-zone investments will be risky despite the tax benefits. To qualify, real-estate investments must be ground-up projects or major rehabilitations.

The zones could be a major boon for real-estate fundraising, which has been getting tougher. A total of 48 private real-estate funds closed globally in the second quarter for a combined $23 billion, down from $38 billion raised by 75 funds in the first quarter, according to data firm Preqin.

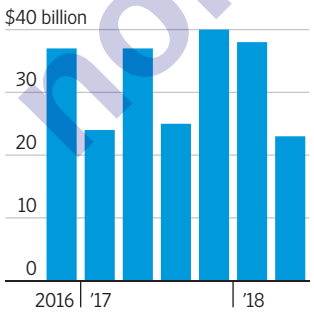
Small-to-midsize firms with experience investing in disadvantaged areas have largely been the first movers in the opportunity-zone business. Firms that announced plans to raise funds include **Youngwoo & Associates**, of New York, whose projects include redeveloping the historic Bronx Post Office into a retail and office project, and Washington-based **Fundrise**, which is considering investments in Los Angeles, Oakland Calif., Dallas and Seattle.

Some large banks already involved in economic development have become active in the zones. **Goldman Sachs Group** Inc.'s urban investment group has already made $70 million of deals in opportunity zones in 2018 and has over $1 billion of possible transactions in the pipeline, according to Margaret Anadu, the group's head.

—Ruth Simon contributed to this article.

Primed for a Boost

Fundraising by private-equity real estate funds has slowed recently.



Source: Preqin
THE WALL STREET JOURNAL.

XINHUA/ZUMA PRESS

A copper foil production line in China. The country is the largest commodity buyer and accounts for half the world's copper demand.

Trade Deadline Is Key to Copper

By Amrith Ramkumar

Global investors bruised by copper's 15% tumble this year are looking ahead to a November deadline for the U.S. and China to resolve a tariff fight.

Copper has fallen for three straight quarters, the longest such stretch since 2015. Steady production of the metal along with signs of slowing demand from China have weighed on sentiment this year, analysts say. Front-month futures fell 5.6% in the third quarter.

China is the world's largest commodity consumer, accounting for roughly half the world's copper demand. Investors have become sensitive to signs of weakness in the nation's economy in recent months as a trade spat between the U.S. and China drags on.

Tensions between the world's two largest economies battered prices of resources this summer, but the move in copper was notable because of its heavy use in construction and manufacturing. That means a weaker global growth outlook caused by an escalating trade dispute would likely dent demand for copper.

Now, analysts are waiting for planned November meetings between President Trump and Chinese leader Xi Jinping to see if the countries will be able to reach a compromise. Copper prices have risen 9% from their mid-August low on these hopes as well as on signs the Chinese government wants to keep growth steady.

"The market is behaving as though we are going to get some kind of deal," said Bart Melek, head of commodity strategy at TD Ameritrade. "But it can't be assumed easily that a deal is going to get done."

Analysts say data showing stable supply around the world and weakness in the Chinese economy could keep money managers cautious on industrial metals. Data last month showed investment in factories, railways and other projects in China grew in the first eight months of the year at its slowest pace in more than a quarter-century.

Hedge funds and other speculative investors have pared back bearish bets on copper prices lately—another sign sentiment toward the metal could be improving.

Speculators have pushed net bets on falling prices to their lowest level since early July.

Investors are monitoring swings in the dollar. For much of the year, a stronger dollar has made copper and other commodities denominated in the U.S. currency more expensive for overseas buyers. The dollar climbed to a 15-month high in August but has since come down nearly 1%, relieving some pressure on commodities.

"We still see upside in the metals, but certainly I don't think the trajectory is as high as it once was," Mr. Melek said.

Rough Ride

Copper prices fell for the third straight quarter, even after a September rebound.

Note: Front-month futures
Source: Dow Jones Market Data
THE WALL STREET JOURNAL.

Big European Deal Making Slows Down

By Ben Dummett

European deal making failed to maintain this year's blistering pace in the latest quarter amid a slowdown in the biggest of deals, but some investment bankers expect plenty of smaller and midsize ones to take up the slack for rest of the year and into 2019.

The decline weighed on overall deal volumes. Measured by total value, M&A activity in Europe fell almost 11% to $232.21 billion in the third quarter from a year earlier—the first quarterly drop this year, according to Dealogic. Volumes measured by total number of transactions also were down.

Eamon Brabazon, M&A co-head for Europe, the Middle East and Africa at Bank of America Merrill Lynch, cautioned against drawing overly negative conclusions from the drop-off.

"The M&A market is never completely linear," he said. Noting that such favorable conditions for deal making as companies' need to grow and acquire cheap financing remain in place, "it is very hard to conclude anything other than we are in a seemingly ongoing robust M&A market," Mr. Brabazon said.

Large transactions are among the hardest to complete because of the challenges and costs of successfully integrating two big operations. Chief executives are willing to accept that challenge if they are reasonably confident of winning regulatory approval. But the China-U.S. trade dispute and recent moves by the U.S. and U.K. governments to more closely scrutinize acquisitions of their domestic companies by the Chinese is an added risk that threatens that confidence, some bankers say.

In the first half, CEOs executed 11 deals involving a European company, each with a value of more than $10 billion—seven in the first quarter and four in the second, according to Dealogic. BP PLC's $10.5 billion pact in July to acquire the U.S. onshore oil-and-gas division of **BHP Billiton** Ltd. was the only such deal in the latest quarter.

The toughening regulatory environment, particularly for cross-border deals, could extend the slowdown in $10 billion-plus transactions, some bankers say. In July, the U.K. government announced plans to adopt new powers to block foreign acquisitions of British companies. In August, the Trump administration broadened the vetting powers of the Committee on Foreign Investment in the U.S. to review foreign investments. Both moves address the countries' concerns over China's acquisition of technology and intellectual property that could cause economic and military harm.

For deals in the range of $1 billion to $10 billion, which don't typically attract the same level of regulatory and political attention, "we see no slowdown and we think those deals will be the driver in 2019," said Dirk Albersmeier, European M&A co-head at JPMorgan Chase & Co.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US$	Fri per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso	.0242	41.3010	122.0
Brazil real	.2468	4.0513	22.3
Canada dollar	.7746	1.2911	2.7
Chile peso	.001520	657.80	6.9
Ecuador US dollar	1	1	unch
Mexico peso	.0534	18.7135	–4.9
Uruguay peso	.03034	32.9600	14.4
Venezuela b. fuerte	.000004	248519.9501	240295.2
Asia-Pacific			
Australian dollar	.7226	1.3839	8.1
China yuan	.1456	6.8690	5.6
Hong Kong dollar	.1278	7.8274	0.2
India rupee	.01379	72.513	13.5
Indonesia rupiah	.0000671	14907	10.6
Japan yen	.008796	113.69	0.9
Kazakhstan tenge	.002753	363.26	9.2
Macau pataca	.1240	8.0626	0.2
Malaysia ringgit	.2416	4.1385	1.9
New Zealand dollar	.6616	1.5115	7.2
Pakistan rupee	.00812	123.150	11.3
Philippines peso	.0185	53.975	8.0
Singapore dollar	.7313	1.3674	2.3
South Korea won	.0009008	1110.16	4.0
Sri Lanka rupee	.0059116	169.16	10.2
Taiwan dollar	.03283	30.461	2.7
Thailand baht	.03093	32.330	–0.8
Vietnam dong	.00004287	23328	2.7

Country/currency	Fri in US$	Fri per US$	US$ vs, YTD chg (%)
Europe			
Czech Rep. koruna	.04504	22.203	4.3
Denmark krone	.1556	6.4268	3.6
Euro area euro	1.1605	.8617	3.4
Hungary forint	.003588	278.69	7.6
Iceland krona	.009017	110.90	7.1
Norway krone	.1227	8.1467	–0.7
Poland zloty	.2711	3.6885	6.0
Russia ruble	.01525	65.593	13.7
Sweden krona	.1125	8.8907	8.6
Switzerland franc	1.0186	.9817	0.7
Turkey lira	.1651	6.0560	59.6
Ukraine hryvnia	.0354	28.2710	0.4
UK pound	1.3030	.7675	3.7
Middle East/Africa			
Bahrain dinar	2.6529	.3770	–0.04
Egypt pound	.0560	17.8475	0.4
Israel shekel	.2747	3.6398	4.6
Kuwait dinar	3.2977	.3032	0.6
Oman sul rial	2.5981	.3849	–0.02
Qatar rial	.2744	3.644	–0.1
Saudi Arabia riyal	.2666	3.7513	0.02
South Africa rand	.0707	14.1450	14.4

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.70	0.12	0.14	4.33

Sources: Tullett Prebon, Dow Jones Market Data

CALLAGHAN O'HARE/BLOOMBERG NEWS

Wall Street analysts expect soft-drink and snacks giant PepsiCo to report quarterly earnings of $1.57 a share on Tuesday.

THE TICKER | Market events coming this week

Monday

Construction spending
July, previous up 0.1%
Aug., expected up 0.5%

Tuesday

Total vehicle sales domestically produced, at an annual rate
Aug., previous 16.72 mil.
Sept., expected 16.7 mil.

Earnings expected*
Estimate/Year Ago($)
Paychex **0.65**/0.62
PepsiCo **1.57**/1.48

Wednesday

Mort. bankers indexes
Purch., previous up 3%
Refinan., prev. up 3%

EIA status report
Previous change in stocks in millions of barrels
Crude oil up 1.9
Gasoline up 1.5
Distillates down 2.2

ISM non-mfg index
Aug., previous 58.5
Sept., expected 58.0

Earnings expected*
Estimate/Year Ago($)
Acuity Brands **2.56**/2.55
Lennar **1.18**/1.04
RPM Intl. **0.86**/0.86
Synnex **2.46**/2.16

Thursday

Initial jobless claims
Previous 214,000
Expected 215,000

EIA report: natural gas
Previous change in stocks in billions of cubic feet
up 46

Factory orders
July, previous down 0.8%
Aug., expected up 2.4%

Earnings expected*
Estimate/Year Ago($)
Constellation Brands **2.61**/2.47
Costco **2.36**/2.08

Friday

Consumer credit
July, prev. up $16.64 bil.
Aug., exp. up $14.8 bil.

Int'l trade deficit in billions
July, previous $50.08
Aug., expected $53.5

Unemployment rate
Aug., previous 3.9%
Sept., expected 3.8%

Nonfarm payrolls
Aug., previous 201,000
Sept., expected 185,000

* FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES) ◆ ADJUSTED FOR STOCK SPLITNOTE: FORECASTS ARE FROM DOW JONES WEEKLY SURVEY OF ECONOMISTS

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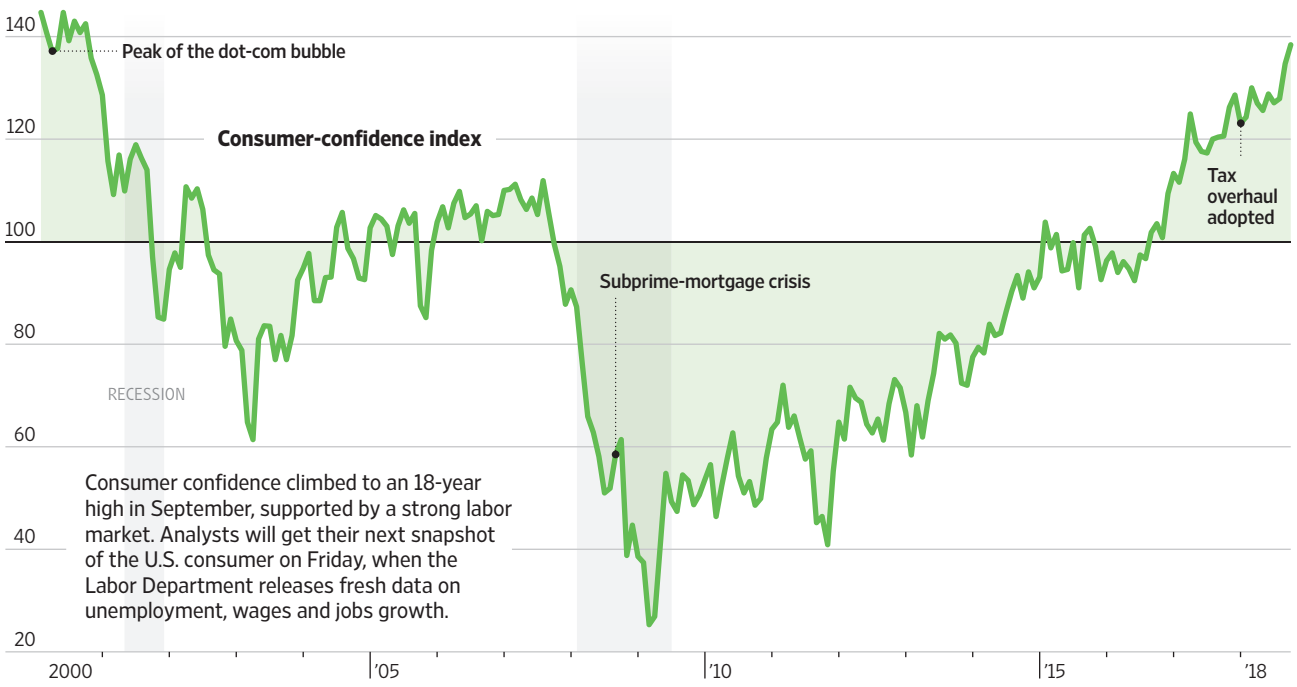
MARKETS

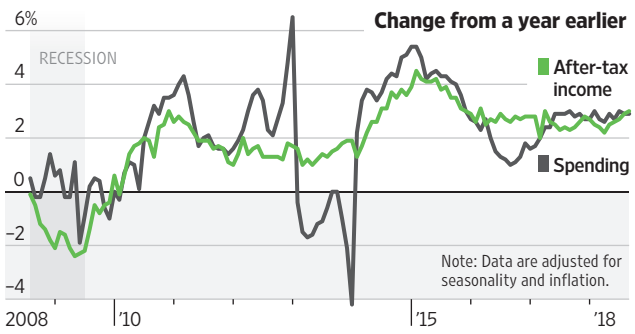
Consumers Drive Up Economy, Stock Market

The American consumer appears to be in good shape heading into the final quarter of the year, which includes the busy holiday-shopping season. Investors will be watching Friday's jobs report for further evidence the U.S. economy can keep humming into 2019.

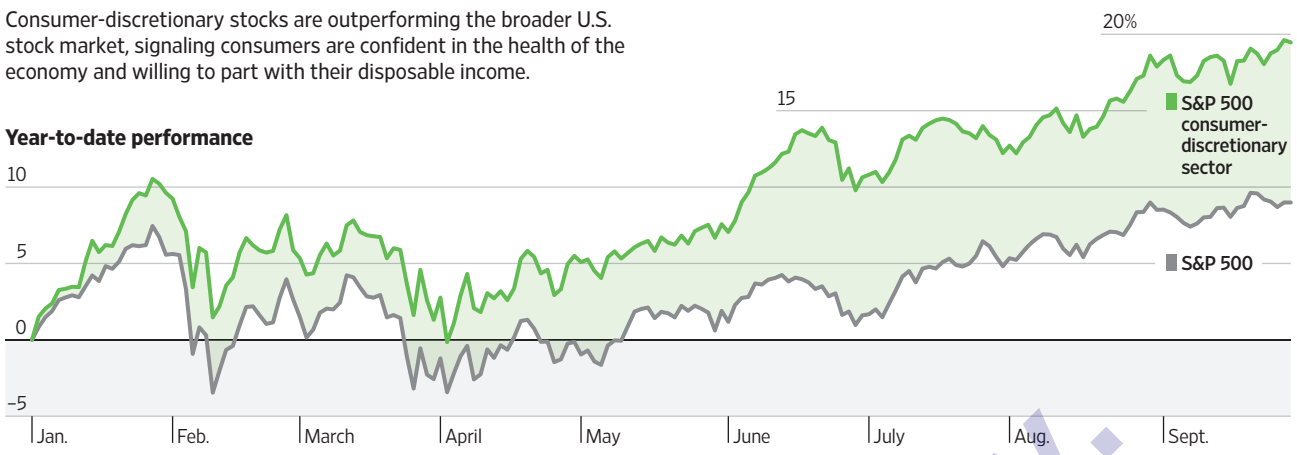


Consumer confidence climbed to an 18-year high in September, supported by a strong labor market. Analysts will get their next snapshot of the U.S. consumer on Friday, when the Labor Department releases fresh data on unemployment, wages and jobs growth.

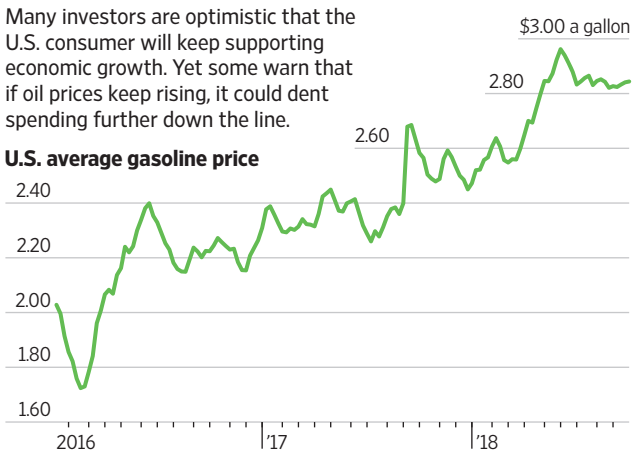
Consumer spending, which accounts for more than two-thirds of the U.S. economy, cooled in August, though economists still expect strong growth in the final stretch of the year. Consumer savings matched July's pace.



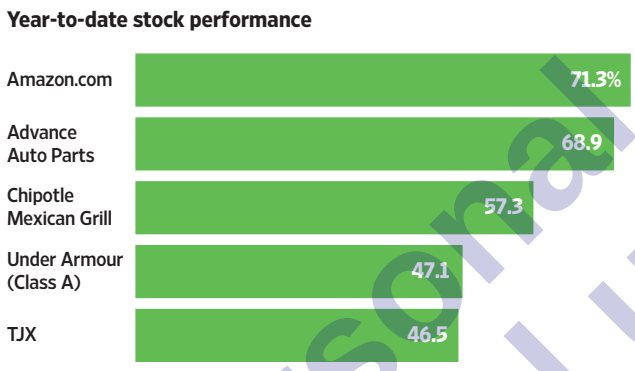
Consumer-discretionary stocks are outperforming the broader U.S. stock market, signaling consumers are confident in the health of the economy and willing to part with their disposable income.



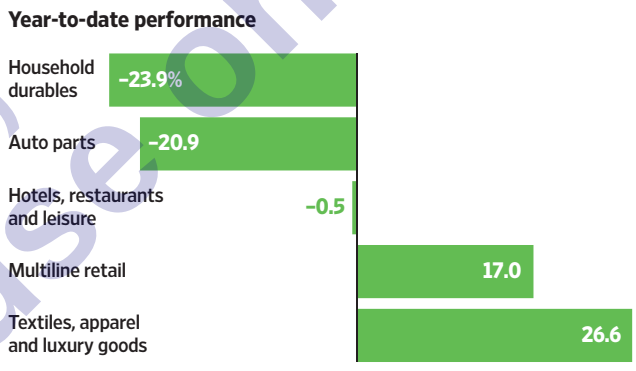
Many investors are optimistic that the U.S. consumer will keep supporting economic growth. Yet some warn that if oil prices keep rising, it could dent spending further down the line.



Shares of online retailer Amazon.com have soared this year thanks to a boom in sales. But more traditional retailers selling goods ranging from sportswear to home accessories have also thrived.



Still, within the consumer-discretionary sector, department stores and companies selling textiles, apparel and luxury goods have raced past retailers in the auto-parts and household-durables spaces.



Sources: Conference Board (consumer-confidence index); Commerce Board via Federal Reserve Economic Data (spending, after-tax income); FactSet (S&P 500, consumer-discretionary sector, stocks, industries); U.S. Energy Information Administration (gasoline price); Federal Reserve Bank of St. Louis (recessions)

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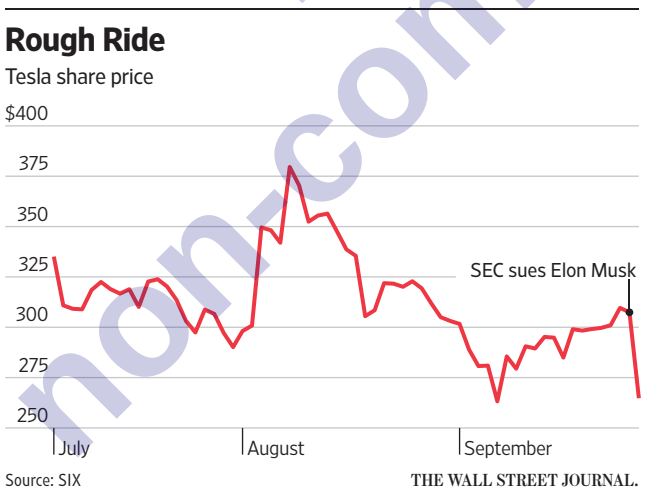
Tesla Receives a Second Chance

Who wants to supervise Elon Musk?

The Securities and Exchange Commission has settled the fraud charges against **Tesla** Inc.'s embattled leader. The settlement calls for, among other things, the installation of a new chairman to oversee Mr. Musk. The settlement will allow him to remain chief executive.

That is clearly a big win for shareholders in the short term. The stock should bounce back Monday, and it is possible the shares get a further boost when Tesla reports third-quarter deliveries later this week. If the company takes the governance overhaul seriously, Tesla has a chance to create a stronger organization in the long term as well.

However, the new chairman will have a lot of work to do, including reining in Mr. Musk's more problematic impulses, figuring out why senior executives keep leaving the company and helping install strong replacements.



The entire board will have to perform better and clearly show its independence from Mr. Musk. The first test could occur in the coming months because Tesla will likely need to shore up its balance sheet by raising fresh capital.

Most important, Tesla needs to fix the capricious manner in which Mr. Musk runs his company, which is what caused trouble with regulators in the first place. There is reason to be skeptical he can do it. Just last Thursday, he called the SEC fraud lawsuit "unjustified" in a statement. "Integrity is the most important value in my life and the facts will show I never compromised this in any way," he said, before settling fraud charges less than two days later.

Mr. Musk's poor judgment continued over the weekend when he emailed employees to say the company is "very close to achieving profitability" in the third quarter. While he has said in the past that the Tesla would earn a profit in the quarter, it wasn't a good idea to send an email like just as he was settling with the SEC for driving up the stock with his tweet about going private.

Great companies set realistic operational goals they can actually meet, don't disseminate material information via internal emails and don't taunt short sellers on social media. A first step toward winning back investor trust would be to issue realistic financial guidance for 2019. The lack of that information this late in 2018 is a curious omission for a company that plans to dominate the global automotive industry over the long term.

The SEC settlement closes an ugly chapter in Tesla's history. Monday should be a good day for the stock price, but the real work is only just beginning. —*Charley Grant*

OVERHEARD

Well, that is one way to attract new talent.

The new boss of Cadillac, the luxury division of **General Motors**, put a brave face on the company's office-location reversal, which will see its headquarters move from chic Manhattan to the suburb of Warren, Mich.

Being in New York temporarily helped it attract employees it might not have, he said.

Now, if those employees want to keep their jobs, they can move. On the bright side, the third-largest city in Michigan has about 15% of New York City's population density, giving the transfers more opportunity to drive the cars they market. Only 8% of households there get by without a car. compared with over half of those in the Big Apple.

On the other hand, fewer may be luxury rides. The average household income in Warren is $46,000, less than one-third what it is in Manhattan—and about the price of the average Cadillac.

Natural Gas Faces Winter Price Pinch

Fortunately for utilities eyeing natural-gas prices for the coming winter, forecasts by the Farmer's Almanac are about as accurate as a coin flip. Unfortunately for them, official long-range temperature forecasts are only slightly better.

While the almanac warns of a very cold winter, government forecasters point to a mild El Niño pattern in the Pacific Ocean, which lessens the odds of a frigid North American winter in parts of the country that rely heavily on the fuel for heating.

Domestic natural-gas production of about 82 billion cubic feet a day isn't nearly enough to provide for peak winter demand, which is why up to about 4 trillion cubic feet of gas is stored underground and nearly 3 trillion drawn upon during some heating seasons. This year, though, the U.S. Energy Information Administration expects the starting amount at the end of next month to be around 3.3 trillion cubic feet—the lowest since 2005, when natural-gas prices hit their record. A projected ending storage level much below 1 trillion cubic feet often spooks traders.

A 2005-style squeeze is out of the question, but a big price spike isn't. It was just four winters ago that a cold winter caused a 75% surge in futures prices to above $6 a million British thermal units.

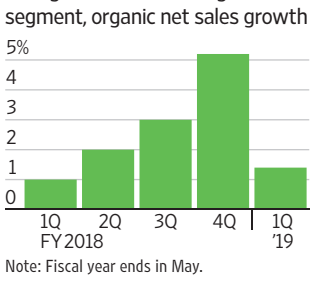
So far there is little sign of anxiety, with both front-month and February futures below $3. Thursday's weekly inventory report and forecasts for continued builds in coming weeks were encouraging, yet storage is now 20% below year-ago levels and 18% below the five-year average. Possible tough sledding ahead. —*Spencer Jakab*

Conagra Can Recover From Its Setback in Frozen Foods

An earnings miss by **Conagra Brands** has investors wondering if frozen food is still the growth driver they believed it to be. It likely still is, but that could take a while to show up again in the company's results.

Conagra became an investor favorite in the troubled packaged-food sector by successfully renovating old frozen brands like Healthy Choice, driving impressive sales growth. But on Thursday, the company reported disappointing sales, sending its shares down 8.5%.

Organic net sales, excluding the impact of a plant sale, rose 1.2% from a year earlier in the quarter through Aug. 26, slowing from 2% growth the prior quarter. Of particular concern was the sharp slowdown in the frozen- and refrigerated-food segment.



This division's organic net sales rose just 1.4%, compared with 5.2% the previous quarter.

This raises the possibility that Conagra's growth spurt in frozen was a mere one-off, the result of a couple of successful brand relaunches. That would be especially worrying since Conagra is about to double down on the strategy with a deal to acquire frozen specialist Pinnacle Foods, set to close next month. Adding to investors' jitters, Nielsen data cited by analysts have shown weak sales for Pinnacle's frozen products in recent weeks.

Still, these fears are likely overblown. The fundamental drivers of the sector's outperformance remain intact. They include a shift in consumer diets toward perishable vegetables and proteins from shelf-stable carbohydrates, combined with busy family schedules and growing awareness that frozen vegetables retain nutrients well.

Conagra itself has more frozen brands in its stable set for upgrades this year, including sausage and biscuit brand Tennessee Pride and Marie Callender's. The company reiterated its sales and profit guidance for the fiscal year ending in May.

As for Pinnacle, the explanation for its slipping sales is likely benign. It is possible management took its eyes off the ball after agreeing to sell the company in June, causing the sales slump.

Conagra trades at a reasonable 14.9 times forward earnings, according to FactSet, only a slight premium to much more growth-challenged competitors like **Campbell Soup** Co. at 14.4 times and **General Mills** Inc. at 13.7 times.

Integrating Pinnacle will be a yearslong project for Conagra, but the shift toward frozen isn't a fad. In a packaged-food industry bereft of growth stories, this is still one to bet on.

—*Aaron Back*

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MARKETS REVIEW & OUTLOOK

THIRD QUARTER

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THE WALL STREET JOURNAL. Monday, October 1, 2018 | R1

Oil Rally Reignites Talk of $100 a Barrel

Geopolitical risks, including looming sanctions on Iran, drive prices higher

By Amrith Ramkumar

Oil prices are again marching higher, prompting talk that crude could reach $100 a barrel for the first time since 2015's crash.

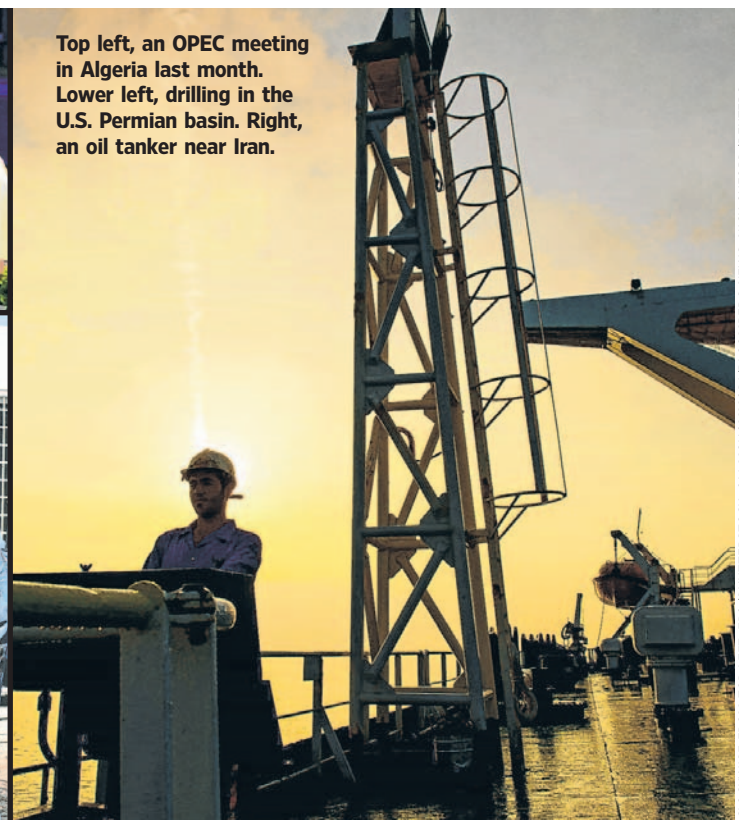
Brent crude, the global benchmark for oil prices, jumped 4.1% in the third quarter to $82.72 a barrel, the highest level in nearly four years. Brent's fifth consecutive quarterly advance marks its longest such streak since 2008. U.S. crude edged down from its most recent multiyear high, falling 1.2% to $73.25 a barrel in the latest quarter, though it has risen in five of the past six weeks. Investors have grown more bullish ahead of Nov. 4, the U.S. sanctions deadline for companies to stop buying Iranian oil.

Sentiment was bolstered, too, by the recent decision of the Organization of the Petroleum Exporting Countries and its allies to leave production steady. That move, analysts said, convinced investors that the removal of Iranian oil from the market, along with supply disruptions in places such as Venezuela, will lead to large crude shortages.

Brent is up 24% for the year so far and West Texas Intermediate, the U.S. gauge, has risen 21%.

"When you have a geopolitical risk backdrop like this, it just fuels bullish market sentiment," said Michael Cohen, head of energy commodities research at Barclays. "The fundamentals of the market are tightening before some had expected."

Further underpinning oil's rally is investor confidence that a robust U.S. economy will continue to keep fuel consumption near record levels.



Top left, an OPEC meeting in Algeria last month. Lower left, drilling in the U.S. Permian basin. Right, an oil tanker near Iran.

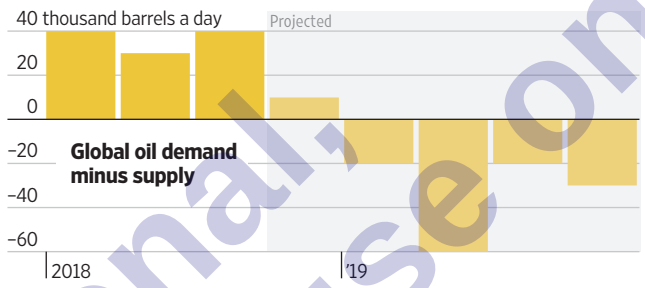
CLOCKWISE FROM TOP LEFT: EPA/SHUTTERSTOCK; ALI MOHAMMADI/BLOOMBERG NEWS; NICK OXFORD/REUTERS

Climbing Again

Brent crude prices hit a fresh peak late in the third quarter as traders weighed supply disruptions.

Sources: Dow Jones Market Data (Brent); International Energy Agency, Energy Information Administration (oil supply/demand); Barclays Research (oil supply/demand projections)

Analysts expect global oil demand to exceed supply in the fourth quarter, but some projections call for higher supply in the longer term.



Note: Oil projections for fourth quarter 2019 are from early September.

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That belief has prompted calls for oil prices to reach $100 again, a level Brent hasn't hit since September 2014.

While Brent would have to rise an additional 21% to reach the $100 level, this isn't idle chatter: Bullish options that pay out if Brent hits $100 by January increased by more than 62% in the past week, according to Intercontinental Exchange data as of Sept. 27 by QuikStrike.

Oil's rally also is luring speculators. Hedge funds have boosted net bullish bets on Brent for five consecutive weeks, pushing them to their highest level since May during the week ended Sept. 25, ICE data show.

Some analysts estimate that about one million barrels a day of Iran's roughly 2.5 million barrels a day of oil exports could ultimately be at risk from U.S. sanctions, removing more oil from the market after Iranian shipments have already been falling.

Saudi Arabia, the world's largest oil producer and de facto head of OPEC, has insisted it can fill any supply shortfall created by the Iran sanctions. But some analysts say recent increases in output from large suppliers and production disruptions have eroded global spare capacity.

"Without spare capacity, OPEC is relatively impotent in relation to preventing rising prices," said Richard Robinson, manager of the Ashburton Global Energy Fund.

In the U.S., infrastructure bottlenecks due mainly to pipeline issues and worker shortages have prevented production from rapidly growing, cutting off more supply from the broader market and leading to a nearly $10-a-barrel gap between global and U.S. prices.

Traders also are bracing for a price surge that could cause a run-up in retail gasoline prices in the U.S.

How much pain there is at the pump could inject further uncertainty into the politics around oil, especially ahead of U.S. congressional midterm elections on Nov. 6. While President Trump in May announced that his administration would reinstate sanctions on Iran, the U.S. for months largely avoided the side effect of rising fuel costs, with oil prices flatlining this summer as Saudi Arabia and Russia increased production before turning up again.

Average U.S. gasoline prices also have been largely steady after nearing $3 a gallon earlier this year, their highest level since 2014.

If gasoline prices leap, some analysts believe the Trump administration may come under political pressure to act, for example by granting waivers to companies seeking to buy Iranian oil or dipping into the Strategic Petroleum Reserve, the country's emergency oil stockpiles. The latter has historically been viewed as a last-ditch option in an effort to contain price rises.

Should the conflict with Iran ramp up, "I don't see any barrier whatsoever for oil prices hitting $100 a barrel," said Matt Badiali, research analyst at investment research firm Banyan Hill Publishing. "Going into the holiday travel season, that would be really frustrating for the American consumer."

—Christopher Alessi and Gunjan Banerji contributed to this article.

Stock Pickers Fail to Match Index Funds

By Dawn Lim

This year was supposed to be stock pickers' big comeback. So far, it hasn't been.

As the year started, the specter of interest-rate increases and a jump in market volatility set the stage for active managers to exploit possible ups and downs in prices. Adding to factors lining up in active managers' favor were investor concerns about a downturn and a possible trade war that slowed flows into funds that mimic markets.

Net inflows into cheap index funds abated, raising active managers' hopes that stock picking would stage a resurgence.

But in the race for returns in the past year, passively managed funds won again: Just 36% of actively managed U.S. stock funds outperformed index mutual funds and exchange-traded funds in the year ended June 30, according to data compiled by research firm Morningstar Inc. That is down from the 43% that did so in 2017.

The decadeslong shift into low-price passive investments that made **BlackRock** Inc. and **Vanguard Group** two of the largest financial firms in the world has continued as the bull market marches on.

"It's been a tough run" for U.S. equity managers, said Timothy McCusker, chief investment officer at Boston consulting firm NEPC LLC. "We expect active managers to underperform in euphoric markets. We're in the late stage of a market where fundamentals are being less rewarded."

One of the main issues for active managers has been the fact that a handful of highflying tech giants have held outsize sway over the market. **Amazon.com** Inc., **Apple** Inc. and **Microsoft** Corp. were the biggest contributors to the S&P 500's total return in the year ended June 30, contributing one-quarter of gains, according to data from S&P Dow Jones Indices.

Stock pickers that didn't wager on the handful of names

Please turn to page R2

INSIDE

EUROPEAN STOCKS TRAIL OTHER MARKETS

GLOBAL INVESTING, R5

BITCOIN'S SLIDE SPOILS ITS BIRTHDAY

CURRENCIES, R5

Profits Struggle Against the Dollar

By Michael Wursthorn

The U.S. dollar's surge this year is likely to dent third-quarter earnings at big multinational corporations and stir consternation in a stock market that is already grappling with trade tensions and higher interest rates.

The greenback has risen 4.3% against a basket of 16 other currencies in 2018, even after growth slowed in the latest quarter to 1.9%. The stronger dollar makes converting foreign profits into the U.S. currency more expensive, dragging earnings lower at dozens of companies including **Johnson & Johnson**, **Nike** Inc. and **Goodyear Tire & Rubber** Co.

Although companies in the S&P 500 are expected to report another period of double-digit profit growth, more firms are issuing warnings ahead of earnings season—and currency fluctuations are one of the primary factors to blame. About 76% of the 98 companies that have given projections have issued negative guidance, which is above the five-year average, according to FactSet.

Overall, profits are expected to log an increase of 19% from a year earlier in the third quarter, marking a slowdown from the 25% growth notched in the first and second quarters, according to the data provider. Robust corporate earnings have helped propel U.S. stocks to records in September, but concerns about peaking profits, along with continuing trade tensions and monetary tightening by the Federal Reserve, have spooked investors for much of the year.

"The move in currencies has been underappreciated," said James Tierney, a portfolio manager with AllianceBernstein. "The dollar's rise and the moves in developing-market currencies have truly been staggering, especially for companies with huge exposure to India, Latin America and Asia."

Tempering Expectations

About three-quarters of earnings guidance from S&P 500 companies has been negative.*

*No companies in the energy sector provided third-quarter guidance. †Data as of 2017.
Source: FactSet

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Online auction house **eBay** Inc. warned over the summer that the dollar's strength would likely knock $150 million off its revenue for the year, while Johnson & Johnson has said the currency's jump forced it to trim its revenue projections and narrow its earnings estimate.

More U.S. companies are issuing warnings as fluctuations in currencies take a toll.

Athletic-apparel powerhouse Nike said the dollar has been a "slight headwind" over the past three months and will curtail revenue growth for the year.

Nike got roughly 65% of its revenue from overseas last year, with China and Canada among the biggest foreign markets for the maker of sneakers and sportswear, according to FactSet.

Many companies attempt to limit the impact of currency swings through hedging programs. Nike Chief Financial Officer Andrew Campion, for instance, said on a recent conference call with analysts that the company's hedging program delays the impact of foreign-exchange movements on its profitability for 12 to as many as 24 months.

But the program, as well as those run by some other companies, tends to hedge for developed-market currencies, such as the euro, and not emerging markets. Many of those countries service their debt using the greenback, making them more economically sensitive to the dollar's moves. Nike said it isn't "economical" to hedge for currency risks in countries like Turkey, Argentina and Brazil, and its exposure in China is only partially hedged.

At Goodyear Tire & Rubber, the dollar's gains against the lira, Brazilian real, yuan and euro have been punishing this year. The tire maker warned over the summer that the dollar's ascent against those currencies will sap $60 million from its operating income for the year. That is on top of a projected $70 million shortfall due to softening market conditions in China.

With a foreign-revenue exposure of roughly 56%, Goodyear Chief Executive Richard Kramer warned at a Morgan Stanley conference in September that the translation effects of converting those overseas earnings into dollars have been having a "big impact."

Clorox Co. attributed the second quarter's 2% drop in international sales to the devaluation of the Argentine peso.

The currency headaches are expected to continue and shave 2% from its total sales in fiscal 2019, Chief Financial Officer Kevin Jacobsen said at a Barclays consumer-staples conference in September.

Although the dollar has given up some of its gains in

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Next Week

The quarterly Investing in Funds & ETFs report will appear on Oct. 8.

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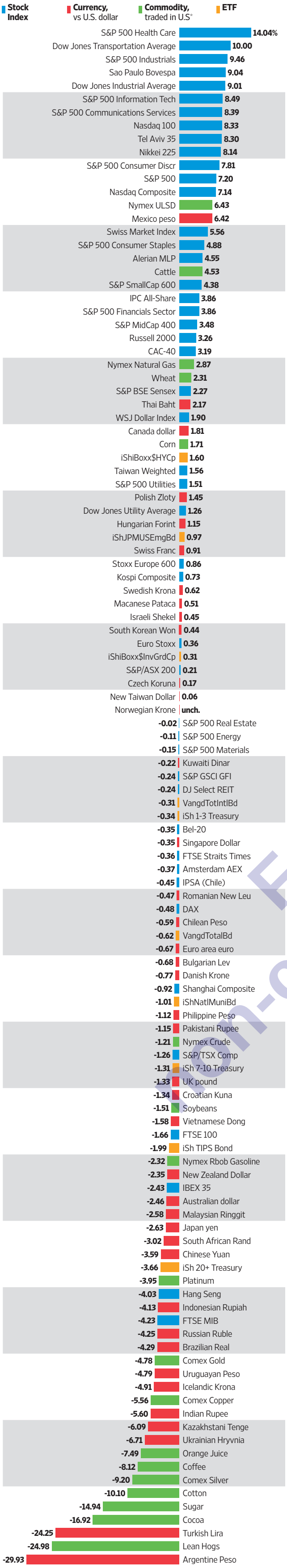
Track the Markets: Winners and Losers

A look at how selected global stock indexes, bond ETFs, currencies and commmodities performed around the world for the quarter



*Continuous front-month contracts

Sources: SIX Financial Information (stock indexes), Tullett Prebon (currencies), Dow Jones Market Data (bond ETFs, commodities).

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Bond-Yield Moves Signal Caution

By Daniel Kruger

The gap between shorter- and longer-term Treasury yields stands near its narrowest in more than a decade entering the fourth quarter, a cautionary sign about the economy that has investors reassessing earlier predictions that rates would continue to rise.

The so-called yield curve, which measures the dispersion between shorter-term and longer-term rates, is a crucial indicator of sentiment about the prospects for economic growth. Investors monitor the curve closely because short-term rates have exceeded longer-term ones before each recession since at least 1975—a phenomenon known as an inverted yield curve.

Treasury yields rose across the curve during the third quarter as investors bet the Federal Reserve would continue to raise interest rates at a steady pace while the recent acceleration of economic growth increased the potential for inflation to accelerate.

The gap between the yields on two- and 10-year Treasurys, one measure of the curve, shrunk for a seventh consecutive quarter to 0.236 percentage point, narrowing to as little as 0.2 percentage point on Aug. 24. The two-year yield rose to 2.819%, while the 10-year yield closed the quarter at 3.055%. The gap had been 1.253 percentage points after the fourth quarter of 2016, the last period in which it widened.

Now investors are wondering how high long-term yields can go without more evidence of inflation. Longer-term yields typically track expectations for growth and rising prices because inflation erodes the purchasing power of bonds' fixed payments.

Shorter-term yields, which tend to be driven more by expectations for central-bank moves, have climbed more quickly, as investors bet the Fed will stick to its pattern of quarterly rate increases.

The concerns about the flattening yield curve are set against a backdrop of robust economic growth, solid employment gains and rising corporate profits that left few investors betting on an imminent recession. At the same time, the solid expansion has led to only modest wage gains and a rate of inflation that has struggled to reach the Fed's 2% target, even after massive stimulus from last year's $1.5 trillion tax cut.

One measure of investors' expectations for average annual inflation over the next decade, known as the 10-year break-even rate, has been relatively steady lately at around 2.1 percentage points.

"The latest round of inflation data was pretty tame," said Jack McIntyre, who manages bond portfolios at Brandywine Global Investment Management. "The Fed tightening is not going to help lift them."

The consumer-price index, which gauges what Americans pay for consumer goods, rose a seasonally adjusted 0.2% in August from the prior month, the Labor Department said in September.

From a year earlier, prices rose 2.7%, a slowdown from the nearly 3% annual gain the prior two months. August was the first month this year that year-to-year price growth declined. Core inflation rose 2.2% from a year earlier, also slightly slower than July's annual gain.

Fed officials have penciled in three interest-rate increases in 2019. Atlanta Fed President Raphael Bostic has suggested that policy makers should try to avoid having the yield curve invert because it could signal officials have pushed too quickly to restrain inflation, increasing the odds that the nine-year economic expansion could grind to a halt.

"Any inversion of any sort is a surefire sign of a recession," said Mr. Bostic in a June interview.

Narrowing Gap

The difference between shorter- and longer-term Treasury yields is poised to narrow further.

Source: Thomson Reuters

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Dollar Succumbs to Damped Sentiment

By Ira Iosebashvili

A dollar rally that has pressured everything from emerging markets to commodities in 2018 is reversing into the year's end.

The ICE Dollar Index, which measures the U.S. currency against a basket of six others, has given up around one-third of its gains from the year's first eight months, falling 1.7% from its August peak.

A number of factors have dovetailed in recent months to weigh on the dollar. A gradual U.S. approach toward imposing tariffs on Chinese goods has sparked hopes that the U.S. and China may eventually resolve their trade dispute, encouraging investors to cut back on haven bets such as the dollar and shifting into U.S. shares and beaten-up emerging-markets currencies and stocks. That could pressure the dollar in coming months.

This trade conflict between the world's two largest economies had buoyed the dollar earlier in the year, with many investors believing the U.S. would be less damaged than other countries in an all-out trade war.

"Risky assets look a little bit more attractive and investors are looking to dip their toes back into other asset classes," said Mark McCormick, North American head of foreign-exchange strategy at TD Securities.

The dollar also has been weighed down by signs of burgeoning growth outside the U.S. European Central Bank head Mario Draghi in September delivered an upbeat assessment of the region's economy and confirmed a plan, announced in June, to wrap up the ECB's €2.5 trillion ($2.901 trillion) bond-buying program by the end of the year. Meanwhile, Japan's economy returned to growth in the second quarter after a contraction in the first three months of the year.

At the same time, many investors already anticipate four interest-rate increases in 2018. The Federal Reserve raised rates for the third time this year in September and is widely expected to raise them once more in December. While tighter monetary policy in the U.S. typically makes the dollar more attractive to yield-seeking investors, some believe the market already has factored the next few rate increases into the currency's price.

Taken together, these factors have damped investor enthusiasm for the U.S. currency.

"We believe that dollar strength, based on macroeconomic and monetary-policy divergence, has almost run its course," analysts at the Wells Fargo Investment Institute wrote in a recent note to clients. They expect the dollar to remain flat against the euro for the remainder of 2018 and depreciate against it next year.

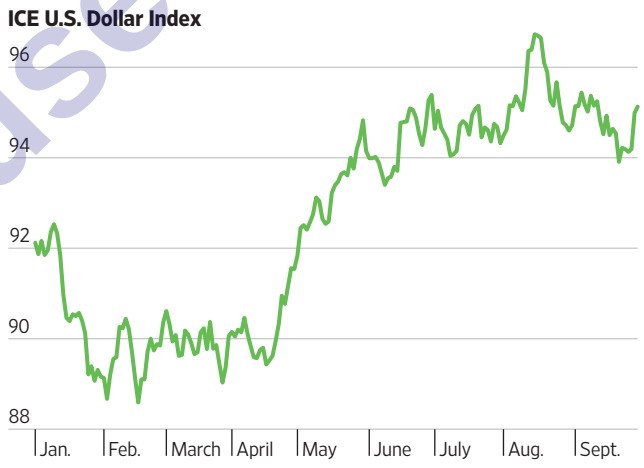
A weaker U.S. currency would offer some relief to the battered currencies of emerging-markets countries where dollar strength has contributed to turmoil in recent months, such as Turkey, Argentina and South Africa. These nations, along with many other developing markets, accumulated large amounts of dollar-denominated external debt in recent years, which became more difficult to service when the dollar and U.S. yields rose earlier in 2018.

It would be less welcome in Europe and Japan, whose weaker currencies have helped fuel economic rebounds.

In the U.S., the dollar's downshift could ease pressure on multinational companies whose balance sheets have suffered because they need to convert foreign profits into the U.S. currency. It also could help buoy commodities such as oil, gold and copper, which are priced in the U.S. currency and become more affordable to foreign buyers when the dollar depreciates.

Sputtering

The dollar's rally has cooled in recent months.



Source: Dow Jones Market Data

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Indexes Top Active Managers

Continued from the prior page

leading the market were challenged.

Managers focused on large growth stocks were the only group of U.S. equity investors more successful in outperforming passive peers than in the previous year, Morningstar data show.

Value managers, which buy out-of-favor stocks in hopes of profiting when they bounce back, were hit. As money has gravitated toward hot companies, many value stocks have languished.

"Passive investing has worked so well because of the dominance of growth stocks in the indices," Mr. McCusker said. His firm, NEPC, expects to have more conversations with clients in the coming year to make sure that they are rebalancing the mix of growth and value strategies. "Growth can win for a long time, but the tide can turn."

Notably, big technology companies such as **Facebook** and Google parent **Alphabet** Inc. that powered the recent rally came under pressure in recent months, pulling down the broader market as concerns over regulation of the sector mounted.

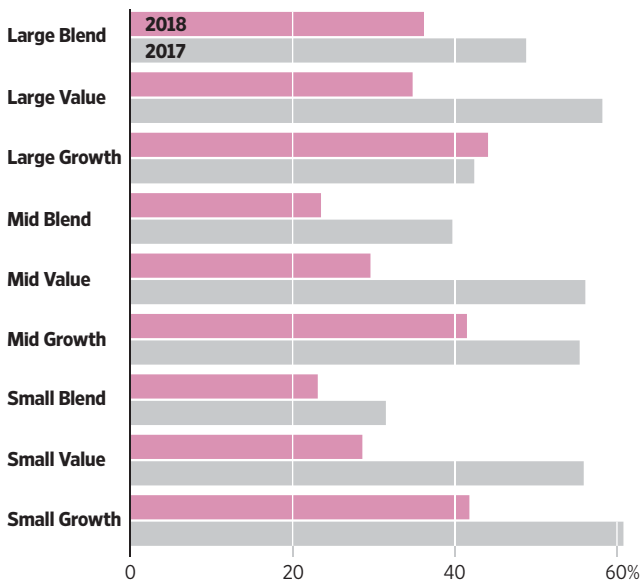
While some observers watch for signs of a shift in the balance of power between passive and active managers, a continuing price war between investment firms will further unsettle the industry.

On the passive side, **State Street Global Advisors** rolled out low-cost exchange-traded-fund offerings over the past year, while **Fidelity Investments** launched zero-fee funds and slashed costs on other funds.

Some active mutual-fund managers have lowered fees or moved to tie them more closely to performance. A fee-cutting push among passive funds means active managers, which charge higher fees, will face pressure to score more gains to beat the performance of index funds.

Odds Stacked Against Stock Pickers

The proportion of active equity managers that beat passive peers fell in the past year.



Note: Data are for the 12-month periods ended June 30 of each year and cover only U.S. equity funds.

Source: Morningstar

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Profits Hurt By Strength Of Currency

Continued from the prior page

recent weeks as the euro and Japanese yen strengthened, several factors could propel the U.S. currency higher over the next several months.

The dollar could rise if the U.S. economy continues to grow at a rapid pace in line with the second quarter's 4.1% gross-domestic-product reading, said Peter Wilson, global fixed-income strategist at Wells Fargo Investment Institute, in a recent note.

Renewed trade tensions could support another leg of the dollar's rally. Although most investors agree tariffs would be a drag across much of the economy, the U.S. is expected to better withstand a sharp escalation in the trade spat than other countries, such as China.

And rising interest rates could make the dollar more attractive to investors who are searching for higher-yielding investments. The Federal Reserve proceeded with its third rate increase in 2018 last week and has plans for one more this year and four more in 2019.

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MARKETS REVIEW & OUTLOOK: THIRD QUARTER MARKETS DIGEST

Top 10 Rankings

Global Mergers & Acquisitions
Deals announced in first 9 Months

Adviser	Value $billions	No. of Deals	Market Share%
Goldman Sachs	1,003.0	300	30.7
Morgan Stanley	888.1	232	27.2
JPMorgan	805.2	260	24.6
Citi	687.3	208	21.0
BofA-Merrill Lynch	503.1	141	15.4
Barclays	421.9	153	12.9
Lazard	394.5	162	12.1
Credit Suisse	387.2	162	11.8
Evercore Inc	350.8	125	10.7
Deutsche Bank	324.9	108	9.9

Global Equity Capital Markets
Deals priced in first 9 Months

Bookrunner	Value $billions	No. of Deals	Market Share%
Goldman Sachs	56.0	301	9.6
Morgan Stanley	52.0	320	8.9
JPMorgan	45.9	315	7.8
Citi	40.5	279	6.9
BofA-Merrill Lynch	33.3	204	5.7
Credit Suisse	25.1	194	4.3
UBS	22.7	146	3.9
Deutsche Bank	17.7	147	3.0
Barclays	16.9	126	2.9
China International Capital	10.5	39	1.8

Global Debt Capital Markets
Deals priced in first 9 Months

Bookrunner	Value $billions	No. of Deals	Market Share%
Citi	336.4	1,437	6.4
JPMorgan	333.7	1,532	6.4
BofA-Merrill Lynch	306.2	1,170	5.9
Barclays	243.0	1,013	4.7
Goldman Sachs	236.0	1,093	4.5
Morgan Stanley	209.7	1,206	4.0
HSBC	208.5	991	4.0
Wells Fargo Sec	178.1	983	3.4
Deutsche Bank	170.5	775	3.3
BNP Paribas	153.9	653	2.9

Global Syndicated Loans
Deals credited in first 9 Months

Bookrunner	Value $billions	No. of Deals	Market Share%
JPMorgan	350.8	1,012	10.9
BofA-Merrill Lynch	318.8	1,021	9.9
Citi	190.8	561	5.9
Wells Fargo Sec	182.4	677	5.7
MUFG	138.5	878	4.3
Mizuho	126.6	594	3.9
Barclays	110.1	435	3.4
Goldman Sachs	101.3	405	3.1
RBC Capital Markets	96.6	416	3.0
Deutsche Bank	96.1	376	3.0

U.S. Mergers & Acquisitions
Deals announced in first 9 Months

Adviser	Value $billions	No. of Deals	Market Share%
Goldman Sachs	614.7	196	38.0
Morgan Stanley	519.1	125	32.1
JPMorgan	433.4	148	26.8
Barclays	364.9	112	22.6
Citi	345.1	119	21.3
BofA-Merrill Lynch	300.5	81	18.6
Credit Suisse	268.1	83	16.6
Centerview Partners	234.7	36	14.5
Evercore Inc	233.8	94	14.5
Lazard	196.2	63	12.1

U.S. Initial Public Offerings
Deals priced in first 9 Months

Bookrunner	Value $millions	No. of Deals	Market Share%
BofA-Merrill Lynch	3,736	44	10.3
Goldman Sachs	3,572	39	9.8
Citi	2,965	25	8.2
JPMorgan	2,908	39	8.0
Credit Suisse	2,732	25	7.5
Morgan Stanley	2,579	33	7.1
Deutsche Bank	1,976	17	5.4
RBC Capital Markets	1,535	16	4.2
Barclays	1,413	19	3.9
Jefferies LLC	1,067	20	2.9

U.S. Investment-Grade Bonds
Deals priced in first 9 Months

Bookrunner	Value $billions	No. of Deals	Market Share%
BofA-Merrill Lynch	129.8	445	12.5
JPMorgan	122.0	385	11.8
Citi	104.2	399	10.0
Goldman Sachs	83.1	540	8.0
Morgan Stanley	77.1	358	7.4
Wells Fargo Sec	70.0	294	6.7
Barclays	68.7	280	6.6
HSBC	47.2	106	4.5
MUFG	30.4	126	2.9
RBC Capital Markets	30.4	192	2.9

U.S. High-Yield Bonds
Deals priced in first 9 Months

Bookrunner	Value $billions	No. of Deals	Market Share%
JPMorgan	14.2	110	9.8
Goldman Sachs	11.9	87	8.1
Credit Suisse	11.6	77	7.9
Wells Fargo Sec	11.0	83	7.6
BofA-Merrill Lynch	10.9	98	7.5
Barclays	10.8	83	7.4
Citi	9.0	78	6.1
Deutsche Bank	8.7	69	6.0
Morgan Stanley	8.0	63	5.5
RBC Capital Markets	7.2	62	5.0

U.S. Core Leveraged Finance[1]
Fees paid in first 9 Months

Bank	Revenue $millions	2018 Mkt Shr %	2017 Mkt Shr %
JPMorgan	878	10.5	10.6
Credit Suisse	717	8.6	8.5
Barclays	686	8.2	9.3
BofA-Merrill Lynch	592	7.1	7.6
Goldman Sachs	585	7.0	7.3
Deutsche Bank	478	5.7	4.2
Morgan Stanley	443	5.3	5.7
Jefferies LLC	424	5.1	5.3
RBC Capital Markets	382	4.6	4.7
Citi	336	4.0	5.5

Global Investment Banking[1]
Fees paid for M&A, ECM, DCM and loans in first 9 Months

Bank	Revenue $millions	2018 Mkt Shr %	2017 Mkt Shr %
JPMorgan	5,201	8.7	8.2
Goldman Sachs	4,485	7.5	6.9
Morgan Stanley	3,861	6.5	6.0
BofA-Merrill Lynch	3,359	5.6	6.3
Citi	3,040	5.1	5.4
Credit Suisse	2,721	4.6	4.5
Barclays	2,541	4.3	4.3
Deutsche Bank	1,949	3.3	3.3
UBS	1,380	2.3	2.3
RBC Capital Markets	1,351	2.3	2.3

[1]Dealogic Revenue analytics are employed where fees aren't disclosed. Source: Dealogic

Who's No. 1?
Top banks in Dealogic rankings across M&A, equity capital markets (ECM), debt capital markets (DCM) and loans, in first 9-months.

Product and Deal Type	No.1 - Ranked Bank	First 9-months market share (%)	Chg in market share from first 9-months 2017 (pct. points)
Investment Banking			
Global IB Revenue[1]	JPMorgan	8.7	0.5
Global M&A Revenue[1]	Goldman Sachs	10.2	-0.4
Global ECM Revenue[1]	Morgan Stanley	9.2	2.3
Global DCM Revenue[1]	JPMorgan	7.3	-0.5
Global Loans Revenue[1]	JPMorgan	9.8	0.4
Global M&A	Goldman Sachs	30.7	9.5
U.S. M&A	Goldman Sachs	38.0	11.1
Global M&A Boutique	Evercore Inc	10.7	3.7
Equity Capital Markets			
Global ECM	Goldman Sachs	9.6	2.4
Global IPOs	Goldman Sachs	6.7	3.1
Global All Follow-Ons	Morgan Stanley	10.1	2.4
Global Convertible Bonds	Goldman Sachs	13.2	5.5
U.S. ECM	Morgan Stanley	13.7	3.2
U.S. IPOs	BofA - Merrill Lynch	10.3	5.2
U.S. Block Trades	Morgan Stanley	21.7	6.4
U.S. Non-Block Follow-Ons	JPMorgan	10.8	-1.0
U.S. Convertible Bonds	Morgan Stanley	18.1	5.9
Fixed Income			
Global DCM	Citi	6.4	-0.6
Global Investment-Grade Bonds	BofA - Merrill Lynch	6.3	-0.4
Global High-Yield Bonds	JPMorgan	8.3	-1.3
U.S. DCM	Citi	10.7	-0.4
U.S. Investment-Grade Bonds	BofA - Merrill Lynch	12.5	0.5
U.S. High-Yield Bonds	JPMorgan	9.8	-1.3
U.S. FIG Bonds	JPMorgan	12.4	1.8
Global Loans	JPMorgan	10.9	1.3
Global Investment-Grade Loans	JPMorgan	12.4	2.0
Global Leveraged Loans	JPMorgan	9.6	0.2
U.S. Loans	JPMorgan	14.6	1.0
U.S. Investment-Grade Loans	BofA - Merrill Lynch	18.4	-1.9
U.S. Leveraged Loans	JPMorgan	12.0	1.1
U.S. Total Leveraged Finance	JPMorgan	11.8	0.8
U.S. Core Leveraged Finance	JPMorgan	8.9	0.1
U.S. Core Leveraged Finance Revenue[1]	JPMorgan	10.5	-0.02

[1] Dealogic Revenue analytics are employed where fees are not disclosed Source: Dealogic

Market Boxscores
How the major indexes performed

	Third-quarter performance	Close 9/28/18	% chg from 9/28/17
Dow Jones Industrial Average	9.0%	26458.31	18.1
DJ U.S. Total Stock Market	6.6	30189.60	15.5
DJ World (excl. U.S.)	-0.3%	252.84	-0.5
S&P 500	7.2	2913.98	15.7
Nasdaq Composite	7.1	8046.35	23.9
NYSE Composite	4.6	13082.52	7.2
Russell 2000	3.3	1696.57	13.8
Value Line (Geometric)	2.3	582.86	8.1
NYSE MKT Composite	-1.0	2720.26	3.1

Sources: Dow Jones Market Data; S&P Dow Jones Indices

How the 30 Dow Jones Industrials Performed
Percentage change in the third-quarter and year-to-date

Company	3rd-qtr close	Percent Chg 3rd-qtr	Percent Chg YTD	Company	xxx-qtr close	Percent Chg xxx-qtr	Percent Chg YTD
Apple	225.74	21.9	33.4	JPMorgan Chase	112.84	8.3	5.5
Pfizer	44.07	21.5	21.7	IBM	151.21	8.2	–1.4
Walgreens	72.90	21.5	0.4	3M	210.71	7.1	–10.5
Merck	70.94	16.9	26.1	McDonald's	167.29	6.8	–2.8
Microsoft	114.37	16.0	33.7	Procter & Gamble	83.23	6.6	–9.4
Johnson & Johnson	138.17	13.9	–1.1	Nike	84.72	6.3	35.4
Visa	150.09	13.3	31.6	Home Depot	207.15	6.2	9.3
Cisco Systems	48.65	13.1	27.0	Verizon	53.39	6.1	0.9
Caterpillar	152.49	12.4	–3.2	Travelers	129.71	6.0	–4.4
United Technologies	139.81	11.8	9.6	Coca-Cola	46.19	5.3	0.7
Walt Disney	116.94	11.6	8.8	Exxon Mobil	85.02	2.8	1.6
Boeing Co Rg	371.90	10.8	26.1	Goldman Sachs	224.24	1.7	–12.0
Walmart Rg	93.91	9.6	–4.9	DowDuPont	64.31	-2.4	–9.7
American Express	106.49	8.7	7.2	Chevron	122.28	-3.3	–2.3
Unitedhealth Group	266.04	8.4	20.7	Intel	47.29	-4.9	2.4

Source: Dow Jones Market Data

Biggest Percentage Gainers...

Company	Symbol	Close	3rd Quarter Net chg	3rd Quarter % chg	52-Week Low	52-Week High	% chg
Amarin ADR	AMRN	16.27	13.18	426.5	2.35	16.34	364.9
KalVista Pharmaceuticals	KALV	22.11	13.99	172.3	6.65	23.41	228.5
ProQR Therapeutics	PRQR	19.35	12.05	165.1	2.75	22.85	299.0
CareDx	CDNA	28.85	16.61	135.7	3.40	29.60	679.7
Reata Pharmaceuticals A	RETA	81.76	46.79	133.8	19.31	98.36	162.9
Invitae	NVTA	16.73	9.38	127.6	4.35	18.38	78.5
RigNet	RNET	20.35	10.05	97.6	10.03	24.05	18.3
Applied Genetic Techs	AGTC	7.30	3.60	97.3	3.25	7.50	84.8
Tandem Diabetes Care	TNDM	42.84	20.82	94.6	2.14	52.55	486.8
Inseego	INSG	3.85	1.84	91.5	1.26	4.49	155.0
Health Ins Innovations A	HIIQ	61.65	29.30	90.6	14.10	62.90	325.2
Invuity	IVTY	7.40	3.50	89.7	2.35	9.55	–16.9
Funko Cl A	FNKO	23.69	11.14	88.8	5.81	31.12	...
LSB Industries	LXU	9.78	4.48	84.5	4.75	10.05	23.2
Viking Therapeutics	VKTX	17.42	7.93	83.6	1.42	24.00	812.0

Biggest Percentage Losers

Company	Symbol	Close	3rd Quarter Net chg	3rd Quarter % chg	52-Week Low	52-Week High	% chg
Vital Therapies	VTL	0.28	–6.57	–96.0	0.25	9.75	–94.5
Tonix Pharmaceuticals	TNXP	0.59	–3.86	–86.7	0.58	5.11	–87.0
Gemphire Therapeutics	GEMP	2.06	–8.13	–79.8	0.83	11.43	–78.3
Ampio Pharmaceuticals	AMPE	0.51	–1.69	–76.9	0.35	4.95	–16.9
ATA ADR	ATAI	1.05	–3.14	–74.9	0.82	6.87	–78.4
JMU ADR	JMU	1.12	–3.18	–74.0	1.03	16.40	–92.4
Synthetic Biologics	SYN	2.60	–5.77	–68.9	1.86	33.45	–92.0
Zion Oil & Gas	ZN	1.28	–2.78	–68.4	0.85	5.80	–62.5
Altimmune	ALT	4.40	–8.95	–67.0	4.07	94.80	–93.7
Endologix	ELGX	1.91	–3.75	–66.3	1.64	6.72	–57.2
Lannett Co	LCI	4.75	–8.85	–65.1	4.60	30.35	–74.3
Maiden Holdings	MHLD	2.85	–4.90	–63.2	2.15	9.10	–64.2
Diebold Nixdorf	DBD	4.50	–7.45	–62.3	3.55	23.50	–80.3
New Gold	NGD	0.79	–1.29	–61.9	0.75	4.03	–78.6
LightInTheBox Holding ADR	LITB	0.83	–1.31	–61.3	0.66	3.52	–65.7

Most Active Stocks
Most heavily traded issues in Third quarter of 2018; composite volume, in millions

Company	Symbol	Volume	Close	3rd Quarter Net chg	3rd Quarter % chg	52-Week High	52-Week Low	% chg
iShares MSCI Emg Markets	EEM	4,188	42.92	–0.41	–0.9	52.08	40.63	–4.2
SPDR S&P 500	SPY	3,791	290.72	19.44	7.2	293.94	250.13	15.7
General Electric	GE	3,637	11.29	–2.32	–17.0	24.89	11.21	–53.3
Bank of America	BAC	3,419	29.46	1.27	4.5	33.05	25.12	16.3
Finl Select Sector SPDR	XLF	3,081	27.58	0.99	3.7	30.33	25.70	6.7
VanEck Vectors Gold Miner	GDX	2,759	18.52	–3.79	–17.0	24.86	17.28	–19.3
Ford Motor	F	2,514	9.25	–1.82	–16.4	13.48	9.09	–22.7
Micron Technology	MU	2,306	45.23	–7.21	–13.7	64.66	37.52	15.0
AT&T	T	2,202	33.58	1.47	4.6	39.80	30.13	–14.3
Ambev ADR	ABEV	2,020	4.57	–0.06	–1.3	7.43	4.28	–30.7
Invesco QQQ Trust I	QQQ	2,020	185.79	14.14	8.2	187.52	144.32	27.7
iPath S&P 500 VIX ST Fut	VXX	2,001	26.67	–10.33	–27.9	56.50	25.59	–31.9
Apple	AAPL	1,771	225.74	40.63	21.9	229.67	150.24	46.5
iShares MSCI Brazil ETF	EWZ	1,764	33.73	1.68	5.2	47.85	30.65	–19.1
Facebook Cl A	FB	1,701	164.46	–29.86	–15.4	218.62	149.02	–3.8
Chesapeake Energy	CHK	1,699	4.49	–0.75	–14.3	5.60	2.53	4.4
Twitter	TWTR	1,697	28.46	–15.21	–34.8	47.79	16.75	68.7
iShares China Large-Cap	FXI	1,685	42.82	–0.15	–0.3	54.00	39.82	–2.8
Microsoft	MSFT	1,504	114.37	15.76	16.0	115.29	73.71	53.5
Intel	INTC	1,458	47.29	–2.42	–4.9	57.60	37.70	24.2

Gainers and losers include common issues of $2 or more listed on NYSE, Nasdaq, NYSE MKT or NYSE Arca at the beginning of the quarter.

IPO Scorecard
Best performing US listed IPOs in first nine months ranked by % change in price from offer to last trade in the quarter

Issuer	Exchange	$ Offer price	% Chg from offer	Pricing Date	IPO Value $ millions
Tilray	Nasdaq	17.00	744.8	July 18	176
AGM Group	Nasdaq	5.00	617.0	Apr. 13	7
Goosehead Insurance	Nasdaq	10.00	238.7	Apr. 26	98
Solid Biosciences	Nasdaq	16.00	194.9	Jan. 25	144
AvroBio	Nasdaq	19.00	173.0	June 20	115
Inspire Medical Systems	NYSE	16.00	163.0	May 2	124
Zscaler	Nasdaq	16.00	154.9	Mar. 15	221
Allakos	Nasdaq	18.00	149.9	July 18	148
Liquidia Technologies	Nasdaq	11.00	149.4	July 25	53
Bloom Energy Corp	NYSE	15.00	127.2	July 24	311
Pluralsight	Nasdaq	15.00	113.3	May 16	357
Smartsheet	NYSE	15.00	108.4	Apr. 26	201
CLPS	Nasdaq	5.25	106.7	May 23	12
Cactus	NYSE	19.00	101.5	Feb. 7	503
Golden Bull	Nasdaq	4.00	100.0	Mar. 19	7
Huya	NYSE	12.00	96.5	May 10	207
Cardlytics	Nasdaq	13.00	92.6	Feb. 8	76
Ceridian HCM	NYSE	22.00	91.0	Apr. 25	531
Neuronetics	Nasdaq	17.00	88.6	June 28	108
PlayAGS	NYSE	16.00	84.2	Jan. 25	189

Worst performing US listed IPOs in first nine months ranked by % change in price from offer to last trade in the quarter

Issuer	Exchange	$ Offer price	% Chg from offer	Pricing Date	IPO Value $ millions
Eyenovia	Nasdaq	10.00	-59.8	Jan. 24	27
Constellation Pharmaceuticals	Nasdaq	15.00	-55.1	July 18	60
Corporacion America Airports	NYSE	17.00	-49.8	Feb. 1	486
HyreCar	Nasdaq	5.00	-49.0	June 27	13
Puxin	NYSE	17.00	-48.6	June 14	141
Iterum Therapeutics	Nasdaq	13.00	-48.5	May 24	83
Sunlands Online Education	NYSE	11.50	-47.4	Mar. 22	150
Neon Therapeutics	Nasdaq	16.00	-46.6	June 26	100
Hancock Jaffe Laboratories	Nasdaq	5.00	-46.6	May 30	9
Vaccinex	Nasdaq	12.00	-42.3	Aug. 9	40
Menlo Therapeutics	Nasdaq	17.00	-42.1	Jan. 24	137
Adial Pharmaceuticals	Nasdaq	5.00	-41.6	July 26	7
Eidos Therapeutics	Nasdaq	17.00	-41.3	June 19	122
Sol-Gel Technologies	Nasdaq	12.00	-37.5	Jan. 31	86
FTS International	NYSE	18.00	-34.5	Feb. 1	404
Charah Solutions	NYSE	12.00	-34.2	June 13	88
ADT	NYSE	14.00	-32.9	Jan. 18	1,470
BioXcel Therapeutics	Nasdaq	11.00	-30.4	Mar. 8	60
PermRock Royalty Trust	NYSE	17.00	-27.9	May 1	106
Entasis Therapeutics	Nasdaq	15.00	-27.5	Sept. 25	75

Source: Dealogic

Country-by-Country Derby
Third-quarter stock-market performance, based on the S&P Global BMI (Broad Market Index) in U.S.-dollar and local-currency terms ranked by U.S.-dollar performance

Country	U.S. dollar	Local currency	Country	U.S. dollar	Local currency
Thailand	13.3%	10.7%	Australia	–1.9%	0.2%
Slovakia	9.1	9.7	Chile	–1.9	–0.6
Qatar	9.1	9.1	Cyprus	–2.0	–1.5
Mexico	8.3	3.0	Bulgaria	–2.2	–1.7
Israel	7.4	7.0	Netherlands	–2.4	–1.9
Luxembourg	7.3	7.9	Peru	–2.4	–2.4
Poland	7.1	5.5	Hong Kong	–2.5	–2.8
Sweden	6.8	6.2	Spain	–2.6	–2.1
U.S.	6.6	6.6	Portugal	–2.7	–2.2
Switzerland	6.5	4.8	Kuwait	–2.7	–1.7
Norway	6.3	6.2	U.K.	–2.8	–1.6
Hungary	5.1	3.8	Jordan	–3.0	–2.9
UAE	4.6	4.6	Morocco	–3.5	–4.1
Vietnam	4.2	5.9	Italy	–4.5	–4.0
Brazil	4.0	7.9	Bahrain	–4.5	–4.2
Czech Republic	3.6	3.2	Belgium	–5.2	–4.7
Romania	3.2	3.6	Lithuania	–5.2	–4.7
France	2.3	2.8	Ireland	–5.5	–5.0
Japan	2.3	4.9	Pakistan	–5.7	–3.6
Russia	2.3	6.0	India	–5.8	–0.4
Malaysia	1.8	4.3	Estonia	–5.9	–5.5
Finland	1.8	2.4	Slovenia	–6.3	–5.9
Austria	1.7	2.2	Colombia	–6.4	–5.3
Ukraine	1.5	8.8	Bangladesh	–6.4	–5.9
Denmark	1.2	1.8	South Africa	–7.8	–4.9
New Zealand	1.2	3.3	Lebanon	–8.7	–8.6
Taiwan	0.9	1.0	China	–8.8	–9.0
South Korea	0.7	0.2	Egypt	–9.6	–9.4
Mauritius	0.5	–0.3	Tunisia	–11.1	–4.5
Canada	0.3	–1.4	Greece	–12.0	–11.5
Indonesia	0.1	4.0	Latvia	–12.6	–12.2
Singapore	–0.4	–0.2	Kenya	–14.2	–14.4
Philippines	–0.5	0.7	Nigeria	–14.5	–13.7
Argentina	–0.6	40.5	Sri Lanka	–15.8	–10.1
Germany	–0.8	–0.2	Turkey	–21.3	3.2
Oman	–0.9	–0.9	Kazakhstan	–24.8	–19.9
Croatia	–1.8	–0.7			

Source: S&P Dow Jones Indices

Top 15 Global M&A Deals in First Nine Months
Ranked by deal value excluding net debt of the target company, excludes spin-offs repurchases

Acquirer	Target	Date Announced	Value $ billions
Takeda Pharmaceutical	Shire	19-Apr	63.1
CIGNA	Express Scripts	8-Mar	54.8
Comcast	Sky	27-Feb	42.6
E.ON	innogy	11-Mar	35.2
T-Mobile US	Sprint	29-Apr	27.6
Energy Transfer Equity	Energy Transfer Partners	1-Aug	26.6
Marathon Petroleum	Andeavor	30-Apr	23.3
Keurig Green Mountain	Dr. Pepper Snapple	29-Jan	22.9
Alibaba Group	Ant Small & Micro Financial Services (33%)	1-Feb	19.8
Broadcom	CA	11-Jul	18.9
Walmart	Flipkart (77%)	9-May	16.0
AXA	XL Group	5-Mar	15.4
Consortium of acquirers	Ant Small & Micro Financial Services (9.3%)	8-Jun	14.0
JERA	Tepco & Chubu thermal power plants	27-Feb	13.2
GlaxoSmithKline	Novartis Consumer Healthcare Business JV	27-Mar	13.0

Top 15 Global IPOs Priced in First Nine Months
Ranked by proceeds raised, including overalottment

Issuer	Exchange	Offer Price	%Chg To Qtr-End	Pricing Date	Value $ millions
China Tower	Hong Kong	HKD 1.26	-9.5	1-Aug	7,491
Xiaomi	Hong Kong	HKD 17.00	-8.8	29-Jun	5,430
Siemens Healthineers	Frankfurt	EUR 28.00	35.3	15-Mar	5,200
Foxconn Industrial Internet	Shanghai	CNY 13.77	3.4	23-May	4,257
Meituan Dianping	Hong Kong	HKD 69.00	-0.4	13-Sep	4,222
AXA Equitable	NYSE	USD 20.00	7.3	9-May	3,157
PagSeguro Digital	NYSE	USD 21.50	28.7	23-Jan	2,606
iQIYI	Nasdaq	USD 18.00	50.4	28-Mar	2,424
Viva Energy	Sydney	AUD 2.50	-8.8	11-Jul	1,976
Pinduoduo	Nasdaq	USD 19.00	38.4	25-Jul	1,743
Elanco Animal Health	NYSE	USD 24.00	45.6	19-Sep	1,736
DWS Group	Frankfurt	EUR 32.50	-26.8	22-Mar	1,638
SIG Combibloc	Zurich	CHF 11.25	9.3	28-Sep	1,528
Fibra E - GACM	Mexico	MXN 100.00	N.A.	23-Mar	1,474
ADT	NYSE	USD 14.00	-33.0	18-Jan	1,470

Top 15 Global Bonds Priced in First Nine Months
Ranked by face value, in U.S. dollars

Issuer	Deal Type	Issuer Nation	Currency	Pricing Date	Value $ millions
CVS Health	Corp IG	United States	USD	6-Mar	40,000
Cigna	Corp IG	United States	USD	6-Sep	20,000
Walmart	Corp IG	United States	USD	20-Jun	16,000
Bayer	Corp IG	United States	USD	18-Jun	15,000
Spain	Sovereign	Spain	EUR	23-Jan	12,244
Qatar	Sovereign	Qatar	USD	12-Apr	12,000
Vodafone Group	Corp IG	United Kingdom	USD	23-May	11,500
Saudi Arabia	Sovereign	Saudi Arabia	USD	10-Apr	11,000
United Technologies	Corp IG	United States	USD	13-Aug	11,000
Italy	Sovereign	Italy	EUR	10-Jan	10,748
Anheuser-Busch InBev	Corp IG	Belgium	USD	20-Mar	10,000
Sanofi	Corp IG	France	EUR	14-Mar	9,887
Italy	Sovereign	Italy	EUR	17-May	9,107
Argentina	Sovereign	Argentina	USD	4-Jan	9,000
Spain	Sovereign	Spain	EUR	26-Jun	8,172

Source: Dealogic

Industry Groups
Best and worst-performing U.S. industry groups in the past quarter based on the DJ U.S. Total Stock Market Index family

Best Performers

Industry group	% chg from prev qtr
Consumer Electronics	45.1
Computer Hardware	18.8
Airlines	17.4
Recreational Services	16.5
Broadline Retailers	16.2
Drug Retailers	15.7
Railroads	15.6
Pharmaceuticals	15.3
Software	14.8
Medical Equipment	14.0

Worst Performers

Industry group	% chg from prev qtr
Platinum & Precious Metals	–24.2
Gold Mining	–19.0
Nonferrous Metals	–17.5
Electronic Office Equipment	–17.4
Automobiles	–16.6
Forestry	–15.8
Gambling	–15.3
Aluminum	–11.6
Home Construction	–10.4
Coal	–10.0

Source: S&PDow Jones Indices

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REITs Cool Off As Rates Climb

By Mengqi Sun

Rising interest rates are taking a toll on U.S. REITs.

After a strong second quarter in which they beat the S&P 500 by close to six percentage points, real-estate investment trusts in the third quarter fell behind again.

In the third quarter, the FTSE Nareit All Equity REITs Index gained 0.5%, compared with a 7.6% return for the S&P 500 over the same period.

Despite the uptick in the second quarter, the return of the REITs Index has trailed behind the S&P 500 by more than seven percentage points for the first three quarters of this year.

Investors have lost some enthusiasm, too. About $14.8 billion flowed out of U.S. REIT mutual funds through the end of August this year, up from $13.4 billion in 2017, according to Green Street Advisors.

This past week, as the Federal Reserve lifted short-term interest rates on Wednesday, analysts were divided over the future performance of REITs.

S&P Global Ratings credit analysts find that higher interest rates don't pose a big problem solely for U.S. REITs, as their debt structures mostly consist of fixed-rate debt, rather than variable-rate debt, according to a report published last Monday.

But James Sullivan, head of real-estate research at BTIG LLC, said the weakness of bond prices—as the yields get higher—would provide another headwind for U.S. REITs.

"For the investors who can buy any securities, they're going to have a tough time to overweight REITs," Mr. Sullivan said.

As the Fed lifted rates, analysts were divided over future performance of REITs.

Within REITs, the lodging-and-resorts sector turned in one of the highest returns during the first nine months of this year at 9.6%, according to data provided by FTSE and Nareit.

This was largely due to strong corporate earnings that tend to drive up business travel, said Cedrik Lachance, director of REIT research at real-estate research firm Green Street Advisors.

"The economy is doing a lot better than expected in the first nine months; it's no surprise that lodging has performed well so far this year," he said.

With robust growth in e-commerce continuing, the demand for warehouses keeps rising. Industrial REITs have been one of the strongest-performing sectors for years and had a 2018 total return of 7.4% by the end of September.

"There is a long-term growth story that is embedded into the industrial space," said Karin Ford, an analyst at MUFG Securities, noting that "there is a very resilient demand" in the sector from institutional investors.

The self-storage sector lost most of its gain from the second quarter with a 10% quarterly drop. The most likely culprit, according to Mr. Lachance, is earlier strong demand that attracted more competition through new developers.

The strong performance in REITs in the second quarter also was aided by mergers-and-acquisitions activity. Eight deals for REITs, totaling $16.5 billion, were announced between April and June, in addition to the two announced deals of $4.4 billion in the first quarter this year.

A bright spot could come from apartment REITs, analysts said. The sector had a total return of 5.4% for the first nine months, and could benefit from continuing demand to rent and a slowdown in supply.

"It's going to improve fundamentals and growth," said Ms. Ford. "I don't think the market has fully priced that in today."

European Stocks Fail to Keep Up

Political concerns put lid on region's shares even as exchanges elsewhere post gains

By Riva Gold

European stocks have been left behind by a rally that has taken the U.S. market to records in the third quarter.

Few analysts see the region catching up soon unless there is clarity on the political and trade concerns that pushed investors to sell.

Investors have withdrawn money from European equity funds in 28 of the past 29 weeks, driving the share of Europe in global portfolios to its lowest since January 2015, when the European Central Bank announced its massive bond-purchase program, according to data from fund tracker EPFR and the Institute of International Finance.

That has largely reversed the tide of cash that poured into the region in early 2017, when an election in France elevated investors' preferred candidate to power. In contrast, funds in the U.S., Japan and even some emerging-markets equities have drawn inflows this year.

The Stoxx Europe 600 index rose less than 1% in the third quarter, compared with a 7.2% gain for the S&P 500 and 8.1% for Japan's Nikkei Stock Average. The European index is now trading below where it was one year ago, compared with an 8.2% gain in a broad index of world stocks.

"U.S. client interest in Europe is very low right now—almost as low as it gets," said Richard Turnill, BlackRock's global chief investment strategist.

As the U.S. economy continues its robust run, the gap between 10-year German and U.S. government-bond yields has reached its widest since the euro was launched in 1999, according to data from Tradeweb and Thomson Reuters.

The downbeat sentiment comes even as Europe's earnings expectations for the year have remained stable, the euro and British pound have stopped climbing and the region's economy has shown signs of stabilizing after a tricky start.

"Our view on Europe is predominantly politically driven," said Candice Bangsund, portfolio manager at Fiera Capital, which currently holds a smaller-than-usual allocation to European stocks.

The future trading relationship between the U.K., one of the region's largest economies, and the rest of the Continent remains uncertain as Brexit negotiations drag on. Italy's new government, meanwhile, has significantly widened its budget-deficit target, raising questions about the country's debt sustainability and relationship with Brussels.

The U.K.'s and Italy's benchmark stock indexes have both seen double-digit percentage falls in their price/earnings ratios this year amid the uncertainty.

European companies are also more exposed than those in the U.S. to emerging markets, and the developing world has been hit by a rising dollar, expensive oil and concerns about trade protectionism.

Roughly 19% of revenues from companies listed in the Stoxx Europe 600 come from emerging markets, according to FactSet. That compares with 14% for the S&P 500, an index of large-cap U.S. stocks.

Roland Kaloyan, head of European equity strategy at Société Générale, said the correlations between European stocks and emerging markets recently reached levels last seen in 2010.

But trade protectionism is by far the biggest risk to Europe's outlook, analysts say.

Europe's auto sector has been hit particularly hard by worries about tariffs, trading down about 23% from its peak in January.

"Europe is more exposed to protectionism because it has a more open economy and has closer ties to China," said Silvia Dall'Angelo, senior economist at Hermes Investment Management.

Uncertainty about future trade relations has already hit eurozone exports. In manufacturing, export orders failed to grow for the first time in five years.

All this means there will be bargains in Europe, should more clarity come on the political front, some investors say.

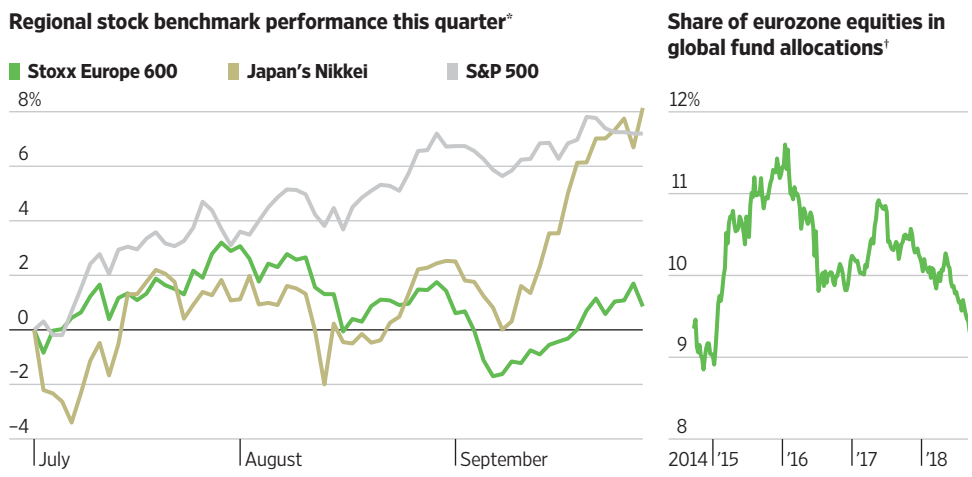
European stocks now trade at 13.9 times expected earnings, compared with 15 at the start of the year.

European companies are seeing revenue upgrades for the first time in a year, according to strategists at UBS. "A lot of investors are looking at valuations and looking for a reason to come back" to Europe, said Mr. Kaloyan. "If we got some sort of clarity on Italy or Brexit, we could see a rebound."

Much will also depend on whether investors continue to favor so-called growth stocks such as technology companies, which make up a small portion of European indexes. Tech stocks in the S&P 500 are up roughly 19% this year and now comprise 21% of that index. Tech makes up 5% of the Stoxx Europe 600. Unless value stocks—those that are trading for the lowest prices relative to their earnings or underlying net worth—start to outperform, it will be difficult for Europe to pull ahead, fund managers say.

Out of Vogue

Global investors have dropped lagging European stocks from their portfolios.



*As of Sept. 30 †As of Sept. 19
Sources: FactSet (indexes); Institute of International Finance (funds)
THE WALL STREET JOURNAL

RUI VIEIRA/ASSOCIATED PRESS

The relationship between the U.K. and the EU remains uncertain as Brexit negotiations drag on.

Banks' Trading Businesses Hit Doldrums

By Telis Demos

The same volatility that has boosted banks' stock-trading business is hampering their fixed-income, commodities and currencies desks, setting Wall Street up for another tepid quarter.

The two biggest U.S. trading banks, **JPMorgan Chase** & Co. and **Citigroup** Inc., expect to report lukewarm results in their markets businesses in the third quarter. JPMorgan said this summer it anticipated a small decline from the year-ago period, while Citigroup said it might record a small uptick.

The threat of a trade war and increasing uncertainty about the inflation outlook have roiled stocks at times this year, giving a lift to traders dealing in stocks and derivatives tied to volatility. Yet the uncertainty has crimped some corporate activity, such as cross-border investment and debt issuance—major drivers of trading in interest rates, currencies and bonds.

Analysts expect that strong performances in stock-trading units will be erased by declines elsewhere. Susan Roth Katzke, an analyst at Credit Suisse Group AG, forecasts that fixed-income trading will log a year-over-year revenue decline of around 5% to 10% for the third quarter, even as equities revenue rises by as much as 5%.

Wall Street's fixed-income, currencies, and commodities businesses are still a shadow of what they were.

In 2012, the dozen biggest banks globally generated some $100 billion in revenue from those desks, versus less than $70 billion last year, according to industry data tracker Coalition.

Until this year, revenues stemming from interest-rates and currencies trading had been a rare bright spot, rising from a low point in 2014. Banks have sought to reorient the business around corporate customers, which provide a steady stream of activity related to financing and trade.

Through the first half of this year, revenues in rates and foreign-exchange trading for U.S. banks fell 12% from 2017, according to figures from the Office of the Comptroller of the Currency. Rates and currencies make up more than 40% of banks' total trading revenue.

By contrast, stock-trading desks at big banks have been enjoying their best year in a decade. Across all banks, stock-trading revenue is up 21% so far this year, according to the OCC.

Wall Street doesn't appear ready to bet that the slowdown in rates and currencies trading will be an extended lull, as it was for years with stocks.

While the Federal Reserve said it expects to raise rates one more time this year, uncertainty over the longer-term outlook could drive trading activity.

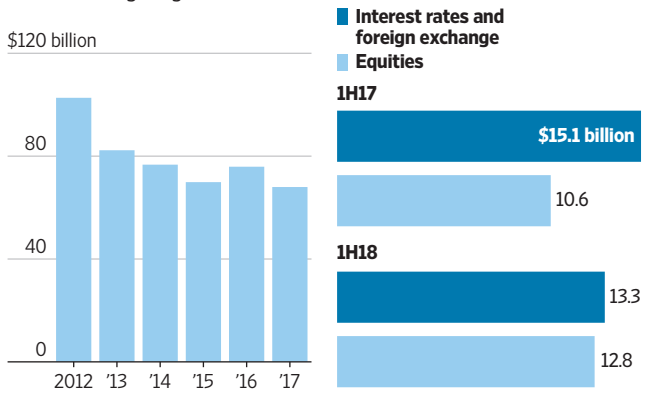
Additionally, a slowdown in central banks' buying of government bonds and an increase in U.S. debt issuance could spur bank clients to step up their purchasing of Treasurys and related derivatives.

Banks also are hesitant to scale back any services they provide to corporate clients of their trading desks, who can supply lucrative business to their investment and commercial banks.

"Banks are committed to the [trading] business because their clients are committed to the business," Credit Suisse's Ms. Katzke.

Assets on the balances sheets of the five biggest trading banks—JPMorgan, Citigroup, **Bank of America** Corp., **Goldman Sachs Group** Inc. and **Morgan Stanley**—related to the rates business at the end of June collectively stood at their highest level since the first quarter of 2014, according to figures compiled by Credit Suisse.

Tepid

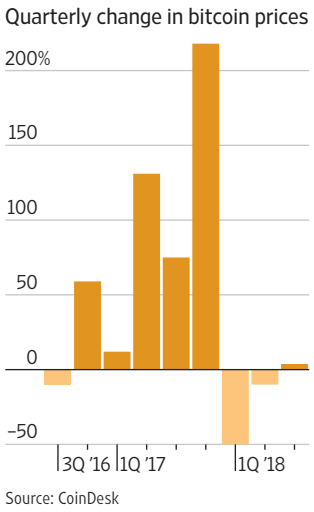


Sources: Coalition (global banks); Office of the Comptroller of the Currency (U.S. banks)
THE WALL STREET JOURNAL.

Bitcoin Has Unhappy 10th Birthday as Price Skids

Drop-Off

Quarterly change in bitcoin prices



Source: CoinDesk
THE WALL STREET JOURNAL.

By Paul Vigna

Bitcoin is about to hit its 10-year mark, but by many measures it will be limping into its anniversary.

Last year was a blockbuster for the cryptocurrency, which got its start in 2008. Its price soared 1,375% in 2017 as celebrities and financiers took an interest in bitcoin.

But bitcoin and other cryptocurrencies this year fell into a slump that continued through the third quarter. Bitcoin's price is down more than 60% from last year's record, according to data from CoinDesk. A small gain last week left bitcoin up about 4% for the quarter.

The larger crypto market fared even worse: The combined market value of all cryptocurrencies fell about 13% in the quarter, dropping from $255 billion to $221 billion as of Friday, according to data from CoinMarketCap.

More troubling, some of the biggest, best-established cryptocurrencies dropped the most.

Ether, the native token for the Ethereum network and the second-biggest cryptocurrency after bitcoin, was down 51%, according to data from CoinDesk. Bitcoin Cash and EOS both dropped 28%.

Regulatory scrutiny isn't helping: In August, the Securities and Exchange Commission rejected nine separate proposals for bitcoin exchange-traded funds. That was after rejecting for a second time a bitcoin ETF proposed by entrepreneurs Cameron and Tyler Winklevoss.

Getting approval for a bitcoin ETF could go a long way toward helping the crypto market attract mainstream retail investors, but the SEC has consistently concluded there isn't enough transparency in the cryptocurrency markets to be sure prices aren't being manipulated.

A comprehensive report from the New York Attorney General's office in September shared some of those same concerns.

It found that many exchanges lack basic consumer protections, leaving investors vulnerable to manipulators.

Also illustrating the downward trend is the market for initial coin offerings, which allow investors to buy a bitcoin-like digital token related to a product or service that a crypto company plans to develop or offer in the future.

The ICO market has taken in $12 billion of capital this year, according to data from research firms Diar and TokenData, about double the total for all of 2017. However, the firms calculate that 70% of those projects are currently valued at less than they were when the ICOs were completed. Just 17 startups completed ICOs in August, the least in any month of the past year.

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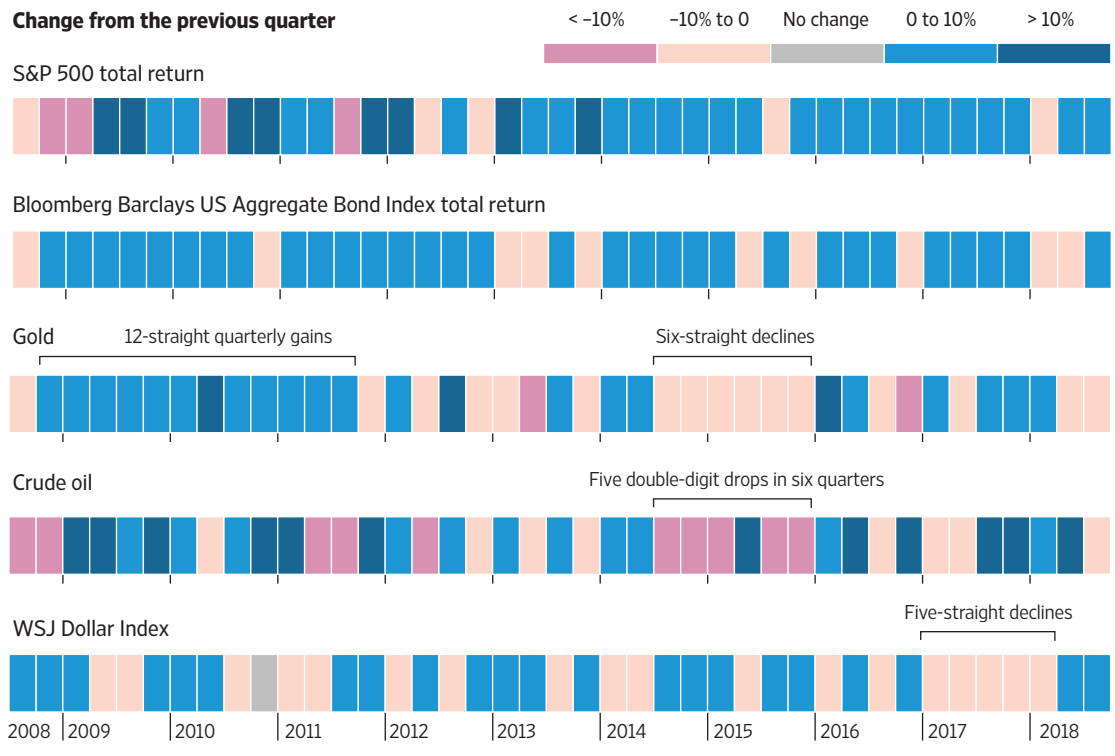
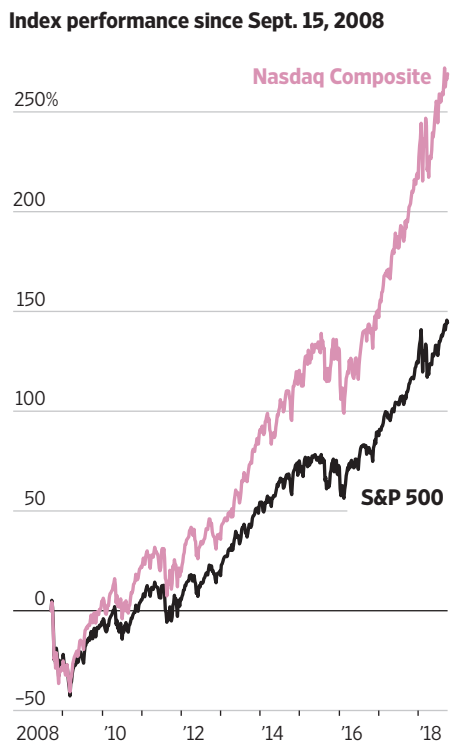
Crisis-Mode Investing, 10 Years Later

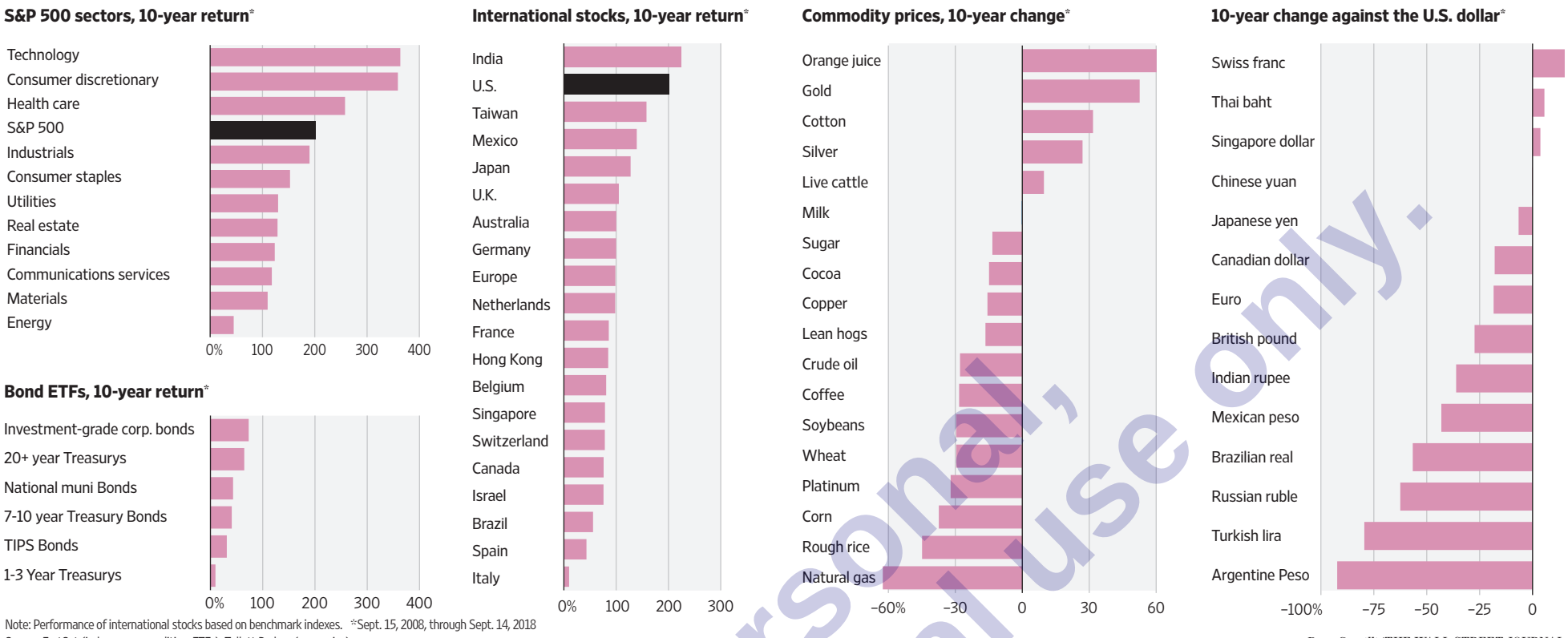
In the gloom that hung over the financial world in late 2008, it would have been difficult to imagine U.S. stocks were poised to embark on their longest bull run in history. Those bold enough to brave the headwinds have been rewarded with dizzying returns, particularly in technology stocks.

The bursting of the dot-com bubble was still a fresh memory at the time and many of today's tech behemoths were still finding their way. Apple had released its first iPhone a little more than a year earlier and Facebook was still a private company. When Lehman Brothers failed on Sept. 15, 2008, the prevailing atmosphere didn't feel like the beginning of something great.

With the just completed third quarter marking the anniversary of that momentous day, here is a look at how different assets performed in the ensuing decade.







Note: Performance of international stocks based on benchmark indexes. *Sept. 15, 2008, through Sept. 14, 2018
Source: FactSet (indexes, commodities, ETFs); Tullett Prebon (currencies)

Peter Santilli/THE WALL STREET JOURNAL.

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