

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

WEDNESDAY, OCTOBER 17, 2018 ~ VOL. CCLXXII NO. 91

WSJ.com

★★★★ \$4.00

DJIA 25798.42 ▲ 547.87 2.2%

NASDAQ 7645.49 ▲ 2.9%

STOXX 600 364.99 ▲ 1.6%

10-YR. TREAS. ▲ 2/32, yield 3.158%

OIL \$71.92 ▲ \$0.14

GOLD \$1,227.30 ▲ \$0.90

EURO \$1.1577

YEN 112.25

## What's News

### Business & Finance

**U**ber recently received proposals from Wall Street banks valuing the ride-hailing company at as much as \$120 billion in an initial public offering that could take place early next year. **A1**

◆ **U.S. stocks roared back**, lifted by upbeat jobs data and healthy corporate profits. The S&P 500 and the Nasdaq each rose more than 2%. The Dow closed up 547.87 points, or 2.2%, at 25798.42. **A1**

◆ **Netflix exceeded expectations** for adding new subscribers during the third quarter, reporting strong user growth in international markets. **B1**

◆ **Facebook knew of problems** with how it measured viewership of video ads on its platform for more than a year before it disclosed them in 2016, according to a complaint filed by advertisers. **B1**

◆ **The SEC ruled against** the New York Stock Exchange and Nasdaq in a 12-year legal dispute over market-data fees. **B1**

◆ **Goldman and Morgan Stanley reported sharply higher third-quarter profit.** **B1**

◆ **A key European patent** for Humira expired, but U.S. patents held by maker AbbVie will mean delayed access to cheaper versions of the drug in the U.S. **B1**

◆ **Johnson & Johnson reported higher revenue and profit**, helped by improved pharmaceutical sales. **B2**

◆ **Walmart cut its profit** targets following its largest-ever acquisition, but said sales growth is expected to continue next year. **B3**

### World-Wide

◆ **Saudi operatives beat, drugged, killed and dismembered** a dissident Saudi journalist in the presence of the kingdom's top diplomat in Istanbul, Turkish officials said, as Washington urged Riyadh to provide answers. **A1**

◆ **Trump's attacks on the Fed complicate a series of already challenging decisions facing the central bank.** **A2**

◆ **U.S. employers had more than seven million unfilled jobs** for the first time on record this summer, reflecting a tight labor market. **A2**

◆ **USA Gymnastics interim president and CEO Mary Bono resigned after a recent tweet surfaced in which she criticized U.S. Olympic Committee sponsor Nike.** **A3**

◆ **The U.S. sanctioned a network of Iranian firms, banks and funds accused of financing the country's elite paramilitary unit.** **A8**

◆ **Trump warned Honduras** that the U.S. would cut off aid to the country if a caravan of Honduran migrants headed for the U.S. wasn't stopped. **A4**

◆ **Macron appointed several cabinet ministers** in an attempt to stabilize his government and stem a decline in public support for his push to overhaul France's economy. **A9**

◆ **A senior Chinese official offered the government's fullest defense so far of its mass detention program for Muslims in China's far west.** **A18**

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Secretary of State Mike Pompeo met with the Saudi Crown Prince Mohammed bin Salman in Riyadh on Tuesday to discuss the disappearance of dissident Saudi journalist Jamal Khashoggi, who Turkish officials say was killed at the Saudi consulate in Istanbul.

## Turkey Details Alleged Saudi Killing

Trump warns against finding Riyadh 'guilty until proven innocent' in journalist's case

By David Gauthier-Villars, Jessica Donati and Summer Said

ISTANBUL—Saudi operatives beat, drugged, killed and dismembered a dissident Saudi journalist in the presence of the kingdom's top diplomat in Istanbul, Turkish officials said, as Washington urged Riyadh to provide answers.

Mr. Trump has put Saudi Arabia and its crown prince at the center of a Middle East poli-

cy aimed at challenging Iran, Riyadh's main rival in the region, brokering an end to the Palestinian-Israeli crisis and countering extremism. Mr. Trump chose Saudi Arabia as the site of his first overseas presidential trip. The U.S. leader has emphasized the importance for U.S. jobs of the Saudi's purchasing of billions of dollars of U.S. military hardware.

In an interview with the Associated Press Tuesday, Mr. Trump compared the allegations that Saudi agents had killed Mr. Khashoggi to the accusations of sexual misconduct against Supreme Court Justice Brett Kavanaugh, who was sworn in earlier this month af-

ter a bruising confirmation process. "Here we go again with, you know, you're guilty until proven innocent," Mr. Trump said. "We just went through that with Justice Kavanaugh and he was innocent all the way as far as I'm concerned."

Turkish officials said they shared evidence in recent days, including the details of an audio recording, with both the U.S. and Saudi Arabia to support their conclusion that Mr. Khashoggi was killed at

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◆ Khashoggi case clouds Silicon Valley funding..... A7

◆ Until last minute, pastor didn't know he would be freed..... A7

That eye-popping figure is nearly double Uber's valuation in a fundraising round two months ago and more than General Motors Co., Ford Motor Co. and Fiat Chrysler Automobiles NV are worth combined.

Uber's plans now set up a race with rival Lyft Inc., which is also eyeing a debut in the first half of the year. The Wall Street Journal separately reported Tuesday, Lyft's valuation is expected to top the \$15.1 billion it sold shares at privately this year.

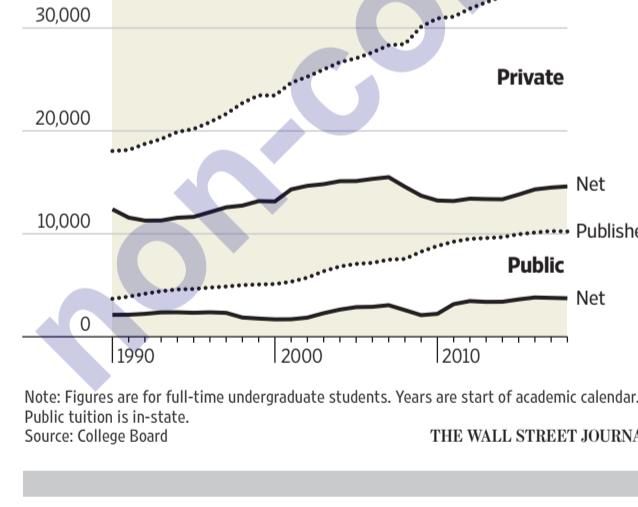
Goldman Sachs Group Inc. and Morgan Stanley delivered the valuation proposals to Uber last month, the people said. These documents, which typically advise on how to position shares to potential investors, are a common step before banks are formally hired to underwrite IPOs.

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## Rise in College Costs Is Easing

Though tuition and fees continue to inch up, the net cost of attending public and private colleges is flattening. Schools are offering grants and scholarships to compete for fewer students. **A6**

Published vs. net tuition and fees for four-year colleges and universities



Note: Figures are for full-time undergraduate students. Years are start of academic calendar.

Source: College Board

## U.S. Stocks Rebound Broadly On Strong Profits, Jobs Data

BY AKANE OTANI

U.S. stocks roared back on Tuesday, lifted by upbeat jobs data and healthy corporate profits that suggest the country's economic expansion remains strong.

The Dow Jones Industrial Average jumped more than 500 points, and the big technology stocks that had been bruised when the market tumbled last week fared even better.

Netflix Inc. reported nearly seven million new users; its stock rose 12% in after-hours trading.

A solid U.S. economy and healthy corporate profits have been ballasts for a nine-year bull market. When doubts have flared—a deepening trade conflict, a sudden run-up in bond

yields, worries about the economy overseas—both have been there to hold stocks up.

On Tuesday, the Labor Department said the number of available jobs in the U.S. outnumbered the number of jobless people actively looking for work by 902,000, the highest on record.

And Goldman Sachs Group Inc. and Morgan Stanley said their third-quarter profits surged by double-digit percentages because of investment-banking fees spun off by a flurry of deal making.

To some bulls, the market's drop last week—more than 1,300 points off the Dow industrials on Wednesday and Thursday—was a chance to bet more on the U.S.

OppenheimerFunds' global

multiasset team called for cutting European stocks and adding U.S. ones, saying the world's growth is slowing but the U.S. remains strong.

The Dow Jones Industrial Average rose 547.87 points Tuesday, or 2.2%, to 25798.42, posting its biggest one-day percentage gain since March. The S&P 500 added 59.13 points, or 2.1%, to 2809.92 and the Nasdaq Composite climbed 214.75 points, or 2.9%, to 7645.49, also notching its best session since the spring.

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◆ Criticism of Federal Reserve complicates its task..... A2

◆ SEC rules against exchanges in fees dispute..... B1

◆ Bank results show Wall Street charging ahead..... B1

Adios Nafta,  
Hola Arduous  
Acronyms

\* \* \* \*  
A deal by any  
other name is

hard to pronounce

BY ANTHONY HARRUP  
AND KIM MACKRAEL

The U.S., Canada and Mexico were able to reach a dramatic deal revising the North American Free Trade Agreement.

Now if they could just agree on what to call it.

Americans call it "USMCA" for the U.S.-Mexico-Canada Agreement, saying each letter.

Unlike Nafta, the nifty two-syllable short-hand for the original trade agreement, USMCA has no easy nickname.

The new name came from President Donald Trump, who had called Nafta "the worst trade deal ever made" and campaigned on pledges to re-

## Firm Pledged to Help Poor, Then Collapsed

Dubai-based Abraaj raised billions for emerging markets from big-name investors

In January, the Abraaj Group had \$14 billion of assets under management and was trying to raise \$6 billion for what would be the world's largest emerging-markets private-equity fund.

It's now the world's largest insolvent private-equity firm. In June, it filed for provisional liquidation.

During its rise, the Dubai-based firm attracted many Western investors. Its founder, Arif Naqvi, promised to make money by doing good in poorer countries, including with a fund that would invest in hospitals serving African

and Asian cities.

Abraaj's collapse stands as a warning to those misled in their enthusiasm for the idea behind the firm. One former employee described Abraaj's work as "inspirational capitalism at its most enlightened."

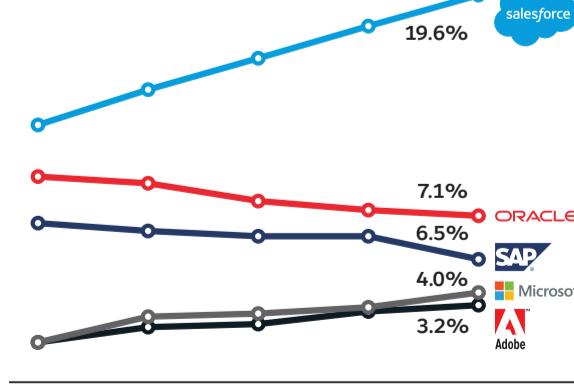
The fall has led some investors to question whether Dubai's regulatory environment is sufficiently safe—and privately, some worry it has damaged trust in the movement to use private capital to solve social problems in emerging markets.

Mr. Naqvi raised billions from the likes of the Bill & Melinda Gates Foundation, Bank of America Corp. and the U.S. government. He made annual appearances at the

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## Salesforce. #1 CRM.

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



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

salesforce.com/number1CRM

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

## U.S. NEWS

# Criticism Complicates Fed's Task

By NICK TIMIRAO

**WASHINGTON**—President Trump's attacks on the Federal Reserve complicate a series of already challenging decisions facing the central bank.

Mr. Trump continued his criticisms Tuesday, saying the Fed was "my biggest threat" in an interview with the Fox Business Network. Last week, he said the central bank had "gone crazy" with its recent interest rate increases and blamed the Fed for igniting the largest stock-market selloff in seven months.

Fed officials say they are gradually raising interest rates to prevent the economy from overheating, and political pressure won't influence their policy actions.

Fed Chairman Jerome Powell and nearly all his colleagues agree rates are still low enough to spur growth at a time when the strong economy

doesn't need stimulus. But as they move rates higher, they are likely to become more uncertain about how much further to go and how to communicate their plans to the public.

Mr. Trump's rhetoric could cut two ways on any close policy calls.

If officials on the rate-setting Federal Open Market Committee believe their credibility with markets would suffer if they are viewed as being swayed by such pressure, this could swing them in favor of raising rates, said several former senior Fed officials.

Mr. Trump's criticism "is more likely than not to stiffen their backs on a close call," said Alan Blinder, who was Fed vice chairman from 1994 to 1996. "Many members of the FOMC will not want to see newspaper stories saying they caved to Trump."

On the other hand, if sustained attacks result in tar-

nishing the Fed's credibility, and hence effectiveness, that could make officials more reluctant to lift rates higher if the data send mixed signals.

The recent episode of Trump remarks is notable for its relentless nature, especially

**Mr. Trump's attacks open a debate about whether rate rises are justified now.**

if it continues," said Derek Tang, an economist at LH Meyer Inc., an economic-forecasting firm. "Powell could come to believe that the cost of further tightening is not merely economic but also political if hikes threaten the viability of the Fed."

A Fed spokeswoman de-

clined to comment on Tuesday. Mr. Powell said this month that the Fed wouldn't be influenced by political pressure. "We just try to do the right thing for the medium and longer term for the country," he said. "We don't let other things distract us."

The Fed last month raised its benchmark short-term rate to a range between 2% and 2.25% and penciled in four more quarter-percentage-point increases through next year.

Mr. Trump's criticism opens a national debate about whether rate increases are justified now, at a time when economic growth is strong but inflation looks contained.

The unemployment rate, at 3.7%, is already below the level most Fed officials regard as consistent with stable inflation, which argues in favor of more rate increases to keep price pressures in check.

Excluding volatile food and

energy prices, so-called core inflation rose 2% from a year earlier in August, measured by the Fed's preferred gauge. That is the level the central bank sees as consistent with a healthy economy.

The Fed has enjoyed relative independence in setting policy because it is charged by Congress with making sometimes-unpopular decisions, such as raising interest rates.

White House attacks on the Fed could take on more significance if they are joined by members of Congress because the Fed ultimately answers to Capitol Hill. That hasn't occurred under Mr. Trump.

In recent television interviews, Mr. Trump's top economic advisers, including Treasury Secretary Steven Mnuchin, haven't amplified his Fed criticism. This suggests his advisers aren't eager to escalate a fight with the central bank.

## U.S. Job Openings Exceed 7 Million

By ERIC MORATH

U.S. employers had more than seven million unfilled jobs for the first time on record this summer, reflecting a tight labor market that means some businesses are struggling to find workers.

The Labor Department said Tuesday that it recorded a seasonally adjusted 7.136 million job openings on the last business day of August.

Available jobs in August outnumbered jobless Americans actively looking for work by 902,000, the largest such gap on record. Prior to March, job openings had never exceeded unemployed workers in more than 17 years of monthly records.

The number of job openings rose by more than one million, or 18%, in August from a year earlier. The unemployment rate fell in September to 3.7%, a 49-year low.

"Employers are still looking to add workers, and the pool of potential hires continues to decline," said Nick Bunker, an economist at recruiting site Indeed.com. "Employers need to compete with each other to fill their vacancies—something that bodes well for the job seeker."

The latest data underscore an increasing need for workers at a time when broader economic output is accelerating, beginning a shift in bargaining power to employees and appearing to support modestly rising wages, especially for the nation's lower-earning workers.

Demand for labor outstripping supply comes with some risks for the U.S. economy. If workers are unavailable, companies may not be able to fill orders and complete work on time, which would be a drag on broader output.

And fewer available workers means firms are increasingly bidding against one another for talent, which is causing stronger wage gains in certain industries, and ultimately could stoke higher inflation rates.

## Small Plane Crashes Into Atlantic Off Florida Coast



OCEAN SALVAGE: Volusia County lifeguards used a winch to pull an airplane ashore after it crashed into the ocean in Daytona Beach Shores, Fla., on Tuesday. The pilot survived.

## Strong Profits Lift Stocks

Continued from Page One

The buying continued in Asia early Wednesday, where Japan's Nikkei 225 was up 1.6%.

Meanwhile, the yield on the benchmark 10-year U.S. Treasury note settled at 3.158%, little changed from Monday.

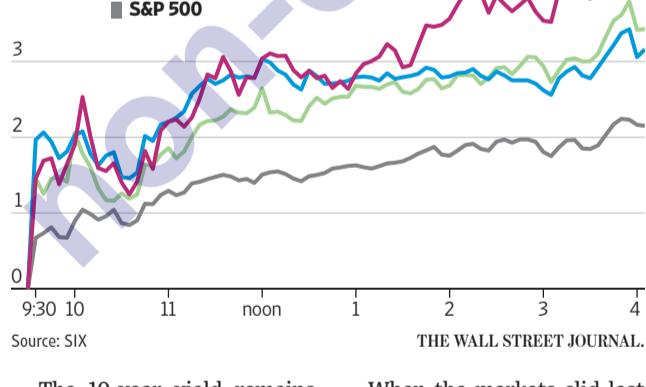
Long-term bond yields have been a blessing and a curse for stock markets this year. Higher yields generally signal confidence that the economy will be strong enough for the Federal Reserve to keep raising short-term rates.

But too big or too sudden a climb can be destabilizing: High rates deter borrowing. And growth stocks have much of their earnings potential in the future; those future earnings are worth less when yields are higher. A big spike last week helped knock stocks—and especially tech stocks—down.

### Rebounding

Shares of fast-growing companies chipped away at their Monday losses.

**Share and index performance, Tuesday**



The 10-year yield remains well above its 3.055% close at the end of the third quarter and its 2.409% settle on Dec. 29.

"We don't see yields going in the next year to a level that crushes the economy and therefore crushes the stock market," said Dave Donabedian, chief investment officer at CIBC Private Wealth Management.

### CORRECTIONS & AMPLIFICATIONS

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to FactSet.

Some analysts worry that number could balloon in the next several months, eventually crimping broader earnings growth. Fund managers are the most pessimistic they have been on global growth since November 2008, Bank of America Merrill Lynch data show.

Another concern is that bets on technology stocks may have become overextended after a long run. Investors have ranked a handful of U.S. and Chinese megacap technology stocks the most crowded trade for nine consecutive months, according to Bank of America Merrill Lynch's October fund manager survey.

So far, though, such fears haven't derailed the U.S. stock rally. After Tuesday's gains, the S&P 500 is up 5.1% for the year, far outpacing the Stoxx Europe 600's 6.2% decline, Japan's Nikkei 225's 0.9% fall and the Shanghai Composite's 23% slide.

Many investors believe that with strong earnings, sectors including technology will be able to keep powering higher. Earnings for the group are expected to log a rise of 17% in the third quarter from the year-earlier period, extending a streak of double-digit growth.

The big driver of gains the last few years has been beating expectations and positive guidance," said John Frank, a strategist for the tech-heavy Invesco QQQ Trust.

Meanwhile, the latest stream of corporate earnings results gave a fresh boost to the financial sector, sending Goldman Sachs up 3% and Morgan Stanley jumping 5.7%. The two firms, the last of the country's six biggest banks to report quarterly results, capped off a streak of largely robust earnings, showing investors that big banks had managed to shrug off worries about geopolitical tensions.

—Michael Wursthorn contributed to this article.

## U.S. WATCH

### ECONOMY

#### Factory Capacity Maintains Upswing

U.S. manufacturers increased their capacity for the 16th straight month in September, fresh evidence that a strengthening economy is helping to propel a U.S. industrial rebound.

Manufacturing capacity, tracked by the Federal Reserve, is a measure of how much production plants could achieve if running at full steam, a proxy for how much they are expanding their plants and productivity.

Manufacturing capacity began recovering from a steep decline in 2011, faded in 2014 and resumed a modest march higher in mid-2015. In September, it was up 1.4% from a year earlier.

The latest Fed manufacturing report showed factory output also rose in September, helping drive overall industrial production up 0.3% for the month.

—Sarah Chaney

### PUBLIC HEALTH

#### CDC Cites Spike in Nerve Condition

The U.S. has experienced an increase over the past two months in a rare but severe neurological condition that can paralyze or weaken arms and legs, most often in children, federal health officials said Tuesday.

The Centers for Disease Control and Prevention said 62 patients in 22 states have been confirmed so far this year with the debilitating condition, called acute flaccid myelitis, or AFM.

Health authorities are investigating 65 more potential cases.

Some patients recover quickly, but others remain paralyzed and require ongoing care, said Nancy Messonnier, director of the CDC's National Center for Immunization and Respiratory Diseases. She said the CDC knows of one death from AFM, in 2017.

—Betsy McKay

### POLITICS

#### North Dakota Senator Apologizes for Ad

Sen. Heidi Heitkamp apologized for including the names of some women identified as sexual-assault survivors in an advertisement criticizing her Republican rival, after some of them said they hadn't given their permission.

Ms. Heitkamp, a North Dakota Democrat, said Tuesday that her campaign had recently discovered that several of the women's names provided to her weren't sexual-assault victims or hadn't authorized that their names be used in the open letter to her opponent, Rep. Kevin Cramer.

"I deeply regret this mistake and we are in the process of issuing a retraction, personally apologizing to each of the people impacted by this and taking the necessary steps to ensure this never happens again," Ms. Heitkamp said in a statement.

—Kristina Peterson

### HARVARD

#### Admissions Dean Takes Stand in Suit

Harvard's admissions dean testified Tuesday that weaker teacher and guidance-counselor recommendations are one reason why Asian-American applicants score lower than whites in the "personal rating" portion of the school's admissions process.

The rating has been a focus for plaintiffs in a trial that began Monday accusing Harvard of discriminating against Asian-Americans. Harvard's own data show Asian-American applicants as a group score higher than whites in academics and extracurriculars.

William Fitzsimmons said in federal court that the lower rating wasn't a result of Asian-American applicants having fewer attractive personal qualities than white applicants.

—Melissa Korn and Nicole Hong

## U.S. NEWS



Mary Bono, shown in 2015, resigned from USA Gymnastics Tuesday. Olympic gymnast Simone Biles, below, was critical of her hiring.

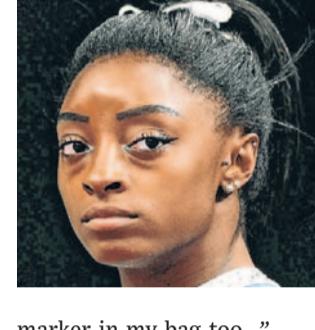
## Head of USA Gymnastics Quits

BY RACHEL BACHMAN

Four days after being named interim president and CEO of the embattled USA Gymnastics federation, Mary Bono resigned after a recent tweet surfaced in which she criticized U.S. Olympic Committee sponsor Nike.

Ms. Bono's tweet showed someone blacking out the Nike swoosh on a pair of shoes, and appeared days after the shoe company launched an ad campaign featuring football player Colin Kaepernick. The former San Francisco 49ers quarterback stirred controversy for kneeling during the national anthem to protest racial injustice and police brutality.

The text accompanying the photo in Ms. Bono's tweet read: "Playing in a charity golf tournament raising money for our nation's Special Forces operators and their families. Unfortunately had these shoes in my bag. Luckily I had a



marker in my bag too..."

The USA Gymnastics board issued a statement saying it was "committed to taking action when we believe a change of course is necessary and to being responsive to our gymnastics community." Board members said they "remain steadfast in our efforts to fundamentally transform the organization at all levels to ensure athlete safety and well-being is at the heart of everything we do."

Ms. Bono couldn't immediately be reached. However, she

tweeted a statement that said, "My withdrawal comes in the wake of personal attacks that, left undefended, would have made my leading USAG a liability for the organization."

She added: "With respect to Mr. Kaepernick, he nationally exercised his first amendment right to kneel. I exercised mine: to mark over on my own golf shoes, the logo of the company sponsoring him for 'believing in something even if it means sacrificing everything.'" She wrote that she reacted to the use of the phrase "sacrificing everything" while at a golf tournament for families that have lost a member of the armed services, but also said she regretted that she did not "better clarify my feelings" about Nike at the time.

U.S. Olympic Committee CEO Sarah Hirshland issued a statement about Ms. Bono's departure, saying, "While the situation is unfortunate, we know that USA Gymnastics re-

mains dedicated to the process of finding a new and permanent CEO."

Ms. Bono's hiring was announced Friday and word of her tweet, posted Sept. 7, quickly spread. On Saturday, U.S. gymnast Simone Biles, the 2016 Olympic individual all-around champion, tweeted about the hiring, "don't worry, it's not like we needed a smarter usa gymnastics president or any sponsors or anything."

Ms. Bono's departure means USA Gymnastics is searching for its fourth leader in 19 months. The federation is still struggling to recover from the sexual abuse scandal involving Larry Nassar, the former longtime team doctor who is now in prison. Two previous CEOs, Steve Penny and Kerry Perry, left after being criticized for their handling of the abuse allegations or of the public outcry that followed them.

## Battered City Aims to Rebuild, Preserve

BY JON KAMP

AND JENNIFER LEVITZ

MEXICO BEACH, Fla.—Half of Natalie Shoaf's home is gone and it is unclear when water or power service will be restored, but she plans to rebuild in this place she calls "small-town U.S.A. on the water."

Days after Hurricane Michael turned this beachside community into a wreckage-strewn disaster, the longtime resident and others are talking about how they want to bring it back.

Ms. Shoaf, a 64-year-old real-estate agent, said she would build a stronger house that can withstand higher wind speeds while trying to recreate the unpretentious, 1950s-era bungalow that she called home.

"It was so quaint," she said of Mexico Beach. "It didn't have the great big, new mini mansions that people build now."

Michael, which roared ashore on Oct. 10 with 155-mile-per-hour winds and a storm surge that swept far inland, was responsible for at least 26 deaths in Florida, Georgia, North Carolina and Virginia. Florida officials said 12 of the deaths occurred in hard-hit Bay County, where Mexico Beach is located.

While this city of about 1,200 people is unrecognizable, locals who have trickled back in through security checkpoints described wistfully



Members of a search and rescue team looked for hurricane victims Tuesday in Mexico Beach, Fla.

consulted on the state codes. That drops to around 120 miles an hour in the Mexico Beach area.

"There is no doubt in my mind that should be raised," Mr. Pistorino said. In addition, he said, the community will need to elevate buildings because storm surge can be more of a problem than wind.

Mexico Beach's older houses tended to be the ones that Michael destroyed, while places built to current code seemed to fair better, said Rex Putnal, a city councilor whose home was blasted down to a slab.

Mexico Beach Mayor Al Cathay said the community will have to "stick to our guns" to avoid becoming "another high-rise community."

He said he believes strict local rules will offer some protections. Mexico Beach allows commercial buildings to build to 48 feet, and residential buildings to 32, he said.

But the mayor acknowledged it is going to be hard to re-create exactly what the town had. The "beach cottage character, throwback old Florida—that's gone," the 71-year-old said, near his severely damaged hardware store.

Not everyone is worried about bigger homes rising on storm-cleared land. Kara Crouse, whose husband owns a now-destroyed seafood restaurant, said they aim to rebuild, and that redevelopment could deliver needed business.

"It won't be the way it was, but it will come back," Ms. Crouse said of the city.

what it was: a low-key, family-oriented, no-stoplight community that was close geographically, but remote in spirit from the high-rises and spring break party atmosphere of places like Panama City Beach.

Many homes in the most-ravaged parts of the Panhandle were built before statewide codes for new wind-resistant building took effect in 2002, in the wake of Hurricane Andrew.

Most new homes and office buildings in Miami-Dade County must be built to withstand winds of around 175 miles an hour, said John Pistorino, a Miami engineer who

is working to update the state's building codes to reflect the lessons learned from Michael.

Mr. Pistorino said the new codes will make buildings more durable and less likely to collapse.

"It's a good thing that we're doing this," he said. "It's a good thing that we're learning from this."

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**MEISTERSINGER**



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Aaron Faber Gallery cordially invites you to join us for an "Evening with MeisterSinger" on Tuesday, October 23rd from 5:30p - 8:00p.

We will be introducing the new MeisterSinger Collection including the brand new City Edition New York and presented by Meistersinger's Global CCO John van Steen. Cocktails and hors d'oeuvres will be served.

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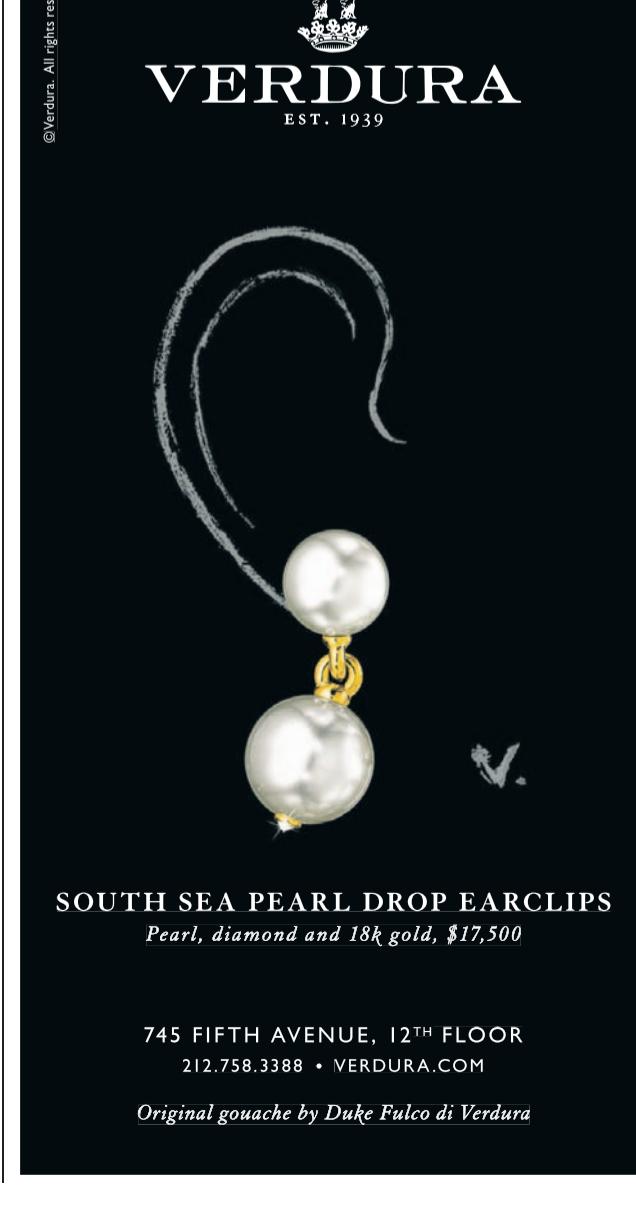
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## U.S. NEWS

# House Races Tighten as Vote Nears

BY KRISTINA PETERSON

Rep. Jaime Herrera Beutler cruised to victory two years ago and had seemed well-positioned to do it again.

But in the last three weeks before November's midterm vote, re-election for Ms. Herrera Beutler (R., Wash.) is looking shakier, one of a handful of sleeper House races that have grown increasingly competitive down the final stretch.

In a year where Democrats are considered the favorites to win back control of the House, many of the races now tightening are in districts where President Trump won modestly in 2016. Still, Republicans say they are becoming more confident that they could have a shot at a pair of Nevada races.

"As this midterm has worn on, Trump's popularity has become an even bigger factor in these races," said David Wasserman, House editor at the nonpartisan Cook Political Report. Democrats must win a net 23 seats to take control of the House, and Cook Political rates 108 races as competitive.

In Ms. Herrera Beutler's district in southwest Washington, Mr. Trump took just under 50% of the vote in 2016. "That race is dangerous for Republicans if it becomes a referendum on Trump, and most races are essentially becoming that," Mr. Wasserman said.

He sees a similar dynamic at play in two districts Mr. Trump carried by less than 53% in Pennsylvania and New York. Redistricting and Democratic fundraising have buoyed George Scott, who is challenging GOP Rep. Scott Perry in Pennsylvania. House Democrats' campaign arm began running more than \$260,000 in ads in Mr. Perry's district this month. America First, a political-action committee aimed at boosting candidates who support the president, is countering with an ad buy of more than \$650,000, according to media trackers.



**Republican Rep. Jaime Herrera Beutler of Washington state is facing an unexpectedly tough challenge in her re-election bid this year.**

On Long Island, longtime GOP Rep. Peter King is squaring off against a younger Democratic woman in a year when female voters are energized and have indicated in recent polls that they hope to see Democrats take control of the House.

Political operatives from both parties also see a narrowing race in Georgia, where GOP Rep. Rob Woodall is defending his seat in the suburbs of Atlanta. Mr. Trump won a narrow 51% in the district, compared with the more than 60% GOP nominee Mitt Romney carried four years earlier.

Mr. Woodall has been outraised by his Democratic opponent, Carolyn Bourdeaux, on leave from her job as a Georgia State University professor.

Most of these races have spent much of the election cycle on the back burner. Until re-

cently, most of the attention in Washington state has focused on GOP Rep. Cathy McMorris Rodgers' re-election fight and the battle over the open seat vacated by GOP Rep. Dave Reichert's retirement.

"I expected that it would be

*Democrats are seen as favorites, but Republicans are gaining confidence.*

a competitive race from the start," said Carolyn Long, Ms. Herrera Beutler's Democratic challenger in the Washington state race. "I have not been surprised by our progress, but I do know that people looking from

the outside might see it as un-winnable," given Ms. Herrera Beutler's previous margins of victory, she said. Ms. Long said previous challengers weren't able to raise the significant funds she has.

Ms. Long's campaign collected just over \$1.75 million since July 1, while Ms. Herrera Beutler had collected \$602,000, according to Federal Election Commission reports filed this week.

Ms. Long, a political-science professor, was ahead by 2 percentage points in a poll her campaign released Friday, with independents in favor of Ms. Long 40% to 30%. A spokeswoman for Ms. Herrera Beutler said the lawmaker remains ahead in their internal polling.

Republicans, meanwhile, are optimistic that their prospects are improving in the two open seats in Nevada, particularly

the district currently held by Democratic Rep. Ruben Kihuen.

Facing allegations of sexual harassment, Mr. Kihuen said last year he wouldn't run for re-election. He denied the allegations, but said they would be a distraction from a fair campaign. The race is a rematch between two former lawmakers, Democrat Steven Horsford and Republican Crescent Hardy.

Democratic presidential nominee Hillary Clinton won the highly diverse district in 2016, but Democrats are nervous that turnout among Hispanic voters may be lower than they hope in November.

The Nevada seat currently held by Democratic Rep. Jacky Rosen, who is now running for Senate, is seen as more of a long shot for the GOP, even though Mr. Trump carried the district by a single point.

# New York Probes Fake FCC Comments

BY JAMES V. GRIMALDI

The New York attorney general's office has subpoenaed more than a dozen advocacy groups, lobbying firms and consultants as part of an investigation of fake comments filed with the Federal Communications Commission over its proposal to scale back its regulation of the internet.

The civil subpoenas are aimed at determining who was behind millions of comments sent using the names of real people who didn't authorize them, according to a person familiar with the investigation. New York Attorney General Barbara Underwood said in a statement that her office found up to 9.5 million comments that appear to have been filed using the names and addresses of real people who had no idea they were being cited in the comments.

An investigation by The Wall Street Journal last year found thousands of people who said their names were used without their permission to post comments about FCC rules.

The attorney general's inquiry is targeting fake comments filed on both sides of the issue. Among the entities subpoenaed are Broadband for America, a group backed by AT&T Inc. and other internet-service providers who sought the repeal of the Obama-era internet rules known as net neutrality, as well as consumer groups that supported the Obama rules, such as Fight for the Future and Free Press.

Broadband America and AT&T didn't respond to requests for comment. Free Press spokesman Tim Karr said: "We are responding to their requests and welcome this inquiry." Fight for the Future Executive Director Sarah Roth-Gaudet said, "We welcome this investigation" and said she hopes it uncovers those responsible for the fakes.

Several consulting firms hired by industry and consumer groups also have received subpoenas, according to the person familiar with the investigation and managers of some of the firms. These firms were contractors and subcontractors in the massive lobbying efforts that helped generate more than 20 million comments on the FCC decision to scale back internet regulation.

The New York investigation is one of the first official probes into lobbying firms that promise special interests they can deliver thousands, even millions of people to back their causes.

# President Attacks Looks of Stormy Daniels

BY REBECCA BALLHAUS

WASHINGTON—President Trump on Tuesday attacked the looks of a former porn actress who alleged she had a sexual encounter with him, publicly rebuking a woman who received an illegal hush-money payment from his personal lawyer.

"Federal Judge throws out Stormy [Daniels] lawsuit versus Trump. Trump is entitled to full legal fees," he tweeted, citing Fox News. "Great, now I can go after Horseface and her 3rd rate lawyer....She will confirm the letter she signed! She knows nothing about me, a total con!"

Mr. Trump was referring to a ruling by a federal judge on Monday dismissing a lawsuit brought by Stephanie Clifford that accused the president of defaming her in a tweet. In Tuesday's tweet, Mr. Trump misspelled her professional name as "Danials."

U.S. District Judge S. James Otero in Los Angeles ruled that Ms. Clifford must pay Mr. Trump's legal fees in the case. Michael Avenatti, Ms. Clifford's attorney, said he would appeal the ruling.

Mr. Avenatti responded to the president's attack in a tweet Tuesday. "Tens of millions of Americans are tired of your fraud, lies, and corrup-

tion," he wrote. "They are equally tired of your attacks on women, especially the ones who you have had sex with while cheating on your wives."

Ms. Clifford tweeted a response as well: "In addition to his...ummm...shortcomings, he has demonstrated his incompetence, hatred of women and lack of self control on Twitter AGAIN! Game on, Tiny."

During the 2016 campaign, Michael Cohen, the president's lawyer, paid Ms. Clifford \$130,000 for her silence about an alleged sexual encounter with Mr. Trump. Mr. Cohen, who pleaded guilty to federal charges in August, including campaign-finance violations,

testified that Mr. Trump had directed him to make the payment. The statement by Mr. Cohen directly implicated the president in a federal crime.

Mr. Trump's representatives have denied that he had a sexual encounter with Ms. Clifford and that he had any involvement in the payment.

Mr. Trump has told advisers for months he wanted to publicly push back on Ms. Clifford's allegations, which in the past year have dominated headlines on cable networks the president closely monitors, according to people familiar with the conversations. His advisers have told him they had seen no signs that the al-

legations were hurting him with voters and have warned him that it would look inappropriate for the president to engage in a public spat with a former porn star.

Ms. Clifford initially signed two statements denying the affair in response to reports by The Wall Street Journal that revealed Mr. Trump's attorney paid her to keep silent. She has since publicly discussed the affair.

Before Tuesday's tweet, Mr. Trump had taken to calling Ms. Clifford "Horse face" in private, according to a person familiar with the matter.

—Joe Palazzolo contributed to this article.

# Trump Threatens Honduras Over Migrants

President Trump warned the Honduras government on Tuesday that the U.S. would cut off aid to the country if a caravan of Honduran migrants headed for the U.S. wasn't stopped.

*By Rebecca Ballhaus in Washington, and Juan Montes and Santiago Pérez in Mexico City*

Later in the day, Guatemalan authorities arrested the leader of the caravan, Bartolo Fuentes, a former leftist lawmaker and social activist from Honduras. A Guatemalan official said Mr. Fuentes will be deported back to Honduras.

Meanwhile, Mexican authorities took measures to prevent the caravan from marching north. Federal police, soldiers and immigration agents were deployed to Mexico's southern border ahead of the caravan's expected arrival.

The caravan with more than 1,500 Hondurans entered Guatemala on Monday afternoon, where authorities were unable to prevent such a large group from crossing the border. Honduran television showed a human tide while Guatemalan policemen looked at the caravan on the sidelines, overwhelmed.

Hundreds of migrants chanted, "Yes, we did it! Yes, we did it!" as they crossed the border checkpoint.

Honduran officials, who had limited ability to halt the large migrant group, didn't respond

to requests to comment on Mr. Trump's remarks. The foreign ministry said Sunday that hundreds of Hondurans were being misled with "false promises" of caravan leaders.

Many migrants, including dozens of parents traveling with their children and toddlers, spent the night in a square in Esquipulas, a Guatemalan town near the border with Honduras. The migrants left San Pedro Sula, one of the world's most violent cities, on Saturday, by foot and hitchhiking. Some mothers pushed their babies in carriages.

The caravan got started this month with a call on social media, as some 200 people agreed to travel together to better protect themselves against the criminal gangs that prey on migrants on the dangerous trek north. By the time they left San Pedro Sula, the caravan had 1,200 people, Mr. Fuentes wrote on Facebook.

The migrants left Esquipulas on Tuesday, heading toward Guatemala City, where they expect to arrive at night, said Walter Coello, a Honduran taxi driver who helps organize the migrant group. Mr. Coello said they are determined to continue the journey, despite Mr. Trump's threats. "We cannot go back. We don't have any future in Honduras. So much poverty and violence. That's not an option," he added.

The U.S. plans to send about \$66 million in aid to Honduras in fiscal 2019, according to the State Department. Most of the funds go to violence prevention, justice and rule-of-law programs, along with funding for border and narcotics enforcement.



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## U.S. NEWS

# Real Cost of College Is Flattening

BY DOUGLAS BELKIN

After increasing for decades, the real cost of attending both public and private college is flat and in some cases even declined this year, as colleges compete for fewer students by giving away more scholarships.

If that sounds counterintuitive, it is because the sticker price for higher education continues to inch up even though fewer students actually pay it, according to an annual pricing-trends report by the College Board, a New York nonprofit that administers the SAT and tracks university costs.

"The trends in college financing have changed in recent years," Sandy Baum, co-author of the 2018 Trends in Higher Education report, said in a statement. Tuition rose rapidly during the four academic years between fall 2007 and spring 2011, "particularly at public colleges and universities," Ms. Baum said. "Federal expenditures on student aid increased dramatically, helping a growing student population to finance their education. At the same time, students borrowed more and more."

But since 2010-11, she said, "all of these trends have reversed."

The average net cost of a year at a four-year public college or university, including tuition, fees, room and board, fell to \$14,880 in 2018-19, down 0.2% from \$14,910 in 2017-18. The cost is still \$3,400 greater than a decade ago in inflation-adjusted dollars, according to the report.

The net price for four-year private schools was \$27,290, up 0.5% from \$27,160 last year. Those figures are based on 2018-19 tuition rates but prior-year financial-aid figures, and will be revised once financial-aid and tax data are released for the current school year.

Net costs are flattening or falling thanks to a rise in



Tuitions rose rapidly in the four academic years through spring 2011, but have since reversed course.

grants—student aid that doesn't need to be repaid. Grants and tax benefits at private schools climbed to \$21,220 on average this year, up from \$13,860 in 2008 (adjusted to 2018 dollars). At public institutions they rose to \$6,490 this year from \$4,970 in 2008.

"These grants are one way for private institutions to offer more aid to low-income students," said Jennifer Ma, co-author of the report. "Schools charge full-pay students more money but give lower-income students more aid as a result."

Higher grants from schools allowed undergraduates to borrow less from the federal student-loan program; such borrowing declined to an average \$4,520 per student in 2017-18 from \$5,830 in 2010-11 (in 2017 dollars), according to the report. Federal loans for

graduate students ticked up to \$17,990 in 2017-18 from an average of \$17,340 in 2014-15.

Public funding for colleges in many states has risen since funding cuts made during and immediately after the recession. Private colleges, mean-

college-ready children for most of the next two decades.

Schools' diminishing pricing power is causing tremendous stress among many less-prestigious schools as their enrollments decline. In July, Moody's Investors Service said that private-college closures rose to about 11 a year, roughly double the rate in 2015. Moody's predicts annual closures will continue to rise to an average of 15 in coming years.

Most vulnerable are about 750 small, private colleges that depend almost entirely on student tuition because they have small endowments, according to Moody's. The median net revenue per student among these schools covered 53% of the cost of each student. In 2012, it covered about 65%. The result: about one in five small private colleges is in trouble.

## Schools give away more scholarships, bringing down net tuition and fees.

while, are increasing financial aid as they compete harder to attract students from a diminishing pool of high-school graduates. This demographic drop is expected to accelerate, as falling U.S. fertility rates lead to shrinking numbers of

# For-Profit Schools, DeVos Lose Fight on Loan Forgiveness

BY MICHELLE HACKMAN

The Education Department must implement Obama-era rules that set up a procedure for students who were defrauded by their colleges to have their federal student loans forgiven, a court ruled Tuesday.

The decision came in a suit brought by California Association of Private Postsecondary Schools, an industry group that was seeking to block the Obama rules, which largely affect for-profit colleges. A federal district judge in Washington, D.C., ruled the group had failed to show it would suffer irreparable harm should the rules be implemented.

The outcome represents a defeat for Education Secretary Betsy DeVos, who has said she believes the Obama rules were too lenient for students and whose agency has sought to revamp the policy.

Mrs. DeVos initially delayed the Obama rules in 2017 while the Education Department worked on its own set of regulations, a move a different court last month called "arbitrary and capricious" and ordered the department to reverse.

In July, the department issued a proposal for rewritten rules that would have created a significantly stricter standard for when students could qualify for debt relief. But last month, department officials said they would fail to meet a key deadline to implement the new approach before the summer of 2020.

Education Department spokeswoman Liz Hill said Tuesday the agency would respect the court's decision and implement "parts" of the Obama rules, but she said the department would continue pursuing its rewrite.

"Regardless of what the court decides, many provisions of the 2016 regulations are

bad policy, and the department will continue the work of finalizing a new rule that protects both borrowers and taxpayers," Ms. Hill said.

Many consumer advocates and Democrats support the Obama-era rules, arguing that the federal government must play a more active role in policing colleges that take advantage of vulnerable students. The government should help students who graduate with degrees from for-profit colleges that lead to few job prospects and saddle them with debt that they can't pay off, the critics say.

"Now it's up to Secretary

Federal court backs Obama rules for students defrauded by their colleges.

DeVos to do the right thing and immediately begin discharging outstanding loans in full from students who were cheated, defrauded or left in the lurch," said Sen. Patty Murray (D., Wash.), the top Democrat on the Senate Education Committee.

Conservatives, however, have long worried that allowing too many students to write off their loans would put a strain on the federal student loan program.

For-profit colleges are also opposed to the rules, saying they pose a risk to those schools' reputation and would make it tougher for students looking to attend them to receive federal aid.

The Obama administration drafted its rules under a 1993 law designed to help students if their schools had taken fraudulent actions.

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## WORLD NEWS

# Saudi Case Clouds Silicon Valley Funding

Technology startups that welcome money from the kingdom are facing qualms

By ELIOT BROWN  
AND GREG BENSINGER

Saudi Arabia's aggressive outreach in recent years has made it the largest single funding source for U.S. startups, potentially creating a headache for Silicon Valley.

Crown Prince Mohammed bin Salman has directed at least \$1 billion of Saudi money into U.S. startups since mid-2016, either directly or through **SoftBank Group Corp.'s** \$92 billion tech-focused **Vision Fund**, to which the Saudis committed \$45 billion, according to a Wall Street Journal estimate of data from research firm PitchBook. The total invested by the kingdom so far in U.S. startups is far bigger than the total raised by any single venture-capital fund.

Some of tech's most prominent young companies have welcomed Saudi money, including **Uber Technologies Inc.**, office-sharing company **WeWork Cos.** and augmented-reality de-

vice maker **Magic Leap Inc.** For Uber, the situation could be particularly dicey: A prominent Saudi official sits on its board.

For now, the companies are preferring to keep quiet about an escalating controversy over the disappearance of a prominent Saudi journalist. Of the 22 startups in which the Vision Fund or the Saudis have invested, all but one declined to comment or didn't respond to requests. Uber pointed to a recent statement from CEO Dara Khosrowshahi, who said that he planned to pull out of a Saudi-sponsored business conference and that he was troubled by the reports about the journalist, Jamal Khashoggi.

For the startup community, "there are incidents where you have to look and decide which side of history you want to be on, and if this is true, this is one of those," said Venky Ganeshan, former chairman of the National Venture Capital Association and an investor at **Menlo Ventures**, which has invested in Uber. "It's more than about startups and money—it's fundamentally about what you think about human rights."

Tech companies are in a conflicted spot given the idealistic missions espoused by

many leaders in Silicon Valley, where employees routinely rebel over contracts they find unprincipled. WeWork, for instance, has banned meat over concerns about its environmental impact.

"Silicon Valley has been incredibly hypocritical in accepting investments from an anti-Semitic country, [which] criminally punishes gays and *de jure* discriminates against

*Tech firms are in a conflicted spot given the idealistic missions of many leaders.*

women," said Keith Rabois, a venture capitalist at prominent firm **Khosla Ventures**.

Multiple startups backed by Khosla have raised money from SoftBank's Saudi-backed Vision Fund, including online home-selling company **Opendoor Labs Inc.**, of which he is a co-founder.

SoftBank and Saudi Arabia's Public Investment Fund declined to comment.

The Saudi-backed Vision Fund—where the majority of

investment decisions are made solely by SoftBank—has led at least 20 deals totaling more than \$17 billion of investment in U.S. startups, according to PitchBook. Saudi's Public Investment Fund has committed an additional \$4.9 billion to Uber, Magic Leap and electric-car maker **Lucid Motors Inc.**

After Uber co-founder and then-CEO Travis Kalanick flew to the kingdom to meet with the crown prince two years ago, he secured a \$3.5 billion investment from PIF within weeks, people familiar with the matter have said. A condition of the deal: The PIF would receive a board seat.

Some Silicon Valley leaders criticized Uber, saying that by accepting the PIF investment it was tacitly endorsing Saudi policies, which at the time included a ban on women driving. Uber executives, in response, denied any policy support, saying that the U.S. and Saudi Arabia were allies and that the ride-hailing service was a valuable tool for women. Uber board member Arianna Huffington said then she believed the Saudi government should allow women to drive—and it since has.

Yasir Al Rumayyan, the head of PIF, sits on Uber's 12-member board and, according to people familiar with the matter, Uber is contractually obligated to hold a seat for PIF as a result of its investment.

Arabia. When Mr. Khosrowshahi succeeded Mr. Kalanick as CEO last year, he made finalizing what ultimately became a \$7.7 billion investment from the Vision Fund one of his first orders of business. That deal effectively netted Saudi Arabia about 10% of Uber, including the PIF investment.

In the days after Turkey accused the Saudi government of killing Mr. Khashoggi at the Saudi consulate in Istanbul, many executives and investors have said they would suspend projects with the Saudi government or cancel their plans to attend its business conference.

On Monday, **Alphabet Inc.** said Diane Greene, head of Google's cloud-computing unit, wouldn't attend. Robert Thomson, chief executive of Wall Street Journal parent **News Corp.**, had planned to attend but is reviewing the situation, a company spokesman said.

Some Silicon Valley leaders criticized Uber, saying that by accepting the PIF investment it was tacitly endorsing Saudi policies, which at the time included a ban on women driving. Uber executives, in response, denied any policy support, saying that the U.S. and Saudi Arabia were allies and that the ride-hailing service was a valuable tool for women. Uber board member Arianna Huffington said then she believed the Saudi government should allow women to drive—and it since has.

Uber doubled down on Saudi

King Salman, who similarly denied any knowledge of what happened to Mr. Khashoggi. After speaking to the king, Mr. Trump told reporters that "rogue killers" may have been involved in Mr. Khashoggi's disappearance.

In an interview that aired Tuesday night on Fox Business Network, Mr. Trump reiterated that the U.S. was evaluating the situation. He called Saudi Arabia "our ally against Iran" and warned it could turn to China or Russia for military equipment if the U.S. supply route is cut off.

"So we're not really hurting them, we're hurting ourselves," Mr. Trump said. "So we want to be smart. I don't want to give up a \$110 billion order or whatever it is.... You're talking about jobs."

The president's latest comments appeared to ease pressure on the kingdom after Mr. Trump repeatedly threatened Saudi Arabia with reprisals over the suspected killing of the journalist, calling it "really terrible" and "disgusting."

Mr. Trump's comments came amid calls from prominent U.S. lawmakers, including Sen. Lindsey Graham (R., S.C.), to sanction Saudi Arabia over the suspected killing of Mr. Khashoggi.

"Nothing happens in Saudi Arabia without MBS knowing about it," said Mr. Graham, using shorthand for Prince Mohammed. "This guy has got to go."

A deal whereby Saudi authorities pinpoint the blame on rogue killers could help limit the diplomatic damage that has complicated efforts under Prince Mohammed, the kingdom's effective leader, to overhaul the country's economy and attract investment.

— Margherita Stancati,

Rebecca Ballhaus

and Alex Leary

contributed to this article.



SECRETARY OF STATE MIKE POMPEO WITH SAUDI LEADERS IN RIYADH ON TUESDAY. HE SAID THEY DENIED INVOLVEMENT IN THE JOURNALIST'S DISAPPEARANCE.

U.S. DEPARTMENT OF STATE/EPA/SHUTTERSTOCK

tal on Tuesday afternoon and Saudi authorities informed Ankara that the residence was off limits, according to the people familiar with the matter.

The latest Turkish allegations could complicate the Saudi government's efforts to provide an explanation of what happened to Mr. Khashoggi while distancing itself from any direct responsibility.

On Monday, Saudi authorities had weighed whether to declare that unauthorized operatives killed Mr. Khashoggi during a botched interrogation, according to people familiar with the situation. It wasn't known whether they were still considering that.

Turkish officials have said they suspect the Saudi crown prince had a hand in Mr. Khashoggi's disappearance because some of the operatives who took part in the alleged killing appear to have ties to him. Turkish investigators have focused on a pair of Gulfstream jets that landed in Istanbul on Oct. 2 and flew back to Riyadh on Oct. 3 after layovers. The planes belong to a company, Sky Prime Aviation Services Ltd., that was seized by the Saudi government after its anticorruption drive last year.

Among those on board, according to Turkish officials, were Waleed Abdullah Alshehri and Thaar Ghaleb al Harbi.

Saudi press reports from 2016 identified Mr. Alshehri as a Saudi air force major; Turkish officials refer to him as a forensic expert. Mr. Harbi was promoted to lieutenant by the crown prince for his role in defending the royal family's Al Salam palace in Jeddah during an attack in October 2017, according to Saudi press reports.

Mr. Pompeo on Tuesday held what U.S. officials described as candid and direct meetings with Saudi Arabia's King Salman, Crown Prince Mohammed bin Salman and Foreign Minister Adel al Jubeir, urging them to resolve questions over the case.

Earlier Tuesday, Mr. Trump

said he spoke with Prince Mohammed on the phone and the Saudi crown prince denied knowledge of what happened to Mr. Khashoggi.

"Just spoke with the Crown Prince of Saudi Arabia who totally denied any knowledge of what took place in their Turkish Consulate," Mr. Trump said on Twitter. "He was with secretary of state Mike Pompeo during the call, and told me that he has already started, and will rapidly expand, a full and complete investigation into this matter." The president added: "Answers will be forthcoming shortly."

The tweet came a day after

Mr. Trump said he spoke with

# Until the Last Minute, Pastor Didn't Know He Would Go Free

BY PETER NICHOLAS

Andrew Brunson walked into a court hearing in Turkey on Friday prepared for either a return to prison or a flight to the U.S. after two years in detention.

"We had no clue and it looked grim," Mr. Brunson told The Wall Street Journal in an interview Tuesday. Before the hearing, he said, "I packed a bag to go back to prison."

This time would be different. The court sentenced him to time served on terrorism charges, and within hours the American missionary was on a military jet headed for the U.S. and a visit with President Trump.

Mr. Brunson was detained in Turkey amid a government crackdown following an unsuccessful coup attempt in July 2016. His legal defense, he said, came down to three points: "I'm an innocent man. I love Turkey. I love Jesus."

Mr. Brunson's fate had become entwined with U.S.-Turkey relations. Calling the charges against Mr. Brunson bogus, the Trump administration imposed economic sanc-



U.S. PASTOR ANDREW BRUNSON AND HIS WIFE, NORINE, ARRIVED AT THE AIRPORT IN IZMIR, TURKEY, ON FRIDAY.

Asked about Mr. Trump's claims, a former Obama National Security Council official, Ned Price, said Mr. Trump has "attempted to make political hay out of this and spike the football in ways we never imagined doing."

In May, Mr. Trump secured the freedom of three U.S. citizens held captive in North Korea whose release he had earlier tweeted that the Obama administration had tried to procure "to no avail." Yet two of the three men had been detained after Mr. Obama left office and after Mr. Trump moved into the Oval Office.

Though he is grateful for the president's help, Mr. Brunson said he has no interest in endorsing any candidate or party, adding that he and his wife are still sorting out what they might do next. He plans to write a book but said he doesn't want to capitalize on the intense interest surrounding his fate.

"My calling is to preach Jesus Christ. I don't care if someone is a Republican or a Democrat or a Libertarian or a Communist," he said.

The two men then went before the cameras in the Oval Office, where Mr. Trump asked Mr. Brunson and his wife who they had voted for in the 2016 presidential election. Norine Brunson said she had voted for the president; Mr. Brunson said he had voted by absentee ballot but didn't immediately divulge the candidate he had chosen.

He told the Journal that he thought the question was meant as a lighthearted joke.

The president has suggested that his persuasive powers and pressure tactics have helped secure the release of Americans whom his Democratic predecessor, Barack Obama, failed to free.

In the Oval Office with Mr.

Brunson, the president mentioned the case of Aya Hijazi, an aid worker who had been held for three years in Egypt before being released in 2017.

"They told President Obama, 'We will not let her out under any circumstances,'" Mr. Trump said of Egyptian officials. "And they told me, 'She'll be in the Oval Office in 24 hours.'

## WORLD NEWS



Young men haul rocks from the bottom of an artisanal gold mine in Tchibarakaten, a remote tent city in Niger that has drawn wealth seekers, migrants and arms traffickers.

## Sanctions Take Aim At Iran Network

By IAN TALLEY

WASHINGTON—The U.S. sanctioned a multibillion-dollar network of Iranian companies, banks and funds accused of financing the country's elite paramilitary unit.

By targeting the Basij militia's financing network and citing the group's alleged use of child soldiers and other human-rights abuses, the U.S. hopes to not only choke off funding to the prominent Islamic Revolutionary Guard Corps unit but also scare off any business dealings with the country.

"The IRGC is pervasive within the Iranian economy," a senior administration official said. "This is precisely the kind of activity that we have warned other companies and governments about extensively."

Many firms are pulling out of Iran as the U.S. rolls out a sanctions campaign to force Tehran to negotiate a new nuclear and security deal that addresses an array of U.S. concerns.

But from China to Europe, some governments and companies are considering maintaining financial and trade ties with Tehran as a way to keep the country's critical oil supplies flowing and to oppose Washington's decision this year to pull out of the 2015 Iran nuclear deal.

The U.S. Treasury's sanctions say the Basij's ownership and control of banks and companies is integrated across the Iranian economy. All of those institutions are already targeted under the coming round of hardest-hitting U.S. sanctions coming into force Nov. 5.

But the sanctions announced Tuesday link a unit condemned by human-rights groups and blacklisted by many Western governments, including the European Union, to corporations and financial institutions that do business in Europe and around the globe.

Besides intending to raise the political pressure on countries in Europe and elsewhere, Tuesday's effort is meant as a warning shot before the full set of sanctions come into force.

Alireza Miryousefi, spokesman for Iran's mission to the United Nations, didn't address the U.S. allegations or the details linking Iran's military unit to an economywide network of companies and financial institutions. He called the sanctions part of a "unilateral campaign of bellicosity against Iran."

# Gold Rush Grips Saharan Outpost

Remote Niger region is now a crossroad for migration, terrorism and drug smuggling

By MACKENZIE KNOWLES-COURSIER AND JOE PARKINSON

TCHIBARAKATEN, Niger—A teeming tent city is rising here in a remote Saharan outpost where migration, jihadist terrorism and narcotics smuggling often cross paths.

Over the past two years, some 35,000 people have flocked from West and Central Africa to this lawless region separating Niger from Algeria, the Ministry of Mines said, most seeking a literal pot of gold.

Tchibarakaten has the largest functioning artisanal gold mine in Niger, a poverty-stricken nation with the world's highest birthrate that has become a key ally in the West's war on terror and efforts to curb migration.

The miners have traveled by donkey, motorcycle and even foot, making the last part of their journeys in trucks escorted by the military. In doing so, they have transformed this barren landscape into a desert metropolis. Stores sell everything from cookies and cans of tuna to metal detectors and dynamite. Restau-

rants, clinics and makeshift bars have sprouted up, powered by buzzing generators.

The mine—located almost three days by car from the nearest settlement—has become a magnet for Africans seeking wealth, money to send home or a way station to finance the next stage of an expensive and perilous journey to Europe.

Smuggler fees have surged since Niger this year arrested hundreds as part of a deal with the European Union to halt the flow of people through the Sahara toward the Mediterranean.

The crackdown has replaced the conventional routes through Niger's smuggling hub of Agadez and Libya with new pathways through Algeria that run close to Tchibarakaten.

The mine's rapid expansion is part of a broader surge in artisanal mining of gold and other precious metals across Africa.

Niger's gold rush, which started in 2014, comes as the country's 20 million residents have been hit by aftershocks from civil wars in neighboring Mali and Libya, the Boko Haram insurgency in Nigeria and recent attacks by jihadist groups.

Each day here, miners wearing shoddy headlamps descend 400 feet below scorching sand to grind and hammer into rock. Before sunset, they tie weathered ropes around

### Digging Up

Tchibarakaten's rapid expansion is part of a broader surge in artisanal mining of gold and other precious metals.

### Number of small-scale mine operators world-wide



Source: International Institute for Environment and Development

THE WALL STREET JOURNAL

their waists, utter a prayer and head for the surface.

In a country where the World Bank estimates the average daily income is \$2.71, many see the mine as a windfall.

Dynamiters are paid roughly \$9.25 per explosion, with most conducting around five explosions a day. Crushing rock could earn a miner \$462 a month in a country where a university-educated teacher often earns as little as \$277.

The vast majority of profit stays in the hands of those who have bought parcels of the land.

Many, like Ibrahim and Abdoulaye, two young miners from Mali, have come to help

finance their journey to Europe.

"I hope I make enough to travel safely to France and find a good job," said Ibrahim, clumps of yellow dust stuck to his eyelashes. "Each day is very difficult, but it's better than home," said Abdoulaye.

Some analysts say the mine's expansion is affecting the security dynamics in a region with few state structures that U.S. and European policy makers see as a nascent hub for jihadist groups.

"Arms trafficking in the region has increased with the opening of the gold mines," said Mathieu Pellerin of the French Institute for International Relations. "The mines are also used by smugglers to move networks of migrants undetected."

Tchibarakaten's position on resurgent smuggling routes has escalated diplomatic tensions.

Algeria's government in 2016 constructed a 6-foot-tall berm running hundreds of miles along the border to stop trucks from smuggling migrants.

Since April 2017, Algeria has rounded up more than 11,000 migrants and dropped them in the desert, 10 miles from the Nigerien border town of Assamakka, and told them to walk back, according to the International Organization for Migration, an EU agency. Ten thousand have been rescued,

IOM said. Many have died.

Algeria on Thursday said it expelled West African migrants legally and according to international conventions.

"The issue with Algeria has become a big problem," said Hassan Salissou, Niger's general director of mines and quarries. "Our biggest concern is to not exacerbate the issues of migration and the movement of weapons."

For now, the wealth at the mine appears to be worth the diplomatic cost.

The estimated dozens of kilograms of gold mined here each week moves through a transnational supply chain of sifters, traders and couriers, usually ending up in Dubai's gold market. The wealth has created a new class of gold barons, some of whom are associated with smuggling and narcotics trafficking, with ties to high-level government officials. Niger's government didn't respond to requests to comment.

Many miners have bought weapons—easily available in a region awash with guns from Libya's armories. The three policemen stationed at the mine are under no illusions about their authority.

"We have a tent here, but we cannot control so many people," said Mohammed Aghali, the local police chief.

## FROM PAGE ONE

# Uber Approaches 2019 IPO

Continued from Page One

The bank presentations show Uber gathering momentum toward an IPO that is among the most hotly anticipated on Wall Street and Silicon Valley and could come sooner than expected as the new-issue market sizzles. Founded in 2009 and sustained by an ample supply of private capital, Uber is seen as a bellwether for a crop of highly valued startups that have delayed tapping the public markets.

Over the past year, Uber has labored through a series of scandals, from claims of workplace sexual harassment to the alleged theft of trade secrets from rival Alphabet Inc. and the ouster of co-founder Travis Kalanick. Its new chief executive, Dara Khosrowshahi, has sought to win back investors, drivers and riders who can now choose from a growing group of taxi smartphone apps.

Mr. Khosrowshahi had previously said the company is aiming for an IPO in the second half of 2019; at what valuation has been unclear. Uber last raised money, from Toyota Motor Co. in August, at a \$76 billion valuation.

There is no guarantee Uber will go public within the expected time frame or at the valuation envisioned by investment bankers hungry for fees. The

### Path to Riches

The initial public offerings of Uber and Lyft, expected next year, will greatly enrich early investors

#### Size comparisons

At \$120 billion, Uber would be worth more than Detroit's Big Three auto makers combined.

→ Most recent round of financing valued it at \$15.1 billion.

#### Valuation and notable investors

● First Round Capital

● Benchmark Capital

● Floodgate, K9 Ventures

● Andreessen Horowitz

● Mayfield

General Motors \$45.6B

Ford \$35.1B

Fiat Chrysler \$31.8B

Tiger Global

Microsoft

Qatar Investment Authority

TPG Growth, Google Ventures (GV)

Fidelity Investments, Kleiner Perkins

Alibaba, Coattue

General Motors

KKR

CapitalG

Fidelity Investments

Lyft \$15.1B

UBER \$120B Proposed by banks for IPO

\$100B

80

60

40

20

0

THE WALL STREET JOURNAL

Journal. At a valuation of \$120 billion, those shares would be worth more than \$5 billion.

Another big winner would be Benchmark, whose Uber stake is currently valued at about \$8 billion and would be worth about \$14 billion, according to an analysis by the Journal.

Both First Round and Benchmark sold a portion of their shares in January to SoftBank, which, along with its Vision Fund, owns about 15% of Uber.

More than 50 firms have invested in Uber over the years, according to startup tracker Dow Jones VentureSource, not including many individuals who have also put in money. Among them: Amazon.com Inc.'s Jeff Bezos, Alphabet Inc. and Goldman Sachs, which stands to make hundreds of millions of dollars on an early stake in the ride-hailing pioneer.

An IPO could also enrich Mr. Kalanick. In January, he sold shares to SoftBank for about \$1.4 billion and still owns a stake that at the proposed valuation could be worth billions of dollars more.

The valuations—Goldman's is slightly lower than Morgan Stanley's, according to one of the people—hinge in part on highlighting the potential of Uber's businesses outside its ride-hailing app, like the company's food-delivery service, UberEats, the values also take into account its stakes in other transportation startups including China's Didi Chuxing Technology Co. and Singapore's Grab.

—Rolfe Winkler contributed to this article.

Uber market runs notoriously hot and cold, and though 2018 has been a strong year for technology and other issues, conditions could be less favorable when Uber is ready to list its shares.

Indeed, one person said the banks are pitching the earlier listing in large part because of fears the IPO market will cool.

Competition in ride-hailing has stiffened, which could make Uber shares a tougher sell with public investors. Any IPO process could also be com-

plicated by factors among Uber backers, who received their shares at widely varying valuations.

In documents distributed in recent days related to a potential bond offering—led by Morgan Stanley—Uber indicated it won't be profitable for at least three years, according to people familiar with the matter. If it fails to do so, Uber would have to allow certain investors—those who have put in at least \$100 million or held shares for at least five years—to sell their stakes on the secondary market, these people said.

Lyft, Uber's most formidable U.S. rival, tapped JPMorgan

\$7.78 billion last year.

As part of an agreement with investor SoftBank Group Corp., Uber must go public by the end of next year, according to people familiar with the matter.

Should Uber debut at any price near a \$120 billion valuation, it would deliver spectacular returns for early investors.

First Round Capital, for example, invested about \$1.6 million in Uber's first two rounds in 2010 and 2011, according to term sheets reviewed by the Journal. Chase & Co., along with Credit Suisse Group AG and Jefferies Group LLC, to lead an IPO that may come earlier in 2019, according to people familiar with the matter.

## WORLD NEWS

# Wary Macron Recasts His Cabinet

By NOEMIE BISSEEREE

PARIS—French President Emmanuel Macron appointed several cabinet ministers in an attempt to stabilize his government and stem a decline in public support for his push to overhaul France's economy.

The abrupt resignation of Gérard Collomb as interior minister had created a power vacuum near the top of Mr. Macron's ranks. The president was under pressure to shake up his entire cabinet by tapping another senior minister to succeed Mr. Collomb, a political heavyweight who was among the first to leave the Socialist Party and back Mr. Macron's 2017 presidential bid.

Instead, Mr. Macron took a surgical approach on Tuesday, naming Christophe Castaner, a close ally who oversees the president's Republic on the Move party. Like Mr. Collomb, Mr. Castaner is a former Socialist, and his appointment helps the president maintain the delicate bipartisan profile of his

cabinet.

Preserving that balance is key for Mr. Macron, because his fledgling political party—an alliance for former Socialists and members of the center-right Les Républicains party—claims to transcend the left-right divide of traditional politics.

Mr. Macron's approval ratings have plummeted, stoking worries among supporters on the left that he has moved too far to the right in carrying out his pro-business overhaul of the French economy. Mr. Macron decreed a new labor law that revised a thicket of rules and worker protections that businesses say discourage hiring.

On Tuesday, Mr. Macron also named former Socialist lawmaker Didier Guillaume as his minister of agriculture to succeed Stéphane Travert, who also came from Socialist ranks. Center-right lawmaker Franck Riester was named culture minister, succeeding Françoise Nyssen, a former publisher.

The appointments end a nearly two-week period during



Newly appointed Interior Minister Christophe Castaner, right, and Laurent Nunez, state secretary at the ministry, in Paris on Tuesday.

which Mr. Macron and his prime minister vacillated, suggesting their bench was thin.

Before his appointment as interior minister, Mr. Castaner was performing twin duties: preparing Republic on the Move for next year's European Parliament elections and serving as secretary of state for relations with the French Parliament.

Mr. Macron appointed Marc

Fesneau to succeed Mr. Castaner in the latter role. Mr. Castaner said Tuesday that he would leave his post as party chief "in the next few days" without saying who would take over.

Mr. Macron now faces the challenge of forging ahead with his economic overhauls while also taking steps to mollify the left wing of his party.

He recently walked back a

pledge to extend unemployment payments—previously limited to people who are laid off—to freelancers and workers who voluntarily leave their jobs. Instead, he passed a law that extends benefits to entrepreneurs who go bankrupt and people seeking a career change who have worked at least five consecutive years.

Left-leaning supporters are

also unhappy about Mr. Macron's immigration-system overhaul, which doubles the time illegal immigrants can be detained and strengthens police powers to search them.

Mr. Macron has unveiled billions in antipoverty spending but this has done little to silence opponents who have branded him an out-of-touch "president of the rich."

## WORLD WATCH

## GLOBAL ECONOMY

## U.S. Regains Top Spot For Competitiveness

The U.S. is back on top as the most competitive country in the world, regaining the No. 1 spot for the first time since 2008 in an index produced by the World Economic Forum, which said the country could still do better on social issues.

America climbed one place in the rankings of 140 countries, with the top five rounded out by Singapore, Germany, Switzerland and

Japan. All five countries' scores rose from 2017, with the U.S. notching the second-biggest gain after Japan's. The top spot hasn't gone to the U.S. since the financial crisis stalled output and triggered a global economic slowdown.

"Economic recovery is well underway, with the global economy projected to grow almost 4% in 2018 and 2019," said the report, published Tuesday.

However, "recovery remains vulnerable to a range of risks and potential shocks," the authors warned.

—Joanna Sugden

## PENTAGON

## Mattis Says Trump Offers Full Support

Defense Secretary Jim Mattis said President Trump reassured him that he has his full support, after Mr. Trump said in an interview the two may not be politically aligned and that the secretary's resignation could be imminent.

"He said, 'I'm 100% with you,'" Mr. Mattis told reporters traveling with him to Vietnam.

Mr. Mattis said Mr. Trump offered the assurances during a

phone call about Hurricane Michael relief as Mr. Trump traveled to Florida. But even before that call, Mr. Mattis dismissed the president's most pointed critiques of him.

"I'm on his team. We have never talked about me leaving," Mr. Mattis told reporters on Monday, the first time he responded publicly about the president's comments.

Some in the Pentagon have said they feared Mr. Mattis was being urged to leave through Mr. Trump's public comments.

—Nancy A. Youssef



**CONSUSED:** A member of Pakistan's Anti-Narcotics Force takes a selfie beside a burning pile of drugs and liquor seized in raids.

# Britain's Trade Negotiator Awaits Ability to Make Deals

By MAX COLCHESTER

LONDON—When the U.K. voted to leave the European Union in 2016, the British government had no chief trade negotiator and only a handful of people engaged in trade policy. As part of the EU, Britain hadn't been able to forge its own trade deals since the 1970s.

Prime Minister Theresa May pledged that would change after Brexit. To revamp its new Department of International Trade, the U.K. government hired Crawford Falconer, a grizzled, tough-talking trade expert from New Zealand, one of the world's most pro-trade countries.

To make the new unit into a negotiating powerhouse, the government has drafted about 400 staffers, launched a school for trade negotiators, begun simulations of trade talks with the U.S. and wheeled in retired British trade specialists to share tips.

But there is a problem: Come Brexit day, Mr. Falconer's outfit probably won't be able to land any significant free-trade deals. That is one issue of contention helping to fuel this week's standoff between Britain and the EU over the shape of their post-Brexit relations.

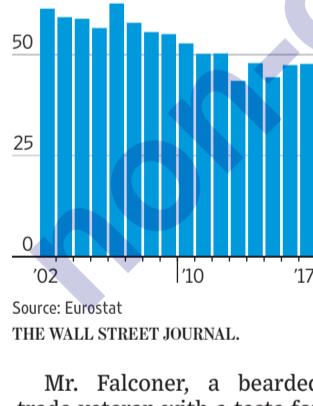
As it turns out, Britain may have to agree on a departure from the EU that foresees it staying in the trade bloc's customs area for many years. That would mean the U.K. accepting the EU's schedule of tariffs, severely restricting its ability to make free-trade deals with the likes of the U.S. and Japan.

It is "not at all clear" when the U.K. will be in a position to negotiate big trade deals, said Stephen Adams, a partner at consultancy Global Counsel.

Mr. Falconer says he is unfazed by the prospect of a Brexit agreement that would leave the U.K. unable to strike trade deals around the world. "There is no reason for me to suddenly be worrying about Plan B over something that is not the government's policy," he says in an interview.

## Intertwined

The EU represents a shrinking but still major market for U.K. goods. Share of U.K. merchandise exports that go to the EU:



THE WALL STREET JOURNAL.

Mr. Falconer, a bearded trade veteran with a taste for fine wine and medieval architecture, arrived in Britain last year with a reputation for slashing trade barriers and abrasive management.

"Crawford is strong meat," says one New Zealand acquaintance. He learned the ropes in the 1980s helping to implement a trade-liberalization program that turned New

Zealand into one of the world's most open and competitive agricultural markets.

After a stint as New Zealand's ambassador to the World Trade Organization, he went into academia. Following the Brexit referendum, the British government scoured its former empire for a lead trade negotiator to seal trade deals once it had quit the EU.

Mr. Falconer got the nod after the first choice, a Canadian, turned down the job, according to people familiar with the matter. The EU's offi-

cials said Mr. Falconer did good work at the WTO but expressed surprise that Britain picked a negotiator with little experience hammering out bilateral trade deals.

The newly created trade department geared up for its big moment, drawing in a new cohort of would-be trade experts from across the British civil service and beyond. Online training was designed to give staffers across government a crash course in the basics of global trade. Officials are crunching numbers to work out what the U.K. actually exports and imports from various markets. But last year the trade unit failed to spend all of its £41 million (\$54 million) budget because it couldn't recruit enough people.

Mr. Falconer says his department is made up of "largely people who don't have a lot of experience" in trade but who are smart and "just want to join in." He bats away worries that his fresh-faced crew will be taken apart by the seasoned trade negotiators in the U.S. or EU.

"There is a lot of professional obscurantism about trade policy and just how complicated it is," Mr. Falconer said.

Britain is set to leave the EU in March. If negotiations go as planned, there is then a 21-month transition period when, to smooth its exit, the country remains de facto in the trade bloc.

During that time the U.K. can negotiate but not finalize trade deals with other countries. The problem for Mr. Falconer is what happens next.

Until countries know whether the U.K. is remaining in the EU's customs union or not after the transition, they probably won't want to strike trade deals, Mr. Adams said.

They will also want to see what trade deal the U.K. reaches with the EU, its biggest trade partner, before starting their own talks, he added.

—Emre Peker in Brussels contributed to this article.

**New Zealander Crawford Falconer, the U.K.'s trade negotiator, has to deal with Brexit issues.**

## ROSS + SIMONS

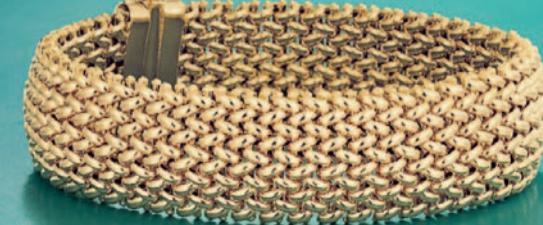
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## FROM PAGE ONE

# What to Call New Trade Deal?

Continued from Page One

write it or terminate it.

“USMCA sort of just works,” he said in announcing the new trade agreement. “It has a good ring to it.”

But how do you say “USMCA” in Spanish? Or French? Suggestions have ranged from T-MEC to Musca to Camus.

The Canadian government and French-language media in the country use the inelegant AEUMC when referring to the pact in written French, which stands for *Accord États-Unis-**Mexique-Canada.*

“We all had a little struggle with that,” said Ottawa-based correspondent Philippe-Vincent Fois, who works at the French-language public broadcaster Radio-Canada where journalists refer to the pact by just saying the letters.

The search for a name, pronounceable as a single word, became a hot topic in Mexico when the country’s president-elect waded into the debate last week on what the agreement ought to be called in Spanish.

Andrés Manuel López Obrador, with 4.6 million Twitter followers, posted a survey asking people what they thought it should be called in Mexico, since the U.S. name for it wouldn’t work.

The debate over pronunciation also extends to English-language media. In a recent

prime-time newscast on the Canadian Broadcasting Corp., one of the anchors hosting a panel of pundits acknowledged she didn’t know how to pronounce USMCA. One of the pundits, columnist Paul Wells from Maclean’s magazine, encouraged her to use “You-smacka.”

British weekly the Economist called it NEWFTA.

While “Nafta” has rolled easily off the tongue since 1994, USMCA doesn’t. Nafta was translated in Mexico as TLCAN—*Tratado de Libre Comercio de América del Norte*—and pronounced “telecan.” This was also true for French-speaking Quebec, where Nafta was called ALENA—*Accord de Libre-Échange Nord-Américain*.

Andrés Manuel López Obrador

Some reporters are just calling the new deal ALENA 2.0, which is more recognizable to Francophones. There have been suggestions on social media that Canada could call it Camus, author of emblematic literary works such as “The Plague” and “The Fall.”

Mr. López Obrador said his trade negotiator Jesús Seade pointed out that Mexico needed to settle on its own name for the new deal. “The press has been using USMCA as if it were Spanish. The only name being used in Spanish was AMEC, which is wrong because A is for agreement, but in Mexico it’s a treaty,” said Mr. Seade, who participated in the final stages

of the trade negotiations. (Mexico officially calls the trade pact with its northern neighbors a treaty.)

Editors and reporters in three countries at The Wall Street Journal recently discussed what to do about USMCA. The stylebook is clear that unless an abbreviation can be pronounced as a single word, it can’t be upper and lowercase like Nafta.

In Mr. López Obrador’s Twitter poll, the criteria for the Spanish acronym were that it should be similar to the English in that it includes the initials of the three member countries, that it begin with a T for *tratado*—treaty—and that it be pronounceable. Economy Minister Ildefonso Guajardo, who is Mexico’s chief trade negotiator, and Foreign Minister Luis Videgaray, agreed with this, he said.The informal poll closed Monday with 102,448 votes. T-MEC (which stands for *Tratado México Estados Unidos Canadá*) led with 45%, while TEUMCA (or *Tratado Estados Unidos México Canadá*) which the Economy Ministry has already used in a press release, had just 16%. The option “neither of these” had 39%.

Mr. Guajardo, visibly relaxed in a television interview the day after the U.S. and Canada reached an 11th-hour deal to keep the trade pact trilateral, joked that the name “Musca”—a constellation—would at least put Mexico first.

But “if the boy has two legs, is going to walk and is in good health, it doesn’t matter if he’s called Juan, Pepe or Pedro,” he added.

—Paul Vieira and Jacob Schlesinger contributed to this article.

# Inside the Collapse Of Abraaj

Continued from Page One

World Economic Forum in Davos, Switzerland. Abraaj marketing documents touted 17% net annual returns.

Mr. Naqvi himself started a \$100 million charity in his home country of Pakistan. He accumulated estates in England and France, a \$20 million yacht, a private jet and Asian and Middle Eastern art.

Some details of the collapse are known: Abraaj used investor funds for its own expenses, according to former executives and investors. The firm further muddied its finances with the “unusual practice” of borrowing money secured against its own stakes in its funds, creating “a highly unstable business model,” liquidators wrote in a report. Abraaj has defaulted on more than \$1 billion of debt.

As investigators and investors dig further, more details are emerging. At least \$660 million of investor money was moved without the knowledge of most investors into bank accounts that forensic accountants call the Abraaj treasury, according to documents and people familiar with the situation.

More than \$200 million flowed from those accounts to Mr. Naqvi and people close to him, according to company documents and people familiar with the situation.

In May 2017, Abraaj finance executive Rafique Lakhani emailed his concerns about a “cash crunch” to Mr. Naqvi. He wrote: “The tension and stress is unbearable for me and it is affecting my health and my efficiency, and performance at work. I don’t know what else to say.”

“The allegations against me are entirely false and vehemently denied,” Mr. Naqvi, 58 years old, said in a written statement to The Wall Street Journal. “I have neither misused nor misappropriated any Abraaj funds. There was nothing untoward about my requests for transfers of Abraaj Group funds to me or my family, or for my personal investments or obligations. In drawing down funds from Abraaj, I acted in accordance with the arrangements put in place by the Abraaj Group.” All drawdowns were properly recorded and accounted for, he said.

Abraaj’s former chairman, Sean Cleary, said he’s cooperating with the liquidators, who declined to comment. The Grand Court of the Cayman Islands appointed liquidators at PricewaterhouseCoopers LLP and Deloitte LLP in June.

Regulators in the U.S., U.K. and Singapore have received allegations of wrongdoing at Abraaj, people familiar with the situation said.

A spokeswoman for the Dubai Financial Services Authority said the regulatory agency is aware of allegations and is investigating “a range of matters within the Abraaj Group.” She said it “has a robust enforcement function.”

This article is based on interviews with dozens of Abraaj employees and investors, as well as legal letters from investors, liquidators’ documents and company documents, emails and bank statements reviewed by the Journal.

Mr. Naqvi first set himself up as an investor in Dubai in 1994, following his graduation from the London School of Economics and stints at American Express Co. and Saudi Arabia’s Olayan

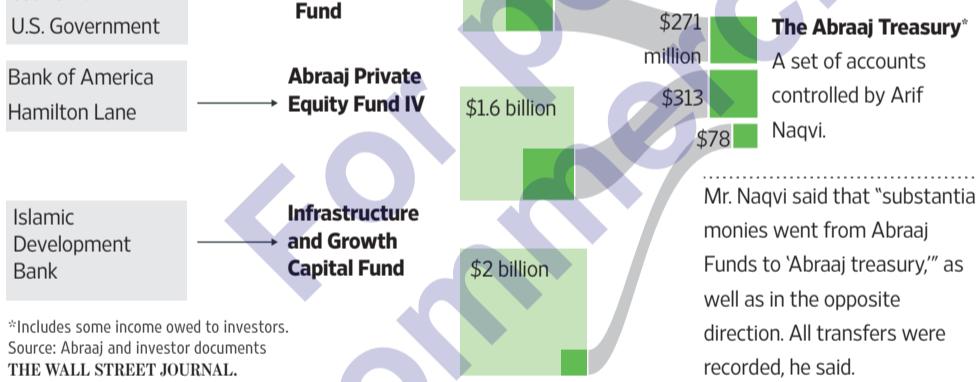


Nawaz Sharif, then prime minister of Pakistan, seated center right, with representatives from Shanghai Electric Power Co. in September 2016, after talks to sell K-Electric were announced. Abraaj founder Arif Naqvi is seated at Mr. Sharif's left.

FROM TOP: PRIME MINISTER'S OFFICE/ISLAMIC REPUBLIC OF PAKISTAN; SHONDAWON/BLOOMBERG NEWS

## The Abraaj Treasury

Documents from liquidators, auditors and investors show that Abraaj moved investor money meant for hospitals and companies into accounts that paid its own expenses, salaries and loans. Abraaj founder Arif Naqvi denies any wrongdoing and says the transfers were appropriate.



ings as well as their instructions as to how this money should be distributed, such as “a portion to charity” or “a portion to the election fund kitty.” Mr. Lodhi wrote in the email.

When Mr. Naqvi emailed Mr. Lodhi about the \$20 million contract for Mr. Malik in June 2016, he wrote, “This document is explosive in the wrong hands.” Abraaj and K-Electric shouldn’t be named in the document, he wrote: “Keep it generic.”

Mr. Malik didn’t respond to requests for comment.

In his statement, Mr. Naqvi said that he denies being part of any conversation that involved a payment to anyone in political office to facilitate the sale of K-Electric. He said Mr. Malik was an Abraaj adviser on a variety of activities and that the contract was part of a lengthy discussion about the terms of that role. He said the final agreement “ensured that no conflict of interest would occur.” He said he called it “explosive” due to a reference to the potential sale of K-Electric, which was confidential at the time.

In October 2016, Abraaj announced the sale of the majority stake it controls in K-Electric to China’s state-controlled Shanghai Electric Power Co. for \$1.77 billion. However, completion of the sale was delayed by regulatory hurdles.

In July 2017, Pakistan’s Supreme Court removed Prime Minister Sharif from office, and he was convicted of corruption this summer in a case centering on the ownership of London apartments his family used. He is appealing.

K-Electric still hasn’t been sold. A lawyer for the Sharif family said the brothers deny any discussions took place with Mr. Malik as described in the emails.

On May 31, 2017, Mr. Naqvi emailed Mr. Lakhani, the Abraaj finance executive. In the email, Mr. Naqvi ordered a \$300,000 payment to one of his sons and the same amount to The Modist, an online luxury-clothing retailer started by his former assistant, Ghizlan Guenez.

“Both are broke, need the cash tomorrow,” Mr. Naqvi wrote about his older son and The Modist. In the subject line of the email, he wrote, using an Arabic word to praise God, “Take a deep breath, smile, say Alhamdolilah and proceed.”

The cash was dispatched, replied Mr. Lakhani. He wrote that the amounts added to \$3 million sent to Ms. Guenez and \$6.3 million sent to a company run by Mr. Naqvi’s sons.

“I don’t have the funds to pay essential payments like salaries for the month of June. You are fully aware of the situation,” Mr. Lakhani wrote in the email.

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# GREATER NEW YORK

## Cuomo Is All In for Fellow Democrats

BY JIMMY VIELKIND

Gov. Andrew Cuomo has a side project as he seeks a third term: Doing more than ever to help fellow Democrats win seats in the state Senate as the party tries to ride what it sees as a "blue wave" in the midterm election.

The governor says he wants a Democratic Senate to help him pass laws that would shield against Trump administration policies. He also wants to ensure that if the Senate—and by extension, the entirety of state government—goes Democratic, there would be enough senators in sync with the moderate fiscal policies he hopes to continue if re-elected.

Mr. Cuomo said he raised \$500,000 for the Democratic State Committee last week during an event with eight Democratic candidates at the Harvard Club in Manhattan, and promised to spend \$2 million on Sen-

New York City, to raise taxes and enact single-payer health care.

This is a function of the political map. Mr. Cuomo is popular and performed well in suburban areas during his recent Democratic primary with the same platform he is emphasizing with Senate candidates.

"He's got to work with the races that are competitive, and there, the people who tend to win on either side of the aisle tend to be moderates," said Larry Levy, executive director of the National Center for Suburban Studies at Hofstra University. "And if the side benefit for the governor is that there is a cadre of Democratic senators who are both beholden to him and more in line with his overall moderate approach governing, it's a nice political dividend."

Mr. Cuomo's past efforts in the Senate were less vigorous. In 2012, he didn't object when Republicans used his visage in their campaign materials, and said he would work with whatever party was elected to power. In 2014, the Working Families Party endorsed the governor in exchange for a pledge to push for Democratic senators; party leaders say Mr. Cuomo reneged. In 2016, Mr. Cuomo helped with fundraising and made appearances, but didn't recruit candidates.

"It appears this year is the first cycle that he's truly decided to be involved, which is in itself something," said Susan Del Percio, a Republican strategist who has worked for Mr. Cuomo and the Senate GOP.

A spokeswoman for Mr. Cuomo pointed to a statement on Monday about the plan to spend \$2 million on Senate races, in which the governor said he wanted a Democratic Senate "to protect New York and keep progress moving forward."

Republicans and Democrats are campaigning hardest in five districts, according to officials and campaign-finance filings. Campaigns include open seats in the lower Hudson Valley and near Syracuse; Andrew Gounardes's challenge to Republican Sen. Marty Golden in Brooklyn; Jeff Pravato's challenge to Democratic Sen. John Brooks on Long Island; and James Gaughan's challenge to Republican Sen. Carl Marcelino on Long Island.

Senate Majority Leader John Flanagan, a Long Island Republican, said the GOP has fielded experienced candidates and that party enthusiasm is high after Brett Kavanaugh was confirmed to the Supreme Court.

Democrats say their priorities include updating state law on abortion, changes to voter laws and a "red flag" bill that would let teachers and family members petition to have guns taken away from someone they fear is violently mentally ill. Mr. Cuomo has advocated for each position. But the candidates he is backing are moderates who will help him resist calls from the more liberal party members, mostly based in

**Governor is backing moderates who will help him fend off more liberal lawmakers.**

ate elections through the state party and his own campaign account. He also has rallied with candidates in Brooklyn, Peekskill and Long Island, while pushing them to sign a pledge that they would continue a cap on property-tax increases and back his plans to upgrade infrastructure.

The 63-seat Senate is controlled by 31 Republicans and Simcha Felder, a Brooklyn Democrat who caucuses with the GOP. Mr. Cuomo had worked closely with members of the Independent Democratic Conference, a group of eight state senators who formed an alliance with Republicans, but dissolved in April. Six of the IDC's members were defeated in Democratic primaries in September by progressive-backed insurgents.

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## Fall Chill Brings Out Rockefeller Skaters



GOING FOR THE GLIDE: On Tuesday, skaters took to the ice at Rockefeller Center in Manhattan. The rink is open from October to April.

## Suit Alleges Priest Abuse in Two States

BY CORINNE RAMEY

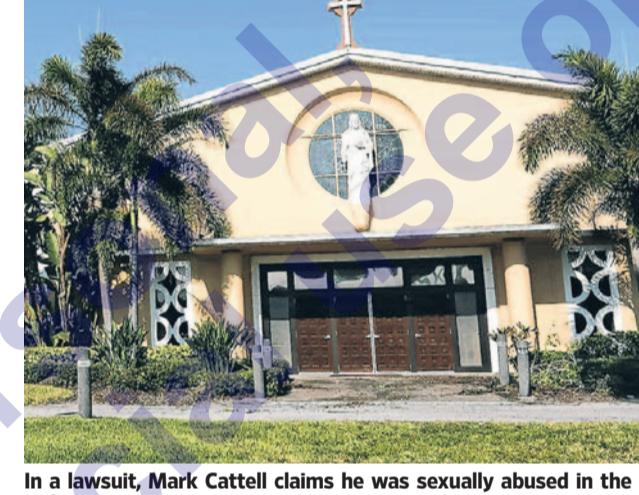
When Mark Cattell was 9 years old in 1981, he said, he met a priest who had been transferred to Florida from a Long Island, N.Y., diocese. He said the priest fondled him after Mass. On another occasion, he said, the priest forced him to give oral sex.

"I remember him wagging his finger at me, and saying, 'Don't you let anybody know about this,'" Mr. Cattell, now a 45-year-old magistrate in Alexandria, Va., said in an interview. For decades, he remained silent.

On Tuesday, Mr. Cattell sued the Diocese of Rockville Centre in Long Island and the Diocese of St. Petersburg in Florida.

The lawsuit is an unusual attempt to hold accountable a diocese in New York, which has some of the most restrictive statute-of-limitations laws in the country. Filed in federal court in Florida, the suit uses extensive correspondence to argue that because the Diocese of Rockville Centre sent a priest known to have molested boys to Florida, that diocese is responsible for that abuse.

Florida has what is known as a delayed-discovery doctrine, meaning a victim of alleged abuse can file a claim four years from when he recovered memories of abuse or connected the abuse to other problems, said



In a lawsuit, Mark Cattell claims he was sexually abused in the 1980s by a priest at Christ the King Catholic Church in Florida.

Mr. Cattell's lawyer, Jeff Herman.

It also comes at a time when law-enforcement officials and the Roman Catholic Church are grappling with how to deal with past abuse allegations in New York. Last month, the office of New York Attorney General Barbara Underwood announced a civil investigation into whether dioceses covered up sex abuse by clergy.

Also last month, the Archdiocese of New York said it hired Barbara Jones, a former federal judge, to examine how it handles accusations of abuse of young people by clergy.

The Diocese of Rockville

Centre and Diocese of St. Petersburg didn't respond to requests for comment. The Diocese of Rockville Centre previously has said it has long cooperated with law-enforcement in reporting and investigating child sexual abuse.

According to the lawsuit, from 1969 through 1974, the Rev. Robert Hunke worked at St. Dominic's parish in Oyster Bay, N.Y. During that time, the suit claims, Father Hunke molested a boy named John Salveson. When Mr. Salveson became an adult, he wrote a letter to the bishop of the Diocese of Rockville Centre re-

porting the abuse, according to correspondence reviewed by The Wall Street Journal.

Mr. Salveson couldn't be reached but has publicly spoken about his abuse claims. He has been an advocate for people abused by clergy and has said that Father Hunke abused him beginning at the age of 13, on Long Island, and that the abuse continued for years.

The Rockville Centre bishop and Father Hunke spoke—correspondence between the two men indicates—and in a letter dated July 26, 1980, he told the bishop he regretted the incidents and was sorry for any harm he had caused. Father Hunke died in 2002.

During the next two years, Mr. Salveson continued writing letters, warning religious authorities in Rockville Centre and St. Petersburg about Father Hunke, who worked in Florida from about 1979 to 1982. In one letter to Mr. Salveson reviewed by the Journal, the bishop in St. Petersburg said he would "keep [the information about Father Hunke] in mind in our personnel placements."

It was in Florida that Mr. Cattell claims the priest molested him. He said the abuse resulted in emotional turmoil, psychological issues and a drinking problem. About 2½ years ago, Mr. Cattell said, he told his wife about the abuse.

## New Jersey Lawmakers to Probe State Hire

BY KATE KING

New Jersey lawmakers will investigate how Gov. Phil Murphy's transition team and administration handled a sexual-assault allegation against a former campaign staffer who later was given a state job, the state Senate president and Assembly speaker said Tuesday.

The Democratic-controlled Legislature's inquiry into the actions of the Democratic governor's staffers also will examine government hiring practices and background checks, state Sen. President Stephen Sweeney said.

administration," she said.

On Monday, Mr. Murphy said Peter Verniero, a former New Jersey attorney general under Republican Gov. Christine Todd Whitman, had agreed to conduct an independent investigation into his administration's hiring of Albert Alvarez.

Mr. Murphy also has asked Attorney General Gurbir Grewal to investigate the way sexual-assault cases are handled by law enforcement. Additionally, the director of the state Division of Equal Employment Opportunity and Affirmative Action will review how the

state deals with allegations of sexual misconduct.

"While the governor is aware of actions being taken by the legislature to review hiring practices and sexual-misconduct allegations, he is confident that the three steps being taken by the administration will significantly help improve our current system," a spokesman for the governor said in a statement.

Mr. Murphy's transition team was aware that Mr. Alvarez had been accused of sexual assault but hired him after learning that he hadn't been charged and passed a background check, senior administration officials have said. Mr. Alvarez, who resigned as chief of staff at the New Jersey Schools Development Authority this month, didn't respond to a request for comment Tuesday. His lawyer previously said his client denies the sexual-assault allegations.

Katie Brennan, chief of staff at the state's housing agency and a former volunteer for the governor's election campaign, said Mr. Alvarez sexually assaulted her in April 2017. Ms. Brennan reported the alleged assault to police and prosecutors, who investigated and declined to charge Mr. Alvarez last year.

Mr. Murphy said Monday he only learned of Ms. Brennan's accusation this month, and that Mr. Alvarez shouldn't have been hired.



Katie Brennan accused a former Murphy campaign staffer, who later got a state job, of sexual assault.



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## GREATER NEW YORK

METRO MONEY | By Anne Kadet

# Making It in the Big Apple on \$15 an Hour



Back in 2012, when workers in New York City started demonstrating to demand a \$15 minimum wage, the appeal struck many as unrealistic, if not downright bonkers. But by the end of the year, \$15 will be the new minimum for most of the city's hourly workers. What does that afford in one of the most expensive U.S. cities?

Theresa Borkowski, who grew up on the Jersey Shore and graduated from American University in Washington, D.C., has a full-time, entry-level job in fashion, supervising sample-pattern makers and sewers, where she earns \$16.50 an hour. The 33-year-old works a second, weekend job as a salesperson for a chain retailer in SoHo, where she has been earning \$14 an hour.

Total take-home pay for the 48-hour week, after taxes: About \$600. Or \$2,400 a month.

She pays about \$1,050 a month for a room in a three-bedroom duplex apartment in a Sunset Park, Brooklyn, brownstone shared with two friends. "I have a bizarrely wonderful living situation," she said of her home, which has a yard and two offices.

Other monthly expenses include roughly \$300 for her student loan bill, \$100 for train fare and \$93 for her phone. Groceries cost about \$50 a week. She packs her lunch every day except Friday, when she splurges on Indian takeout. She and her friends take turns throwing dinner parties. "Hosting your friends for enchilada night is cheaper than going out," she said.

She forgoes health insurance. A typical vacation involves a \$20 bus ride to visit her best friend in Philadelphia. A recent splurge was a trip to IKEA to

buy picture frames and a lamp. It helps that Theo, her cat, is her only dependent. And she doesn't see herself living like this forever. "Hopefully at some point I'll move beyond entry-level jobs," she said.

But Ms. Borkowski isn't typical. Some 24% percent of the city's low-wage workers have college degrees, according to the Community Service Society (CSS), an advocacy group for low-income New Yorkers. Two-thirds are over age 30.

Rosa Rivera, who is 53, works 39 hours a week for a burger chain in Manhattan, earning the current fast-food minimum, \$13.50 an hour. Her take-home pay, about \$420 a week, is double what she was earning when the minimum wage was \$7.25, and she joined the "Fight for \$15" organization and the city's high-profile fast-food strike.

"Now I can pay the rent and buy food no problem," Ms. Rivera says. She shops at J.C. Penney, eats out once a month and is saving to visit her mother back home in El Salvador.

It helps that she shares an apartment with her grown son and his girlfriend, who also work in fast food. The rent for their two-bedroom apartment, in a Bronx public-housing complex, is about \$680 a month. CSS says 19% of the city's low-income workers live in subsidized housing.

"Now I'm happy, very happy, because we fight for \$15 and we are about to make \$15," Ms. Rivera says. Her satisfaction is reflected by many citywide. Last year, for the first time since it started surveying low-income New Yorkers four years ago, CSS reported a sharp increase in the number who said they are making economic progress.

"A \$15 minimum wage is a big deal, it helps a lot," says Nancy Rankin, vice president for policy, research and ad-



Rosa Rivera, who works at a burger chain in Manhattan, shares an apartment with her adult son and his girlfriend. Below, Theresa Borkowski earns \$16.50 an hour in a fashion job and works weekends as a salesperson for a SoHo retailer to make ends meet.

vocacy at CSS. "Is it enough to insulate you in New York City against material hardship? No."

In that same survey, 43% of low-income workers said they had less than \$500 in savings, and many reported falling behind on the rent or postponing medical care.

The minimum-wage hikes were opposed by many who say the rates unfairly burden employers—in particular the city's struggling small businesses. But others say even \$15 an hour isn't enough.

Despite seeing her hourly wage nearly double, Shani Rahman still lives in a Bronx homeless shelter with her 3-year-old daughter, Monique. While she loves her job at a lower Manhattan burger joint, her employer limits her

weekly hours to 15. Her take-home pay, \$150 a week, covers expenses such as clothing, and her cellphone bill.

It isn't higher wages she needs, but more hours, she says. It is difficult to add a second job because her work hours vary week to week.

Flavia Cabral, a 56-year-old fast-food worker, says life has improved. She can now afford the \$900 rent on her Bronx apartment, while saving for her daughter's college education. She can go out for Chinese, catch the occasional horror movie and afford comfortable shoes. But she isn't done pushing for higher wages. "I want \$20 an hour," she said. "To be part of the middle class."

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CAITLIN OCHS FOR THE WALL STREET JOURNAL (2)

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## MINKA KELLY STARS IN OUR SPECIAL WATCH ISSUE

101

## Aide on Leave After Grope Claim

BY JIMMY VIELKIND

New York state Sen. Simcha Felder's chief of staff was placed on administrative leave Tuesday as officials investigate a complaint that he groped a lobbyist at a political fundraiser last week.

Both the chamber and the Albany County Sheriff's Office are investigating the allegation against Rodney Powis, 48 years old. The lobbyist, who asked that her name be withheld, said she met Mr. Powis at a Thursday evening event at a private home in the Albany

suburb of Guilderland, N.Y.

Mr. Powis was "very drunk" and told her that her dress made her look "smokin' hot" and that he wanted to kiss her, the lobbyist said in an interview. He then groped her breast, she said.

Mr. Powis, who has worked for Mr. Felder, a Brooklyn Democrat, since 2017, didn't return messages seeking comment.

The fundraiser benefited state Sen. George Amedore, a Republican who represents the area. Mr. Amedore wasn't in the room when the alleged incident occurred, the lobbyist said.

She said she alerted her su-

pervisor Thursday evening that she had been groped, and her supervisor reported the incident to Mr. Felder's office Friday.

Albany County Sheriff Craig Apple said investigators received a complaint Monday and are conducting interviews. No charges have been filed.

"These are serious allegations," Mr. Felder said in a statement Tuesday. "He has been placed on administrative leave pending the outcome of the investigation."

Mr. Felder—a Democrat who has caucused with Republicans—didn't attend the fundraiser.

## Collins Has Slight Advantage

BY JIMMY VIELKIND

GOP Rep. Chris Collins, under indictment for insider trading, is in a tight race in his heavily Republican western New York district, according to a poll released Tuesday.

A Siena Research Institute survey found 46% of voters supported Mr. Collins, compared with 43% who favored Democratic challenger Nate McMurray. Pollsters called 490 likely voters, and the result is within the survey's margin of error.

The congressional race hadn't been considered competitive until Mr. Collins was arrested on Aug. 8 and charged with sharing nonpublic information with his son about a drug trial at an Australian biotechnology company on whose board he sat. He pleaded not guilty.

A trial date has been set for Feb. 3, 2020. Mr. Collins said he would suspend his bid for a fourth term, and Republican leaders in the 27th District had been preparing to replace him. But a lawyer for Mr. Collins said on Sept. 17 that he would remain in the race because of the "protracted and uncertain nature" of the removal process. GOP leaders have done little to help Mr. Collins. Mr. McMurray said that the poll showed his campaign has momentum.

## FALL SUIT EVENT

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MONDAY, OCTOBER 22<sup>ND</sup>



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# LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

## The Ultramarathon to Singapore

Even travelers who think they've seen it all need a plan to endure the 18-hour direct flight from the New York area



**A**SIA

Singapore After more than 15 hours, the passengers in the back of the airplane are family-road-trip restless: Are we there yet?

Three more hours to go. Riding the longest airline flight in the world is a traveling ultramarathon. You're chasing time and outrunning the moon at 550 miles an hour, stretching human tolerance in a high-altitude, desert-dry environment. You're challenging eating and sleeping patterns and questioning just how many episodes of "The Big Bang Theory" you can watch in one sitting. (There are 24 available.)

Singapore Airlines reclaimed the title of longest flight in the world on Friday with its nonstop between Newark, N.J., and its home at Changi Airport. It's a 9,534-mile trip scheduled for 18 hours, 45 minutes when heading to Singapore, almost halfway around the world. It's made possible by the newest airplane in the sky, an ultralong-range version of the new Airbus A350-900 jet.

This is the future of air travel for many. Longer flights actually shorten trips by eliminating the need to stop for connections. Without the nonstop between New York and Singapore, the trip takes at least 22 to 24 hours connecting in Frankfurt, San Francisco, Tokyo or Hong Kong.

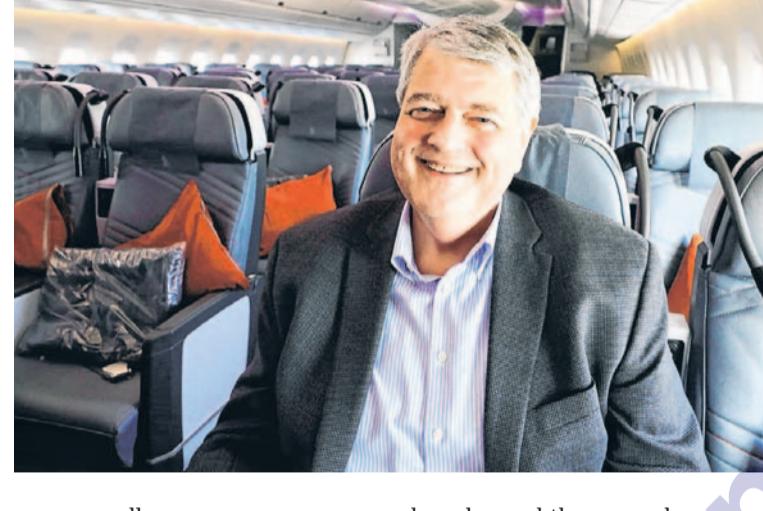
Airlines are beginning to pump ultralong flights into schedules—a landmark change some call as big as the introduction of the Boeing 747. "New aircraft have the range and the economics to do what was not possible before," says Campbell Wilson, Singapore's senior vice president for sales and marketing.

Singapore's new plane has 67 business-class seats and 94 premium-economy seats, but mercifully no standard coach. What's clear from riding Flight 21 on Friday in premium economy is that ultralong-range travel requires a different mind-set for even the most experienced road warriors.

Staying hydrated is a bigger challenge than on a typical flight. Planning sleep to reorient yourself to the backside of the clock makes a difference. Avoiding salt and calories—typically available in high quantities in airline food—can help you arrive feeling less tired.

And what we learn in these passenger endurance trials can help on shorter flights, too.

Ultralong-range flights challenge fatigue management for



crew as well as passengers, says Indranil Ray Chaudhury, Singapore's captain on Friday. "It'll take some time for people to get used to this," he says.

As captain, he flies the takeoff and first part of the trip, gets rest and then returns to the cockpit to handle the final three hours. The big challenge: At 18 hours in, he needs to be his sharpest.

"Here you have to manage your physical constitution so when you arrive, you are fresh, not only for the landing but for any eventuality," Capt. Chaudhury says. "The weather may be bad. You need to be ready for anything when it comes to the last segment of the flight."

**'This is new territory, definitely not for everybody,' says one veteran traveler.**

The flight path has three options: Head east across the Atlantic, west across the Pacific or north to the North Pole and down the other side of the globe. Airline flight planners, working with pilots, choose the route with the most favorable winds. They also factor in available emergency-landing sites and storms.

On Friday, the northern route was best—over Danbury, Conn., Montreal, Greenland, passing just south of the North Pole, then down over Siberia, Mongolia, China, Laos and Thailand. Actual time in the air was only 17 hours, 30 minutes thanks to favorable winds. The flight covered 9,857 miles, 3% longer than the shortest possible route. Gate to gate, the trip took 18 hours.

Each of the 12 Singapore flight attendants onboard gets five hours' rest in crew sleeping compartments. Flight attendants, too,

**Scott McCartney, above, from his premium-economy seat on Flight 21. A meal of beef short ribs, left. Passengers check in for the first Singapore Airlines direct flight to Newark, N.J., below.**



have learned these very long flights are more than a typical milk run with a couple of extra hours tacked on.

"Passengers get more fidgety," flight attendant Charmaine Ang says. "We look for passengers who are restless and suggest something to eat, something to watch on the entertainment system." For others, "18 hours is a breeze if you can sleep well," she says.

Singapore and Australia's Qantas Airways, another carrier stretching flight boundaries, have been studying the science of airborne wellness. Qantas is pressing Boeing and Airbus for an aircraft that can go even farther than the A350-900 ULR so it can get from Sydney to London and New York nonstop.

Singapore flew this route from 2004 to 2013 with a four-engine airplane fitted with only 100 business class seats. It couldn't carry a full load that distance. It proved popular with corporate travelers but uneconomical when fuel prices soared.

The earlier experience convinced Singapore it had to do more about in-flight health for such a long flight. The airline worked with health-spa resort operator Canyon Ranch to create a more appropriate menu, and encourage in-seat stretches for better blood flow and ideal sleep cycles. The in-flight entertainment system got an additional 200 hours of programming beyond the standard lineup of 1,000 hours.

On this trip, Singapore suggests a pair of five-hour naps, with a single dinner meal in between. Ideally you want to eat two hours before sleeping, says Canyon Ranch chief executive Susan Docherty, so digestion is complete and you'll fall asleep faster.

Just one hour after meal service, the cabin lights turn orange and simulate sundown, even though it's midafternoon in New York. Then they darken for the first nap. (I've never been able to sleep sitting up on a plane. No difference this trip, unfortunately.) Wake-up for the lucky comes five hours later, with hot towels and blue lights turning bright white before dinner. An hour later, another faux sundown with orange lights before it's lights out. (Still no joy for me.)

The menu, which includes a light lunch after takeoff and snacks before landing, is designed for a 2,000-calorie limit—unless passengers want to indulge by asking for more. The flight lands in late afternoon, so it's best to arrive hungry for dinner and sleep so you're properly oriented to Singapore time.

In-flight, taste is diminished by the dry air and cabin pressure, so airlines often add salt to food to boost flavor. But that leads to water retention, bloating and fatigue. For this flight, chefs tricked up dishes with flavors heavy for sea level but tasty in the air, without added salt.

### A Day in the Sky

Here's a timeline of Singapore Airlines' inaugural trip from Newark, N.J., to Singapore on Friday, Oct. 12, charting the flight route and the service in the premium-economy cabin during the 18-hour marathon. All times are Eastern Daylight Time except for touchdown in Singapore.



THE WALL STREET JOURNAL.

They seasoned beef short ribs with lots of turmeric, giving them strong taste and anti-inflammatory benefits, says Singapore's food and beverage director Antony McNeil. To reduce carbs, cauliflower was mashed like potatoes and served with the beef. Cauliflower helps hydrate—it's mostly water.

Airline food actually can be tasty at 39,000 feet. Even the mashed cauliflower was creamy and flavorful.

Singapore's premium-economy seat for the ultralong flights is 19 inches wide inside the arm rests—about one inch wider than on an A320. The row is 38 inches long, about 6 inches more than a typical coach row on long flights. Extra legroom makes a huge difference, but it's still coach.

"About 14, 15 hours in, my legs were really uncomfortable," says Bernard Yan, who works for a New York clothing manufacturer and was flying to Singapore for his mother's 58th birthday.

He finds the premium economy seat tight even though it was specially designed by Singapore for

long-haul sitting with extra thigh, calf and foot supports. Some of the extra support and under-seat entertainment gear robbed space for his backpack and reduced room to stretch his legs.

Mr. Yan has made the trip many times, usually stopping in Frankfurt, but he was still surprised at how much more taxing the single long flight proved to be.

"This is new territory, definitely not for everybody," he says. Still, he enjoyed the food, cabin service and time-savings. "This is a better option. I would take it again."

Enrico Esopa, a Jersey City, N.J., maritime-labor-union official on a business trip to Singapore, enjoyed the all-business-class nonstop when Singapore ran it before. So when the airline announced the re-inauguration, he switched his ticket from United flights through San Francisco and paid about \$200 more for the nonstop.

"The premium economy had plenty of room, and this saved me six or seven hours," Mr. Esopa says. "But after 15, 14 hours, you're kind of like, let's get on with it."



Scott McCartney, above, from his premium-economy seat on Flight 21. A meal of beef short ribs, left. Passengers check in for the first Singapore Airlines direct flight to Newark, N.J., below.



## LIFE &amp; ARTS



MEGAN HALEY FOR THE WALL STREET JOURNAL

MY RIDE | By A.J. Baime

# A Rolls-Royce Rescued From a Georgia Barn

*Arlan Ettinger, the New York City-based founder and president of Guernsey's auction house, on his 1933 Rolls-Royce 20/25 Shooting Brake, as told to A.J. Baime.*

In the mid-1980s, I heard a rumor about an old woman who lived in Georgia who had a vintage Maserati racing car. This piqued my interest because, at the time, my auction house had a specialty in rare sports and racing cars.

By coincidence, I got a call from a Georgia man who called himself a picker—a person who finds old items that have value. I told him about this rumor. I never expected to hear from him again, but a couple weeks later, he called me back with this woman's telephone number.

Her name was Dorothy Lewis. It turned out she had many amazing cars in many barns on her property. Her husband had died around 1960, and she had put all the cars they owned in barns and shut the doors, and had never opened them again.

Over the years, Ms. Lewis and I became great friends. I made many trips to her home, and each time, she would show me more cars.

On one occasion, she opened a barn door and there was this 1933 Rolls-Royce with a wooden body. It was sensational. My wife and I had always had a passion for "woodies."



**Arlan Ettinger stands with his 1933 Rolls-Royce 20/25 Shooting Brake at his weekend home in Salisbury, Conn. His dog, Rascal, sits in the front seat, right. The car's front end, below right.**

Ms. Lewis was reluctant to sell, but eventually, she sold me her 1953 Maserati in 1986. When she died in 1998, her will stated that I would auction her cars for her.

I obtained permission from her estate's lawyer to bid on the 1933 Rolls-Royce myself and was able to acquire it.

During the prewar years, Britain's Rolls-Royce was known to be the finest and most expensive of automobiles. A customer would purchase a chassis, and a coachbuilder would build the car's body according to the customer's wishes. So it was extremely rare for there to be two cars that were alike.

This Rolls-Royce is what is known as a shooting brake—the British term for estate wagon [or station wagon].

It came with paperwork detailing its history. It had originally been bodied by a company called Corsica. But in the 1940s it was re-bodied by Jersey, a coachbuilder on the island of Jersey, off the coast of northern France.

I refinished the wood myself, and a Rolls-Royce specialist in Vermont rebuilt the engine. I keep the car at our weekend home in Connecticut—the perfect place for drives with my family and our dog, Rascal, on beautiful country roads. The car ticks along like a clock. It's a joy, in every single way.

Contact A.J. Baime at [Facebook.com/ajbaime](https://Facebook.com/ajbaime).



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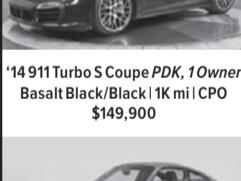
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Ford Raptor	\$3K off MSRP	New Lexus RX350L	\$4K off MSRP	'19 Range Rover	1059mo
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## UP NEXT

## THE LARGE CANVAS OF CARNEGIE INTERNATIONAL

BY KELLY CROW

**STARTED IN 1896**, the Carnegie International has been around longer than the Whitney Biennial and is nearly as old as the Venice Biennale—but being located in Pennsylvania means it doesn't have the same global recognition as those other sweeping survey exhibitions.

"We probably have even more bridges than Venice, but Pittsburgh doesn't color itself in that same golden light," said curator Ingrid Schaffner, who was born in the city.

What the Carnegie International does have is room, as its hub within the beaux-arts building comprising both the Carnegie Museum of Art and the Carnegie Museum of Natural History offers artists a chance to stretch out across a 9-acre cultural complex. (No citywide art scavenger hunt required.)

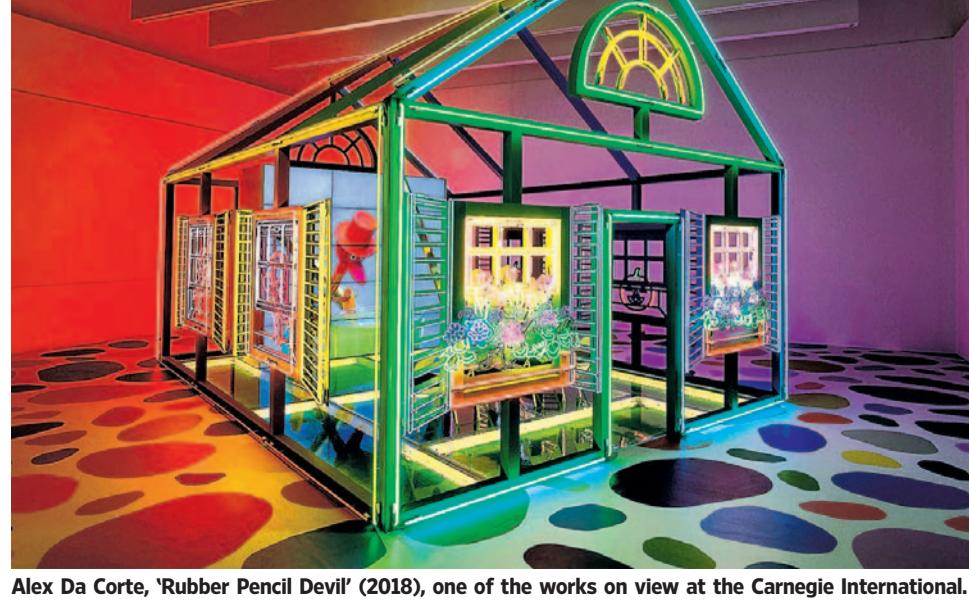
The largest piece in the 57th edition of the contemporary-art survey, which opened Saturday and runs through March 25, is El Anatsui's "Three Angles." The Nigeria-based artist culled piles of pliable metal plates from a local printing plant and wired them

with discarded bottlecaps into a rippling, metallic mosaic that hangs from the art museum's facade.

Inside, highlights among the 32 artists in the survey include Philadelphia artist Alex Da Corte's "Rubber Pencil Devil," a neon, funhouse re-creation of the "Mister Rogers' Neighborhood" set that nods to the children's show taped at nearby WQED. Inside the house, Mr. Da Corte plays a looping series of 57 videos in which he portrays characters from the show, including its famous host.

In the art museum's neoclassical Hall of Sculpture, look for a poetic pairing: Zoe Leonard's zoomed-in photographs of the Rio Grande hang around the balcony level, the Texas-Mexico border river's roiling waters evoking muddy marble. Peer over the balcony to the main hall, and the floor is covered in triangular chunks of steel and coal laid out by three artists who make up the art collective Postcommodity.

The geometric designs in "From Smoke and Tangled Waters We Carried Fire Home" explore ideas about force and flow, said Ms. Schaffner. "You look at these works, and you can feel the turbulence."



Alex Da Corte, 'Rubber Pencil Devil' (2018), one of the works on view at the Carnegie International.

## LIFE &amp; ARTS

## EXHIBITION REVIEW

# Unfolding a Garment's Long History

The kimono has been, and still is, fertile ground for inventive play in haute-couture, ready-to-wear and avant-garde design

BY LAURA JACOBS

Newark

**CONSIDER THE** kimono. Its T shape is unchanging, its body and sleeves a triptych of rectangles that hang like banners. Laid down or displayed upon a rack, the kimono is flat, airless, effortlessly reverting to the two-dimensionality of uncut fabric. You could say the kimono is a cultural canvas on which centuries of Japanese statuary, class and calling have been artfully expressed. How sumptuous is the silk? How extravagantly embroidered? Is it hand-painted, resist-dyed or screened? Quilted cotton and reversible, or softly summer weight? On the body, cinched around the rib cage with an obi, the kimono becomes three-dimensional, a column; through gathering and draping, a range of age-old silhouettes are possible. But take the kimono out of Japan, or out of context, and all bets are off.

Amended and appropriated, repurposed and refracted, the kimono has been, and continues to be, fertile ground for inventive play in haute-couture, ready-to-wear and avant-garde design. This

An exhibition of freshness and poise uses over 40 pieces to explore the malleable item



is the focus of "Kimono Refashioned: 1870s-Now!," an exhibition of freshness and poise at the Newark Museum, later traveling to the Asian Art Museum of San Francisco and the Cincinnati Art Museum. The show has been co-organized by the Kyoto Costume Institute, from whose formidable holdings a majority of the 40-plus garments come, and the Asian Art Museum.

The exhibition's opening tableau is a decorative delight that catches how beguiling the animated surface of kimono silks must have been to Westerners in 1854. In that year, the wall text reads, "Japan emerged from a long period of self-imposed isolation...[and] Japanese woodblock prints, lacquerware, metal works and ceramics, as well as textiles and kimono were exported globally." Two mannequins are dressed in ivory silk damask colorfully embroidered with flowers and metallic threads:



**Kimono Refashioned: 1870s-Now!**  
Newark Museum, through Jan. 6, 2019

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

One garment, a kimono made between 1800 and 1868, is draped over a bustled Victorian dress; the other, dated 1875, is a bustled Victorian ensemble cut from a dismantled kimono. Grouped with these "refashionings" of the kimono, a pair of Christian Louboutin boots (autumn-winter 2017), made of similarly embroidered ivory silk edged with gold studs, attests to the undying visual stimulation—such covetable eye candy!—of kimono textiles and motifs.

With the aid of well-chosen art and *objets*, the curators address "Japonism" of the late 19th century. The passion for things Japanese inspired both the Aesthetic and Arts and Crafts movements, and took flight in theatrical blockbusters like "The Mikado" and "Madama Butterfly." A painting by Jacques-Joseph James Tissot, "Young Women Looking at Japanese Articles" (1869), shows two women surrounded by Japanese art objects, including an embroidered kimono that's been casually draped over a table. Kimonos brought a worldly air to Western interiors—and also to the women who wore them as dressing gowns.

"Japonism in Fashion," the exhibition's second section, is of special importance because of the way kimono construction and advanced textile production inspired the Paris couture. Paul Poiret (silk dress, 1920s) and Coco Chanel (evening coat, approximately 1927) experimented, respectively, with Japanese techniques of *trompe l'oeil* and cotton padding. Madeleine Vionnet, she of inimitable design calculus, collected kimonos and woodblock prints, and is represented by two extraordinary pieces. Into a wedding dress of 1922 she absorbs the kimono concept of flat panels that become columnar, and gives the dress a severe white rectilinear train, very obi, very Art Deco. A year later, her gold-and-silver "Henriette" dress (winter 1923) sees 56 T shapes of lamé—micro echoes of the kimono itself—pieced together to make a fabric. With mere tucks at the sides, a few short seams, and two straps, Vionnet approximates the body-skimming, light-reflecting qualities she would achieve more organically with her 1930s breakthrough: form created from fabric cut on the bias, minimally seamed. Japan may have pointed the way.

The largest part of the exhibition embraces contemporary fashion. Fusing Savile Row tailoring with the dishabille of kimono dressing gowns, John Galliano makes exquisite jackets of cross-cultural, gender-bending brilliance (autumn-winter 1994). Rudi Gernreich's "Kabuki Dress" (1963), with its faux obi and pop colors, is still sassy. The kimono's unique expansion and collapse, the way it moves between two and three dimensions, drives the innovation of masters Issey Miyake—who pulls volume, origami-like, from a single piece of yardage—and Rei Kawakubo, whose shapes are here exploding and there cartoonishly flattened. The exhibition's fourth section, "Japan Pop: 2000s," is influenced as much by Ms. Kawakubo as by beloved Japanese manga ("comics").

From Raf Simons there's a red twill men's jacket (spring-summer 2015) that sports an abbreviated black cape on the back, printed with an image of Mount Fuji, Japan's highest mountain; this is a nod to the culture's practice of incorporating memories into clothing. Close at hand, one of Katsushika Hokusai's historic woodblock prints of Mount Fuji is on display. Its deep blues, called "Berlin indigo," speak to what may be the rarest piece in the exhibition, a Meiji period (1868-1912) Boro or "rag wear" kimono. It is constructed from scraps of hand-woven, indigo-dyed cotton—material too precious to throw away. Its surface is torn, pitted and patched, the skin of a revenant. Yet its beauty is elemental, ascendant. Like Mount Fuji, the kimono looms large.



**Shibori-patterned Paulownia flower motif scarf from the late Taisho (1912-1926) or early Showa (1926-1989) period, left; short boots by Christian Louboutin (autumn/winter 2017), below left**



**Jacket, T-shirt and trousers by Raf Simons (spring/summer 2015), left; dress by Toshiko Yamawaki (1956), below; 'Komachi at Sekidera Temple: Koimurasaki of the Tamaya' (c. 1814-17), by Kikukawa Eizan, bottom**



## SPORTS

NBA

# LeBron Goes Hollywood. Now What?

The new-look Lakers might be good. Or they might be a trainwreck.

BY BEN COHEN

**JOEY SAMANIEGO STOOD** near the court waiting for the greatest player on earth to make his debut with the glitziest team in the NBA. He'd come to see LeBron James's first game in the purple and gold of the Lakers, but like the rest of the basketball world, he was trying to articulate his expectations for his favorite team.

"If they're boring, then we failed," Samaniego said. "Anything but boring."

The one thing and maybe the only thing that anyone can say with certainty about LeBron James being on the Lakers is that it won't be boring.

Whether they'll be a good basketball team is a different question altogether. And it's one of many swirling around the Lakers as the NBA season begins this week.

#### How will they play?

Unlike any team that has ever had LeBron James.

The Lakers want to push the tempo. Their pace ranked third in the league last season, and they would prefer to be faster this season. The only problem is that James's teams have never been all that fast. They've been slow. He seems to prefer the sort of plodding offense that allows him to pick apart helpless defenses.

When he was on the court in the preseason, though, James played fast, faster than all but one game in his four years with Cleveland. And the Lakers were something the Cavs were not: *fun*. They got stops and grabbed rebounds and generally ran the floor like there were free tacos waiting under the other basket.

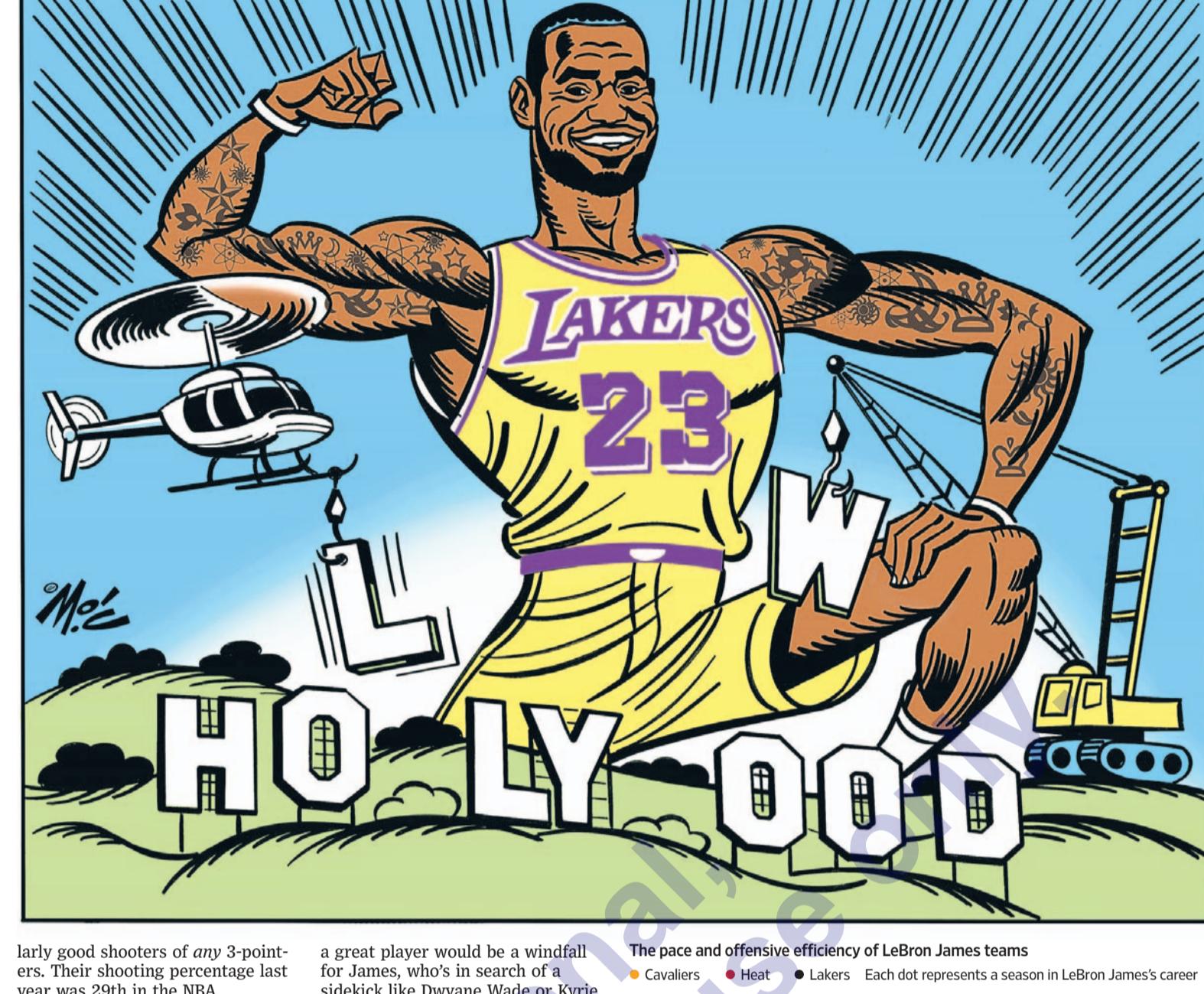
It's worth taking preseason stats with a giant boulder of salt. And that pace won't be sustainable when games slow down in the postseason. But the only available evidence so far is encouraging for the Lakers. It suggests that his teammates might change James more than James changes his teammates.

#### Do they have enough shooting?

The corner 3-pointer is a perfect example of James's gravitational force on the basketball court. It's the best shot in basketball: closer than other threes while still being worth the same number of points.

And it should come as no surprise that James creates far more corner 3-pointers than any player in the NBA. He's assisted on 750 corner threes over the last eight seasons. No one else has more than 600.

But the Lakers are not particu-



larly good shooters of *any* 3-pointers. Their shooting percentage last year was 29th in the NBA.

They might be able to score enough in transition to compensate for their lack of shooting, and maybe they'll see more shooting improvement from homegrown talents like Brandon Ingram, Josh Hart, Kyle Kuzma and especially Lonzo Ball. But for now it feels like the Lakers purchased the world's most powerful espresso maker and then forgot to buy the coffee beans.

#### Who's their best player other than LeBron James?

In the second half of their first preseason game together, James hopped off the bench and pulled Ingram aside. It was hard to tell what he said even if you happened to be sitting within earshot. But it was clear from their interaction that James had taken a liking to Ingram. "I know what I see in him," James said. "Lot of upside in that kid. I'm happy to try to give him as much as I can."

He's worth the investment. Ingram is only 21 years old, and his development from a good player to

a great player would be a windfall for James, who's in search of a sidekick like Dwyane Wade or Kyrie Irving. Ingram making a leap is almost as important as James somehow maintaining his superhuman level of play—and not only for this season.

The Lakers are quietly closer to serious contention than you might think. They have the money to sign another star next summer. If they splurge wisely, and if someone like Kevin Durant decides that Bay Area real estate is too expensive and leaves the Golden State Warriors, then suddenly it's not unrealistic for the Lakers to be the favorite in the West.

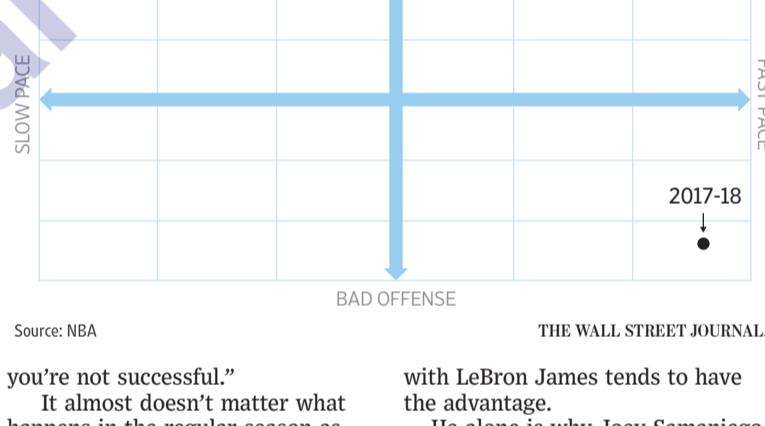
#### How much will they win?

If the Lakers win 48 games, as the oddsmakers have set their over/under, they should be able to sneak into the bottom half of the brutal Western Conference playoff bracket. James said this Lakers season could be a success even in the very likely scenario they don't win a championship.

"There's only one champion," James said, "but that doesn't mean

The pace and offensive efficiency of LeBron James teams

● Cavaliers ● Heat ● Lakers Each dot represents a season in LeBron James's career



Source: NBA

THE WALL STREET JOURNAL.

you're not successful."

It almost doesn't matter what happens in the regular season as long as they make the playoffs. The Lakers are built to be a better team in the playoffs. Even the Warriors would not want to see them in a seven-game series. They're aware of the one lesson from the last eight years of the NBA: The team

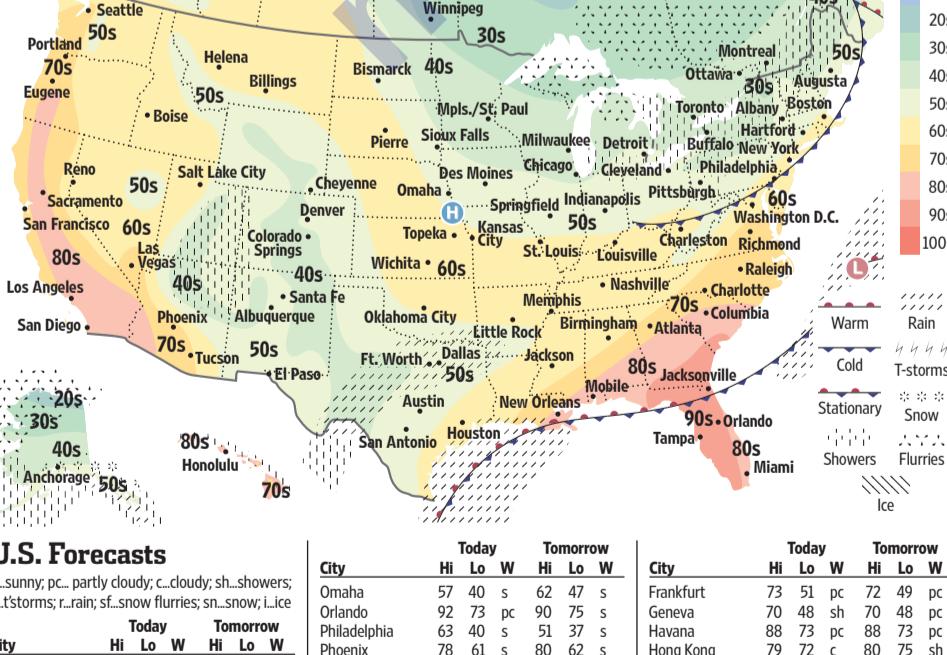
with LeBron James tends to have the advantage.

He alone is why Joey Samaniego might be onto something.

The Lakers won't be boring. They might even be good.

"We expect to go to the playoffs," Samaniego said, "and then maybe there's some Hollywood magic."

## Weather



## U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers;

t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Tomorrow Hi Lo W

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 51 40 c 49 41 c

Atlanta 74 54 pc 72 52 s

Austin 57 52 c 59 53 r

Baltimore 64 39 s 54 35 s

Boise 65 40 s 67 41 s

Boston 62 37 s 47 35 s

Burlington 52 29 sh 41 30 pc

Charlotte 76 46 pc 64 43 s

Chicago 49 31 s 53 40 s

Cleveland 52 38 sh 50 38 s

Dallas 53 48 r 57 50 r

Denver 54 35 s 62 38 s

Detroit 50 30 pc 51 36 s

Honolulu 87 73 pc 86 73 s

Houston 65 58 c 72 58 c

Indianapolis 53 32 s 55 38 s

Kansas City 60 35 s 59 46 pc

Las Vegas 74 57 s 76 58 s

Little Rock 62 46 pc 59 48 pc

Los Angeles 83 61 s 84 61 s

Miami 89 79 s 89 79 s

Milwaukee 49 32 pc 55 42 s

Minneapolis 47 35 pc 62 48 s

Nashville 67 40 s 61 44 s

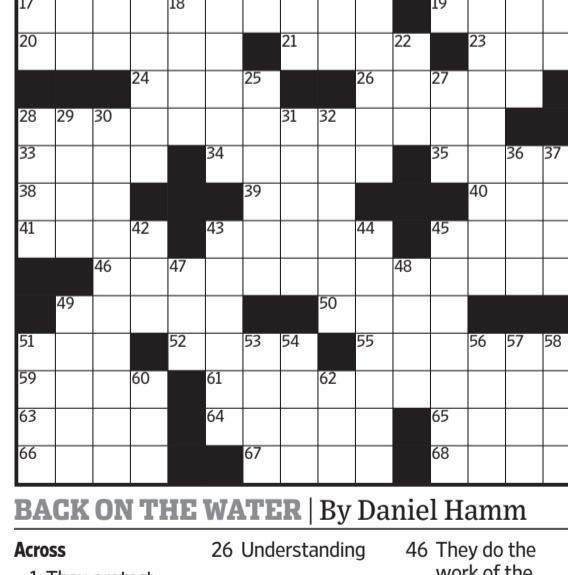
New Orleans 80 68 pc 81 72 s

New York City 60 39 pc 49 40 s

Oklahoma City 63 48 s 56 48 r

Edinburgh

## The WSJ Daily Crossword | Edited by Mike Shenk



## BACK ON THE WATER | By Daniel Hamm

## Across

1 They protect the quarterback

5 Account

9 Masher's target

13 Hand soap additive

14 Hardly secret

16 In addition

17 Sight on many a nightstand

19 Helen's father

20 Power of film

21 Benzoyl peroxide target

23 Boat back in

24 Nephew of Caligula

26 Understanding

28 Increase student competitiveness, perhaps

33 Buds

34 Smooth transition

35 Make gains

38 CIO's partner

39 Held a session

40 "\_\_\_\_ Freak" (2014 Enrique Iglesias song)

41 Sudden sharp pain

43 Boat back in

45 Alternative to "By Jove!"

46 They do the work of the lord

49 Mean mutt

50 Gift tag preposition

51 TV dad of Becky, Darlene and D.J. Conner

52 Sensitive handling

55 Eyeball

59 Itch

61 Stills from YouTube videos, e.g.

63 Eyeball

64 Continental capital

65 Flight unit

66 Go after

67 Fish ladder settings

68 Some are smoked

Down

1 Concord

2 Concord signer

3 Something in a jamb

4 Hungry diner's request

5 Cape wavers

6 Gardner of film

7 Helen's mother

8 Hosmer with homers

9 "\_\_\_\_ who?"

10 Announcer's pre-anthem request

11 Appropriate inappropriately

12 Cubicle feature

15 Arbitrator of good taste?

18 Patella's place

22 Make a slip

25 Like some bands and shows

27 Mean: Abbr.

28 Means for coll. students

29 Boat back in 46-Across

30 Excited with anticipation

31 Call center worker

32 Isolated

36 Poet Khayyám

37 Processes

42 Get into the pool

43 Mr. Coffee component

44 Like elephant seals

45 Dunk in water

47 Volleyball need

51 Some pop groups

53 Scarlet's home

56 Give stars to

57 Genesis victim

## OPINION

# Sears Still Has Its Biggest Fan

**BUSINESS WORLD**  
By Holman W. Jenkins, Jr.

If only Eddie Lampert had invented the iPhone. After all, any declining business can turn itself around, and mint untold profits,

simply by coming up

with a new product customers find irresistible.

In the real world, of course, this seldom happens. Businesses keep doing what they know how to do, making small adjustments in hope of fending off competitors and securing a future. Eventually all businesses fail.

Mr. Lampert, who took control of Sears and Kmart after 2005, didn't invent the iPhone. He either rode the business into the ground, asset-stripping all the way, or strenuously and creatively pursued a turnaround that didn't work. Take your pick, though the latter story is more consonant with the large personal losses he suffered and is apparently willing to continue risking in the effort.

Sears in its time was twice-over an innovative disrupter, when its catalog vastly expanded rural America's access to competitively priced goods of every kind, then when it moved its large selection from a central warehouse to hundreds and eventually thousands of big stores, reachable by customers in their newfangled automobiles.

Later retail revolutions

were not so kind. Neither was the slow recovery from the 2008 crash. All thumbs, Sears lost money in each of the past seven years. Even so, close observers say Mr. Lampert did a few things right.

An indispensable anchor tenant for mall builders in its heyday, Sears still controls a great deal of square footage on practically concessionary terms. When Mr. Lampert closed a store, he doubled or tripled lease proceeds by bringing in a Whole Foods or other upscale retailer.

When he closed a store, he also didn't take a bath on the inventory, as most retailers do. By these means, money was made available to cover the cost of keeping his remaining stores open.

And even as Sears rang up losses, it forked over \$4.5 billion in payments to improve the funding of its pensions. Sears supports more retirees than it does active workers—100,000 vs. 70,000—in a retail industry where most competitors don't offer pensions at all. In fact, Sears has every claim to be one of the more appreciated clients of the Pension Benefit Guaranty Corp., unlike certain companies that eagerly sought bankruptcy to dump their pension obligations.

When first attracted to Sears, Mr. Lampert saw the foolishness of big advertised promotions that draw a customer who then never shops at Sears again. His use of membership rewards to cultivate a loyal, recurring shopper

has been a key strategy—just as it has for Amazon, now expanding into physical stores to serve its most loyal shoppers better.

"Our significant physical footprint and trusted service capabilities," Mr. Lampert explained in one of his many blog posts, "are real differentiators for us, and what we mean when we talk about the power of Sears."

## Will hedge-fund manager Eddie Lampert ever accept defeat?

Some of this will clang, naturally, in the ears of a shopper who has visited a store that is essentially in runoff mode under Mr. Lampert. They're falling apart, they're dingy. Mr. Lampert has long been reconciled to their slow death.

The media-shy billionaire reached out to this column once, in 2009, to register his dissent to federal treatment of bank investors. And no profile fails to mention that he was once kidnapped in a parking garage and later freed himself.

As both the biggest shareholder and biggest debtholder in Sears, he's likely to be the biggest loser in this week's bankruptcy—yet he still wants to lend another \$300 million to help the chain's possible reorganization.

Because of the many hats

he wears, he can also look forward to being the biggest target of other creditors. He runs a hedge fund, was simultaneously CEO and chairman of Sears, was buyer or beneficiary of many assets it spun off. There's already talk of clawing back management fees his firm exacted. There's talk of clawing back lease payments made to a company he partly controls that owns the land under certain Sears stores. Whatever motivates him, however, rivals will have a hard time showing that he has behaved like a man singularly focused on maximizing his billions.

Look, everybody wants to believe in a Steve Jobs-like miracle for every business in distress. Mr. Lampert, in theory, could have sold everything and used the money to create Facebook and called it "Sears" and today he would be accorded a great turnaround artist.

But somebody would still have had to run, for the benefit of their residual claimants, its dying stores. Its retail employees would still have been out of a job. For that matter, somebody had to take over the factories that Apple abandoned when it stopped manufacturing in the U.S. There are no huzzahs in the business media for those who accept the challenge of managing declining assets, but future M.B.A. students may find more in the Eddie Lampert-Sears story than just a tale of unmitigated ineptitude and failure.

**BOOKSHELF** | By Wm. Roger Louis

# Rising Eagle, Wounded Lion

## Grand Improvisation

By Derek Leebaert  
(Farrar, Straus & Giroux, 612 pages, \$35)

One of the themes of Derek Leebaert's important and engaging study "Grand Improvisation: America Confronts the British Superpower, 1945-1957" is that the British Empire kept resurrecting itself. Britain's imperial delusions survived the loss of India in 1947 and the scuttle from Palestine a year later. Staffing of the Colonial Service increased by 45% after 1945, reaching a maximum size of 18,000 in 1957. British colonies extended over one-fourth of the globe. The British were the standard-bearers of civilization. No one in 1945 would have believed that the empire would be liquidated in the next two decades.

The empire enabled Britain to rank as a world power along with the United States and the Soviet Union. The Labour government of 1945 reasoned that, without the empire, Britain would degenerate into "another Belgium." Yet there were plenty of other things to worry about, above all the persistent economic crises that led in 1949 to the devaluation of sterling. On the American side, economic obligations abroad and "creeping entanglements" met with congressional opposition and near despair in government circles. Defense Secretary Robert Lovett said that the U.S. was "spread all over from hell to breakfast." On both sides, key decisions were made not by coherent planning but rather, in Mr. Leebaert's driving theme, by "improvisation."

Mr. Leebaert aims to give a deathblow to the myth of "hands across the sea." He emphasizes bitter controversies and disagreements between Britain and America, for example, on Jewish immigration into Palestine. Yet in the first half of the book, he argues also that a close relationship existed between two near-heroic figures. One was Dean Acheson, the secretary of state who was the epitome of a charismatic Cold Warrior. Often portrayed as an Anglophile, Acheson in fact had an abiding scorn for all things English. Yet he believed that a broken Britain would have no role to play. Buoyed up, Britain could block the expansion of the Soviet Union in Asia and the Middle East. Famous for his waxed mustache and epic temper, Acheson, to paraphrase his own words, believed that the world was run for idiots by idiots. But there was one supreme exception.

Ernest Bevin, the British foreign secretary, was an unlikely partner, a working-class hulk who rose through Labour's ranks to serve in Churchill's war cabinet and then became the key figure in the postwar Labour government. In Mr. Leebaert's description, he was "visibly a bruiser with a bull neck and loud voice . . . putty-lump features and a goggling stare that gave him an aura of menace." But he was a man of moral integrity with an all-embracing intellect bordering on genius.

Bevin's overall plan involved more than restraining the Soviet Union. He aimed to make the Middle East a replacement for India. The Arabs would become allies. The British would exploit the resources of the region, notably oil, which would fuel the economy and sustain Britain as a world power. Improbably enough, Bevin and Acheson became close friends, the latter referring to his counterpart as "Ernie."

**Secretary of State Acheson believed that a buoyed-up Britain could block the expansion of the Soviet Union in Asia and the Middle East.**

In the book's second half, there are no heroes. Mr. Leebaert devotes scathing attention to George Kennan. Since he later achieved distinction as a historian, it has been commonly assumed that Kennan must have been an effective statesman. Yet in the view of his contemporaries in the State Department, he was long-winded, emotional and unreliable. When he became ambassador to the Soviet Union, he feared that Stalin might have him arrested and tortured. Kennan requested cyanide pills. His colleagues in Washington hoped that he would "swallow them all."

Once again there are two prominent figures, Anthony Eden and Dwight Eisenhower. Eden served as foreign secretary from 1951 and prime minister from 1955. In Mr. Leebaert's judgment, the U.S. emerged during this time, not before, as an undisputed superpower. Britain's empire was still mainly intact; but industrial expansion and the hope of exploiting the Middle East began to fade. The scientific adviser to the Conservative government stated flatly in 1952: "We are not a Great Power." Eden, who believed the opposite, made it one of his goals to prove it after Gamal Abdel Nasser nationalized the Suez Canal Co. in July 1956. Here Mr. Leebaert deals with the delicate problem of mental and physical health. Eden was often high on painkillers, which, to those close to him, explained his erratic behavior. In any event, he made the monumental mistake of not informing Eisenhower of the collusion among Britain, France and Israel in the attack on Egypt in the following October.

Mr. Leebaert places too much emphasis on the idea of Eisenhower as a "genial mediocrity," a ventriloquist's dummy whose strings were pulled by Secretary of State John Foster Dulles. No: Eisenhower knew his own mind and made his own decisions. It is true that he relied on the CIA, which Mr. Leebaert holds responsible for "serial blundering" as well as the "stupidity of torture." And Eisenhower later admitted that he had made a major mistake at the time of Suez by demanding the immediate withdrawal of British, French and Israeli troops. In the last years of his presidency, he thought that the goal in the Middle East should be simply to keep the peace, not to hope that the United States could become an ally of radical nationalist regimes.

The most useful criticism of this riveting book might well be that the author should have considered the British in the 1960s. The Labour government of Harold Wilson not only refused to send British forces to Vietnam but also decided to withdraw all troops east of Suez. The symbolic end of the empire came in 1967 with the loss of the lower Arabian Peninsula and the colony of Aden, previously the world's second-busiest port. The Americans now stood alone. The consequent bitterness was perhaps best expressed when Secretary of State Dean Rusk exclaimed to a British reporter, "Well, don't expect us to save you again. They can invade Sussex and we wouldn't do a damned thing about it."

*Mr. Louis is a professor of history at the University of Texas and editor in chief of the "Oxford History of the British Empire."*

# Trump's Grim Handbook for Governance

**POLITICS & IDEAS**  
By William A. Galston

Everyone has a code of conduct, whether explicit or unclear. Nearly halfway into President Trump's first term—which some people hope and others fear will be his only one—the contours of his code have become pretty clear.

Mr. Trump has a consistent way of judging people. Strong is good, weak is bad. Big is impressive, small is defective: "Little Marco." Winners are admirable, while losers are contemptible. A corollary is that there is neither dishonorable victory nor honorable defeat, which is why Mr. Trump pouted scorn during his candidacy on John McCain for having been captured—never mind McCain's heroic conduct as a prisoner of war.

Individuals are either attractive or unattractive. If they don't look good, it doesn't much matter what they say or do. Appearance is reality: Plato's Cave inverted. This is why Mr. Trump's TV stardom mattered more than his checkered business career.

Finally, people are either loyal or disloyal. Loyalty in this case means their willingness to defend Mr. Trump, whatever the cost to their own interests or reputation. In this vein, Mr. Trump favorably compared former Attorney General Eric Holder's unswerv-

ing support for President Obama with Jeff Sessions's decision to recuse himself from the Russia probe.

This brings us to the next feature of Mr. Trump's personal code—his distinctive understanding of how the world works. Here's how it goes.

With the possible exception of family, all relationships are at bottom transactional. Every man has a price, and so does every woman.

There's money, and then everything else. Money and morals are unrelated. Even if a Saudi leader ordered the assassination and dismemberment of a prominent dissident, this is no reason to halt arms sales to the monarchy. If American firms don't get the contracts, someone else will. Why should we be chumps? If promoting democracy or simple decency costs money, what's the point?

The core of human existence is competition, not cooperation. The world is zero-sum: If I win, someone else must lose. I can either bend another to my will or yield to his.

The division between friends and enemies is fundamental. We should do as much good as we can to our friends, and as much harm to our enemies.

This brings us to President Trump's handbook of tactics we should employ to achieve our goals:

**Rule 1:** The end always justifies the means. Asked whether he had spoken disrespectfully about Christine Blasey Ford,

he said, "I'm not going to get into it, because we won. It doesn't matter; we won." Case closed.

**Rule 2:** No matter the truth of accusations against you, deny everything. Bob Woodward's recent book quotes Mr. Trump counseling a friend who had privately confessed to sexual-misconduct charges against him. "You've got to deny, deny, deny, and push back hard on these women,"

**Unyielding loyalty to the president and scorn for 'losers' are among the top rules.**

says Mr. Trump. "If you admit to anything and any culpability, then you're dead." The corollary to Rule 2 is that the best defense is a good offense. As the president told his friend, "You've got to be strong. You've got to be aggressive. Never admit."

**Rule 3:** Responding to criticism on its merits is pointless. Instead, challenge the motives and character of your critics. Their criticism isn't sincere anyway: It's all politics, the unending quest for dominance. If ridicule works, use it, even if it means caricaturing your adversaries by reducing them to their weakest trait. If Jeb Bush is "low energy," who cares what he thinks about immigration?

**Rule 4:** To win, you must arouse your supporters, and

deepening divisions is the surest way to do it. Even if compromise could solve important problems, reject it whenever it threatens to reduce the fervor of your base. No gain in the public good is important enough to justify the loss of power.

**Rule 5:** It is wonderful to be loved, but if you must choose, it is better to be feared than loved. The desire for love puts you at the mercy of those who can withhold it; creating fear puts you on offense. You cannot control love, but you can control fear. And this is the ultimate question of politics, indeed, of all human life: Who's in control?

Defenders of President Trump's code of conduct will point to what they see as its unsentimental realism. His maxims are the terms of effectiveness in the world as it is, not as we would like it to be. They may not be pretty, but they work. Politics is not like figure skating. You get no points for style. You either get your way or you don't. Nothing else matters.

Critics of Mr. Trump's code—I'm one of them—view the distinction between permissible and forbidden means as essential to constitutional democracy, and to all decent politics. What Mr. Trump's supporters see as the restoration of national greatness, his critics see as the acceleration of national decline.

This, to no small extent, is what next month's elections are really about.

# Trump Gives Farmers a Jolt of Fuel

**By Chuck Grassley and Joni Ernst**

President Trump's decision last week to allow the year-round sale of E15 is a promise made and kept to farmers throughout rural America. E15 is shorthand for gasoline blended with 15% ethanol, instead of the more common E10, and was prohibited for sale in the summer by the Environmental Protection Agency in 2011.

Biofuels are a part of everyday life in Iowa, the top corn-and ethanol-producing state in the U.S. Ethanol supports more than 43,000 Iowa-based jobs and 350,000 jobs throughout the country, directly and indirectly. Ethanol contributed \$44.4 billion to gross domestic product and \$5 billion in federal tax revenue in 2017.

Year-round E15 sales will bring increased stability to the market and create new growth opportunities. Today only about 1,400 out of 122,000 fill-

ing stations in the U.S. sell E15. That's a result of the Obama-era regulation, not a lack of consumer demand. With filling stations prohibited from selling higher-ethanol blends for nearly a third of the year, it often didn't make economic sense to install the infrastructure necessary to sell the product at all. That will change after the implementation of year-round E15.

**The administration scraps an anti-ethanol mandate.**

The change couldn't come at a better time. Farm income is down 47% over the past five years. The U.S.-Mexico-Canada agreement will help, but there's still unrest in America's heartland about trade negotiations between the U.S. and China. The administration's E15 action will deliver a timely

infusion of optimism to farmers. It will also put an end to an unnecessary government regulation that hinders consumer choice at the pump.

The end of this anti-competitive regulation is long overdue. For years it has effectively prevented gas-station owners from investing in dedicated E15 pumps. It has eliminated competition for the oil companies, deprived consumers of the ability to make their own fuel choices and reduced market opportunities for farmers.

Ethanol was adopted decades ago as a natural alternative to octane boosters like lead and MTBE, which posed serious environmental and health hazards. It also lowers the price at the pump. While petroleum prices may rise or fall depending on the actions of exporter countries, the U.S. can produce ethanol domestically and uninterrupted.

Year-round E15 could be implemented as soon as next

summer. But Big Oil will fight to preserve the regulation, to the detriment of farmers, agribusiness workers in rural America, and the millions of Americans who want cleaner, cheaper fuel options. The almost-certain legal battles the oil companies will wage will prolong uncertainty for farmers, stall economic growth, and divert federal tax dollars from other pressing needs. And for what? To restrict competition and further increase the already significant margins of the nation's oil companies.

We've spoken regularly with President Trump about the importance of ethanol and the Renewable Fuel Standard to Iowa and rural America—and to the nation's economy and national security. We look forward to seeing this important deregulation through the bureaucratic process.

*Mr. Grassley and Ms. Ernst are Republican U.S. senators from Iowa.*

## OPINION

## REVIEW &amp; OUTLOOK

## A Swift Iran Decision

**A**nother trans-Atlantic showdown is looming as the Trump Administration prepares its next tranche of financial sanctions on Iran, and the puzzle is why Europe keeps backing itself into a corner. Brussels and European Union states seem ready to stage a battle with Washington over an obscure but important financial-service network—against Europe's own interests.

The looming brouhaha concerns Swift, the Belgium-based cooperative that manages the global system that banks use to communicate with each other for cross-border transactions. The Trump Administration will soon lay out its plans for financial sanctions on Tehran to take effect in November, as Washington reintroduces sanctions lifted under the Obama Administration's 2015 nuclear deal. One question is whether the new sanctions include Swift.

They will have to in order to be effective, because cutting Iran off from Swift's services is one of the best ways to ensure that financial sanctions bite. Were Swift to sever ties with Iranian banks, Iranian companies and financial institutions would struggle to transfer money to and from the rest of the world.

Alternatives exist, but none offer Swift's global reach or security. Europe's much-vaunted "special-purpose vehicle" for trading around U.S. financial sanctions, announced last month, is expected to be little more than a glorified barter arrangement with limited scope.

Swift is particularly prone to U.S. pressure because the American financial system looms so large in the world. Swift's board includes representatives of European and American banks, and many messages across its network travel to or from the U.S. Some Europeans believe Washington wields too much influence over a network they think should operate on a multilateral consensus like a financial EU.

Swift cooperated with the U.S. against Iran from 2012–2016 when the Obama Administration sought to pressure the mullahs. But Swift officials say Europe and the U.S. agreed on that policy. Now they say they're being coerced by

## Iranian banks have to be expelled from the global financing network.

the U.S. without European assent.

German Foreign Minister Heiko Maas recently floated the idea that Europe could develop its own messaging system as an alternative to Swift, in part to undermine Washington's ability to impose financial sanctions. China and Russia would be delighted to have an alternative that lets them avoid U.S. influence.

Swift officials say the U.S. should worry that an alternative would undermine Swift's ability to help the U.S. and Europe monitor terror transactions. But terrorists already know to avoid Swift and use other ways to finance their operations. In any case, an alternative would be difficult to make work given the expansive reach of U.S. institutions and the dollar in global finance.

Brussels also has passed a "blocking statute" making it illegal for European companies to comply with U.S.-imposed sanctions. This could be used to lean on Swift to ignore a Washington ban on doing business with Iran. But most European companies have already made clear that they will choose doing business with the U.S. over Iran.

On Tuesday, 30 policy experts and former U.S. officials urged the Trump Administration to include Swift in sanctions. The statement's signers include former Sen. Joe Lieberman and former national security advisers Richard Allen and Robert McFarlane.

Despite the discord over the nuclear deal, America and Europe share many common interests on Iran and global financial flows. Those include shared concerns over Iran's ballistic-missile program, which isn't covered by the 2015 deal, Tehran's regional meddling, and sunset clauses in the Obama agreement.

European governments are also increasingly concerned about global money laundering and other illicit money flows. Preserving Swift as the main global financial-messaging system is as much in Europe's interest as America's. U.S. sanctions that bring Tehran back to the table to address the gaping holes in the 2015 deal are good for Europe and the U.S., and Swift can help toward that goal.

## The Entrepreneurial Paul Allen

**T**he obituaries for Paul Allen, who died this week at age 65, all describe him as a co-founder of Microsoft. This is true as far as it goes, but it doesn't begin to capture his larger impact. His more famous Microsoft partner, Bill Gates, came closer to the truth when he said "personal computing would not have existed without him."

What Mr. Gates and Allen pulled off was not simply building an innovative new company. They imagined and then built a new industry that brought computing power to the masses. More than four decades after they wrote their first piece of software, people around the world have more computing power in their smartphones than the computers NASA used to put men on the moon. It takes nothing away from Mr. Gates to say that on their team Allen was the visionary while his partner was more the practical businessman.

In 1975, when they created the partnership known as Microsoft, they were two kids who had gone to high school together outside Seat-

## He was the visionary behind the personal computing revolution.

tle and dropped out of college. If you had asked people at the time which company would dominate computing in the decades to come, most would have answered IBM. Instead Microsoft and Apple would dominate the desktop computer revolution.

The late 1970s were also a time, not unlike our own, full of angst about whether America's best days were over. Four years after Microsoft was founded, President Jimmy Carter would famously give his "malaise" speech lamenting "the erosion of our confidence in the future." The reality is that the U.S. was in the early stages of a new era of entrepreneurship and economic progress.

After a cancer diagnosis, Allen left Microsoft in 1983 but retained his ownership stake that made him a billionaire. He later became a philanthropist, investor and professional sports owner. But his willingness to take risks as a young man and see a future others didn't was a signature contribution that should remind Americans that the future is still what creative individuals in a free society make it.

## Fighters Downed by Hurricane

**H**urricane Michael did terrible damage in Florida last week, and that may include some of the world's most capable military aircraft left in its path. But why can't Air Force F-22 jet fighters, of all things, escape a storm? Answer: They lack the parts to be operational and so were stuck in hangars to take a beating.

Air Force Secretary Heather Wilson said Sunday that the damage to an unspecified number of F-22s on Tyndall Air Force Base was "less than we feared." But maintenance professionals will have to conduct a detailed assessment before the Air Force can say with certainty that the planes will fly again. Press reports estimate that at least a dozen planes were left on the base due to maintenance and safety issues.

Welcome to a fighting force damaged by bad political decisions and misguided priorities. Of the Air Force's 186 F-22s, only about 80 are "mission capable," according to a July analysis from the Government Accountability Office. The average across the Air Force in 2017 was that about 7 in 10 planes were mission capable, which is still too low for meeting increasing demands.

Part of the F-22 problem is upkeep on a coating that helps the planes evade radar. Another issue is the supply chain for parts now that the U.S. no longer produces the airplane, and "some original manufacturers no longer make the parts or are completely out of business," GAO notes. Air Force officials told GAO that a simple wiring harness requires a 30-week lead time for finding a new contractor and producing the part. Ripping out parts from planes that work, or "cannibalizing," is now common practice in military aviation.

Then there's scale, or lack thereof. The Air Force in the 1990s planned for about 650 F-22s,

## Why America's best military aircraft couldn't fly to escape a storm.

which were designed to replace the F-15. That number fell to about 380 over time, according to GAO, but in 2009 President Obama and Defense Secretary Bob Gates convinced Congress to shut down the production line.

At the time Messrs. Obama and Gates argued that the U.S. had to focus on defeating unconventional enemies (Islamic State), whereas the F-22 is designed for air dominance against conventional national forces, which could also be handled by the new F-35.

This now looks like a mistake, as Russia and China improve their military technology and the F-35 continues to have a cascade of problems. The Pentagon last week grounded the entire F-35 fleet for a fuel tube issue, though most were cleared to fly again as of Monday. Now the F-35 is the only fighter show in town. The Air Force looked at restarting the F-22 production line and predicted it'd cost billions to launch. That isn't happening.

The larger mistake of the Obama years was cutting defense willy-nilly to pay for entitlements and other priorities, which meant military units in all branches were crunched for training, flight hours and maintenance. Budget uncertainty through "continuing resolutions" from Congress compounded the pain.

Republicans in Congress and the Trump Administration this year accepted Democratic demands to spend more on income transfers to get a bump in defense spending that included some \$47 billion to get planes flying. But Democrats are promising to cut defense again if they win the House. They pretend that a vote for free health care is affordable, but damaged planes on the tarmac is one more lesson that more spending on entitlements eventually means too few planes that can fly.

## LETTERS TO THE EDITOR

## Only Venezuelans Can Solve Their Problems

Alvaro Vargas Llosa criticizes Latin American nations and the U.S. for not taking in more Venezuelan refugees ("Open the Door to Venezuelan Migrants," op-ed, Oct. 11). But doing what he advocates would exacerbate Venezuela's problems in a way that he ignores. Continually accepting refugees fleeing oppression while doing nothing to combat what they're escaping, enables dictators to maintain power. When a dictatorship is allowed to efficiently relieve itself of those most opposed to its evils, it operates as a relief valve.

This is the problem with the U.N. Refugee Convention of 1951, its 1967 Protocol and the 1984 Declaration of Cartagena. Each fails to distinguish between the member nations' obligation to deal with somewhat isolated incidents of the need for asylum versus a continuing, systemic, brutal oppressor that ultimately must be confronted by the "collective security" for which the U.N. was supposedly created.

European countries are learning, with difficulty, that they can't possibly integrate all the refugees from Syria and other dictatorial Middle Eastern and African nations. With regard to Venezuela, South American countries are learning that less

son, too. So far no one seems to know how best to confront a Syria or Venezuela.

STEVE STEIN  
Larkspur, Calif.

I am the son of a legal immigrant who had to flee Italy because Mussolini was going to execute his father because he opposed the Italian dictatorship. Don't the Venezuelan people have some responsibility for their own decisions? They elected the socialist government which has destroyed one of the wealthiest nations on Earth.

The right way to fix Venezuela is for the people of Venezuela to rise up, rebel, take back control of their country and regain their freedom. Venezuela should serve as a flashing, red-light warning of the danger of socialism and giving the government too much control of one's life. To the 48% of U.S. millennials who favor socialism over capitalism, I say, pay attention to the disaster Venezuela has become under socialism and learn from its pain. If the millennials, Bernie Sanders, Kamala Harris and other progressives have their way, who will take all the American refugees?

RANDY ROSSI  
Grayslake, Ill.

## Democrats Shocked at What Comes Around

William A. Galston criticizes Senate Majority Leader Mitch McConnell for failing to hold a vote on Judge Merrick Garland's nomination to the Supreme Court ("Democrats, Don't Succumb to Retribution," Politics & Ideas, Oct. 10). Mr. Galston calls this "an unprincipled exercise of raw power" and states that it is "an act for which history won't judge him kindly."

In 1992 Joe Biden, then chair of the Senate Judiciary Committee, announced that if a Supreme Court vacancy occurred in an election year with a Republican president and a Democratic Senate, there would be no vote until after the election. Sen. Chuck Schumer reiterated the same policy in 2007, and Sen. Harry Reid, then majority leader, added the (correct) point that the Senate wasn't obligated to vote on anyone.

So all Sen. McConnell did was to apply to the Democrats the same policy that the Democrats had applied to the Republicans for the previous 25 years. I am often amazed how the Democrats will create a policy that gives them some short-term advan-

tage, and then appear truly shocked and upset when the Republicans turn around and apply the same policy.

DONALD W. LARGE  
Green Valley, Ariz.

We are at this point because the left has adopted a strategy of harassment of political leaders and common citizens who happen to hold a dissenting view, using minorities and real or alleged "survivors," who cannot be questioned, as their human shields.

DAN PISENTI  
Mill Valley, Calif.

Abortion seems to be the bone of contention that drove the passions of this debacle, as slavery drove passions years ago. The Democratic Party failed to legalize slavery in every new state before the Civil War, but the Supreme Court of the 1970s legalized abortion in every state. If we had allowed the states to decide this issue individually, we might not have the bitter division we have now.

LESLIE BENNETT  
Thompson's Station, Tenn.

## Mike Pence Didn't Start a Chinese Cold War

Walter Russell Mead suggests that Vice President Mike Pence, in describing a broad array of countermeasures to Chinese aggression, has declared war on China ("Mike Pence Announces Cold War II," Global View, Oct. 9). No, "Cold War II" broke out 27 years ago, not long after the end of "Cold War I." When the Soviet Union collapsed, Americans reacted with euphoria. We naturally expected our allies of convenience, the Chinese one-party-state, to do the same. But then paramount

leader Deng Xiaoping, heir to a 2200-year tradition of Chinese hegemony and top-down government, wasn't in a mood to celebrate.

Instead, Deng turned his sights on us. The old Cold War between the U.S. and the Soviet Union may be over, he declared in September 1991, but "a new Cold War" between the U.S. and China has now begun.

If your enemy says you are at war, then you are probably at war, whether you want to be or not. Deng Xiaoping's declaration of war on the U.S., however, was largely ignored by the U.S. foreign-policy establishment which found it hard to take Deng's threat seriously at a time when China's economy was only a tiny fraction of America's. Moreover, many were convinced that China was going our way.

Given enough time, along with rising levels of income and education, and it would peacefully evolve into a free-market democracy, not unlike our own.

So it was that China's "whole of government" attack on the U.S. elicited little more than jawboning from Washington for many years. It is only now, when China's military, economic, political and ideological aggression has become impossible to ignore, that we have finally, almost three decades later, developed a coherent response to the China threat.

It is about time.

STEVE MOSHER  
Front Royal, Va.

## Pepper ... And Salt

THE WALL STREET JOURNAL

## OPINION

# The Dark Money That Funded 'Dark Money'

By Scott Walter

**L**eft-wing interests are raving about the documentary "Dark Money." Airing this month on PBS, "Dark Money" purports to expose the effects of right-wing political spending in the wake of the Supreme Court's decision in *Citizens United v. Federal Election Commission*. The Los Angeles Times calls the film a "political thriller." NPR lauds it for revealing the "assault on the American electoral and judicial process by corporations whose agenda is nothing less than the dismantling of government itself."

There's one problem: This attack on conservative-funded political advocacy is itself liberal-funded political advocacy. The proof? The end credits listing the film's funders.

## Liberal groups sponsor a documentary faulting conservative groups that sponsor political advocacy.

Top billing goes to the Ford Foundation, the third-largest private political-advocacy philanthropy in the U.S. Its sheer size—\$12.4 billion in assets—isn't unique on the left. Even before hedge-fund billionaire George Soros injected \$18 billion into his Open Society Foundations, eight of America's 10 largest private foundations (ranked by giving as of 2013) were aligned with the political left.

Nominally nonpartisan but actually liberal foundations and nonprofits spend three or four times as much as their conservative peers on "education" and advocacy, as the Capital Research Center documents.

How partisan are these "nonpartisan" groups? Consider "Dark Money's" notable funder No. 2, the CrossCurrents Foundation. It's led by Ken Grossinger, who has been a political strategist for the two most important labor unions in the U.S., the Service Employees International Union and the AFL-CIO, for which he ran legislative operations.

Mr. Grossinger is now a principal in Democracy Partners, a major Democratic political consultancy, where he works "to advance policy and program priorities," as per his biography at the Alliance for Justice website. He also chairs the board of the alliance, a liberal judicial-policy group that vigorously opposed Brett Kavanaugh's confirmation to the Supreme Court.

Left-of-center foundations are not immune to routing their contributions to advocacy projects through other organizations. Robert Redford's Sundance Institute, another funder of "Dark Money," does more than hold its eponymous film festival. Numerous liberal donors funnel money into Sundance to support advocacy filmmaking and other media projects. The layer of separation obscures their political agenda.

The American public often hears stories, including in this film, about nefarious right-wing oligarchs using complex financial products and tax-exempt organizations to get their way. But nonobvious money trails are popular on both ends of the spectrum.

The message of "Dark Money" and similar projects is that conservatives' post-*Citizens United* advantage in electoral spending by independent groups is corrupt. Liberals' far larger advantages in foundation funding, on the other hand, are never mentioned. That's kept in the dark.

Mr. Walter is president of the Capital Research Center.

## THE WALL STREET JOURNAL.

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# Russian Pensions and the Risk of War

By Leon Aron

**I**n the streets of more than 80 Russian cities, thousands of men and women have turned out for anti-government rallies in the past few months. They aren't the usual malcontents—the middle class, intelligentsia or students—but *rabotyagi*, blue-collar working stiffs. Both the cause of the rallies and their political context reveal the impoverishment of Russia and the fragility of Vladimir Putin's regime, despite its outward appearance of toughness. The West, however, shouldn't gloat; facing problems at home, Mr. Putin could try to create new problems abroad.

The demonstrators are protesting Mr. Putin's pension law, introduced in June. The law is meant to save the Russian treasury \$15 billion a year by 2024 by gradually increasing the retirement age to 65 from 60 for men, and to 60 from 55 for women. At first glance, the reform doesn't seem dramatic enough to stir such passions.

Russian pensions are skimpy anyway, averaging around \$220 a month. That's barely above the Russian poverty line of \$171 and among the lowest rates in Europe.

Yet for millions of Russians, an extra five years of work is a hard blow. At \$592 a month, the average Russian salary is puny. That's why Russia today can have near-full employment, while 14% of the population, or 20 million Russians, are in poverty, as per official statistics. Independent experts from the Higher School of Economics in Moscow estimated last year that 41% of Russians have trouble paying for clothing and food. For many, the choice is between near-poverty while working or near-poverty while staying home.

Life expectancy for Russian men is under 67, not even two full years past the new, higher-than-ever retirement age. Many men fear they'll literally be worked to death. "With this pension reform, with everything



Moscow protesters step on an image of Vladimir Putin, July 29.

pushed back, I feel like I'll never get out," a railway worker said last month.

The protests exposed a fissure in what might be called Mr. Putin's contract with the Russian people: You stay out of politics and I'll give you stability. The contract held up in past tough times, most notably in 2008-09, when the Russian economy

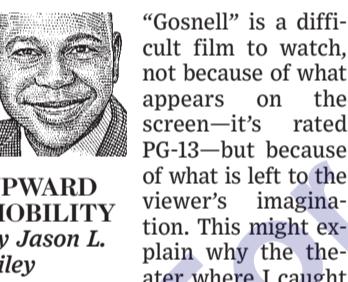
had never made a plea for support for a specific policy like this. The speech was heartfelt, animated, cajoling—and not nearly enough. According to Russian polls, 6% were in favor of the pension reform before the speech and 80% opposed it. After Mr. Putin had spoken, the numbers were 11% and 75%.

Mr. Putin's approval ratings—his regime's only claim on legitimacy—have been steadily sliding, from 79% in May, before the reform was announced, to 67% in September. These would be astronomically high numbers in a democracy, but they're bad news in a country where Mr. Putin is effectively the only politician and no critic is ever allowed on television.

Mr. Putin's headache can quickly become the West's. At the end of 2013, when his ratings were his lowest in 13 years (and only 6 points below today's), he boosted them with the outrageous Winter Olympics—doping en masse—followed by the seizure and annexation of Crimea and the war against Ukraine. Since then, militarized patriotism has become the key to Mr.

contracted almost 8% after oil prices fell. Then, difficulties could be blamed on external factors. No such excuses exist today. Incomes have declined for four consecutive years, and the pain is self-inflicted—Russians feel that Mr. Putin's regime has stabbed them in the back.

Hence Mr. Putin's unprecedented nationally televised appeal on Aug. 29. In 18 years in power, Mr. Putin



### UPWARD MOBILITY

By Jason L. Riley

mostly empty. But other explanations are worth considering.

Kermit Gosnell, who was convicted of murder following a two-month trial in 2013, is currently serving a life sentence in prison with no possibility of parole. He was an abortion doctor based in Philadelphia, where state law prohibits the procedure beginning at 24 weeks gestational age. By his own admission, Dr. Gosnell regularly performed illegal late-term abortions, mostly on low-income minority women. In some cases he would induce labor, deliver live babies, and then kill them by snipping the backs of their necks with scissors.

Nick Searcy directed the film, based on a book of the same title by a married couple of investigative journalists from Ireland, Ann McElhinney and Phelim McAleer. In an essay last month, Mr. Searcy explained why he was drawn to the subject. "It is nearly impossible to find an adult person who does not have an opinion on the issue of abortion," he wrote in National Review, "and yet how little we all know about it—how it is done, what the laws are surrounding it, how it is regulated, legislated, and practiced. I wanted to share that knowledge."

Dr. Gosnell's story may not change a single mind about abortion, yet the movie and book make an important contribution to a de-

bate that continues to rage 45 years after *Roe v. Wade*. They offer a better understanding of what "abortion rights" mean in practice and a renewed appreciation of the tragic consequences that can result when politicians, public-health officials and the media put blind ideology ahead of basic human decency.

Dr. Gosnell had been performing illegal abortions for decades before law-enforcement officials stumbled upon him, and when they did, it was for reasons that had nothing to do with his abortion practice. In 2009 a detective investigating prescription-drug dealing in Philadelphia received a tip about Dr. Gosnell from an informant. It turned out he was selling prescriptions for OxyContin, Percocet and Xanax to anyone who could afford his \$150 fee. On a typical night, Dr. Gosnell would write some 200 prescriptions. After law-enforcement officials raided his clinic in 2010, however, busting up one of Pennsylvania's largest pill mills was no longer the most pressing concern.

In their book, Ms. McElhinney and Mr. McAleer write that the Gosnell raid unveiled "a house of horrors." The toilets were clogged with fetal remains. Cupboards contained jars with the severed feet of infants inside. In refrigerators and freezers,

detectives found more discarded fetuses stored in milk cartons, water jugs, cat-food containers and Minute Maid juice boxes with the tops cut off to make the openings larger. Later, authorities would discover

### Reviews are withheld and ads rejected for fear of facing up to what 'abortion rights' mean in practice.

that Dr. Gosnell employed "assistants"—who had no medical training and were paid under the table—to sedate patients, conduct ultrasounds and administer labor-inducing drugs.

Dr. Gosnell's story becomes even more upsetting when you realize how much sooner he should have been caught. State inspectors visited the clinic three times between 1989 and 1993. Each time they discovered that no registered nurses were on staff, as the law requires, yet permitted him to continue providing abortions. After Tom Ridge, a pro-choice Republican, became governor in 1994, the state Department of Health stopped all routine inspections of abortion clinics.

Even when state officials received complaints about Dr. Gosnell, they were reluctant to follow up. A woman who received an abortion at his clinic in 1999 later became ill and was admitted to the hospital. Dr. Gosnell had mistakenly left the baby's arm and leg inside the mother. State Health Department officials decided that no investigation was warranted. When Dr. Gosnell botched another abortion in a similar fashion years later, state officials again looked the other way.

Once Dr. Gosnell's trial began in 2013, it was the national media's turn to ignore him. Fox News gave the trial significant attention, but few other major outlets did the same. The liberal press knew the story would cast a negative light on abortion, and that concerned them much more than bringing to justice a doctor who committed infanticide and routinely risked the health of women.

Ultimately, social media shamed the press into covering the trial, and you won't be shocked to find out that interest in the story hasn't lasted. Some outlets have refused to run ads for the film, and almost all major publications have declined to review it. Which also helps explain why I had so little company on Friday.

## Pennsylvania Unions May Flip the House

By Matthew J. Brouillette

**I**f Democrats take the House next month, they'll owe a debt to public-sector unions in Pennsylvania. Because of court-ordered redistricting, Democrats have a shot at flipping at least five of the Keystone State's 19 congressional districts.

Last year the League of Women Voters filed a lawsuit alleging that the state's congressional map was rigged in favor of Republicans. The action was part of a broader effort backed by the National Democratic Redistricting Committee, launched in 2017 by former Attorney General Eric Holder.

This January the Pennsylvania Supreme Court ruled in favor of the plaintiffs and ordered the GOP-controlled Legislature to draw a new map within 18 days. Democratic Gov. Tom Wolf rejected the new map. Weeks before the May 15 primary election, the state Supreme Court imposed its own map. The U.S. Supreme Court declined to intervene in the case.

What does this have to do with government unions? Start with the 2014 gubernatorial race, in which Mr. Wolf defeated incumbent Republican Gov. Tom Corbett. Govern-

ment unions poured more than \$4 million into Mr. Wolf's campaign, including more than \$1 million from the Service Employees International Union and \$800,000 from the Pennsylvania State Education Association. All told, government union contributions made up nearly 20% of Mr. Wolf's fundraising in 2014. Since then, these unions have given the governor, who is seeking reelection this year, an additional \$5.8 million.

A

### They elected a Democratic Supreme Court, which redrew district maps to the disadvantage of the GOP.

The unions then set their sights on the 2015 judicial elections, in which three vacant seats on the state's seven-member Supreme Court were on the ballot. Whereas some states use appointments or nonpartisan elections for the judicial branch, Pennsylvania employs partisan elections for all judges.

Government unions gave nearly \$1.5 million to a super PAC called Pennsylvanians for Judicial Reform,

VASILY MAXIMOV/AF/GETTY IMAGES

Putin's popularity. Tens of millions of Russians have been swayed by his narrative: Russia is surrounded by enemies but not only will the president protect the Motherland, he will also restore Russian glory lost in the Soviet collapse.

The Russian people have tolerated a lot: the upkeep and economic development of Crimea to the tune of nearly \$3 billion a year; the estimated \$100 billion to \$150 billion direct and indirect costs of Western sanctions; and two defense modernization programs, together totaling around \$650 billion. In addition to these programs, spending on military and police is projected to grow by 33% in the next three years. Yet the protests indicate Russian patience has limits.

Mr. Putin has been riding the tiger of patriotic fervor, but the beast is difficult to dismount and it demands fresh meat, the bloodier the better. Today, as pension reform threatens Mr. Putin's support, it might be feeding time again.

The obvious targets for engineering another Crimea or Ukraine are Narva and Latgale, the heavily Russian-speaking enclaves in Estonia and Latvia, respectively. In addition to unleashing a patriotic flood, Mr. Putin would undoubtedly hope to expose the North Atlantic Treaty Organization as dithering and ineffectual. A risky step to be sure, but in Mr. Putin's political calculus, foreign adventurism may be less perilous than domestic turmoil.

A candle worth a kopek once set Moscow ablaze, a Russian saying goes. That's the pension reform: Its \$15 billion in alleged annual savings—tiny compared with Russian spending on defense and aggression in Crimea—are a one-kopek candle that may leave the country in flames. Let's hope the West has its fire engines ready should the conflagration spread.

Mr. Aron is director of Russian studies at the American Enterprise Institute.

## WORLD NEWS

# China Ends Denials, Defends Detentions

Official portrays the camps holding Muslims as resort-like facilities, as explanation evolves

BY JOSH CHIN

BEIJING—A senior Chinese official offered the government's fullest defense so far of its mass detention program for Muslims in China's far west, saying it formed a bulwark for social stability and suggesting the detentions are voluntary.

In a lengthy interview published Tuesday by the government's Xinhua News Agency, the chairman of China's Xinjiang region, Shohrat Zakir, portrayed the camps as generously equipped vocational schools that are vital to a crackdown on religious extremism. He said the clampdown helped bring an end to terrorism and a drop in crime in the region.

"Facts have proven that vocational education and training fits the reality of current efforts in countering terrorism, maintaining stability and eradicating extremism in Xinjiang," he said, according to Xinhua.

The interview, published in Chinese and English, is part of an evolving strategy by China to explain the campaign. U.S. officials and United Nations experts estimate hundreds of thousands of Muslims, mostly from the Uighur ethnic group, have been detained in the past two years. Criticism—from the U.S., Europe and some Muslim groups—has been building.

Chinese officials equivocated over the mass detentions before a United Nations panel in August, saying minor criminals in Xinjiang had been sent to vocational schools to learn how to reintegrate into society. Revisions to Xinjiang's counterterrorism regulations, made public last week, acknowledged for the first time that the vocational training centers were being used for "deradicalization" work.

"They clearly want to get out in front of the story after a year



A flag-raising ceremony in the Xinjiang regional capital, Urumqi, was held on Oct. 1 to mark China's National Day.

of trying to deny it," said James Leibold, an expert on Chinese ethnic policies at La Trobe University in Australia. Part of the current effort, he said, is likely aimed at pre-empting further criticism at a U.N. review of China's human-rights record, scheduled for November.

Scholars outside China and interviews with former detainees and their relatives by foreign media, including The Wall Street Journal, have documented the expansion of the detention program and the intense political indoctrination those held are subjected to. They described being held against their will, forced to

sing patriotic songs and prohibited from praying.

In the Xinhua interview, Mr. Zakir contradicted those accounts, suggesting enrollment in the institutions is voluntary. He said the facilities sign "training agreements" with each trainee.

Chinese law doesn't allow for indefinite detention without trial, so Xinjiang's camps can be legal only if they are voluntary, according to Jeremy Daum, a senior research fellow at the Yale Law School's Paul Tsai China Center. If they are, he said, independent experts should be allowed to inspect the facilities.

Offices with Xinjiang's

Communist Party Committee either declined to comment or didn't respond to a faxed request to comment.

China's mass detentions come after a yearslong government campaign to suffocate an occasionally violent Uighur separatist movement that Beijing says has links to extremist religious groups abroad. Islamic State has produced videos aimed at recruiting Uighurs, some of whom have left China to fight in Iraq and Syria.

Human-rights groups and Uighur activists living abroad say the violence is driven by extreme restrictions on Uighur religious and cultural activi-

ties and by state-sanctioned policies that ultimately benefit Han Chinese at the expense of minorities in Xinjiang.

Mr. Zakir cited laws and regulations he said justified the campaign. He reiterated government statements that the centers are intended to rehabilitate minor criminals.

He described the centers as resort-like facilities equipped with volleyball courts, ping-pong tables and film-screening rooms, where ethnic customs are respected, nutritious meals are provided "free of charge" and each air-conditioned room comes with its own TV.

According to former de-



Xinjiang Chairman Shohrat Zakir

tinees and their family members, conditions in the centers vary widely. While some resemble vocational schools, others seen by the Journal look more like prisons, surrounded by thick walls topped with razor wire and watched over by armed police in guard towers.

Several former detainees told the Journal they were subjected to hours of political indoctrination daily and forced to denounce Islam. One said he was strapped to a chair for hours with his hands shackled behind his back and interrogated about ties to religious groups abroad, which he denied having. Authorities declined to comment.

Mr. Zakir said the training program helps prevent religious extremism by teaching trainees Mandarin, which "gives them a foundation to accept modern scientific knowledge, and recognize China's history, culture and national conditions."

Mr. Leibold, the Xinjiang expert, said much of Mr. Zakir's description seems "aspirational." He and other critics have said the program is more likely to exacerbate ethnic resentment than promote harmony.

"I think it's quite dubious that this can be effective in the long term," he said.

—Kersten Zhang contributed to this article.

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# BUSINESS & FINANCE

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## Global Subscribers Boost Netflix Growth

Additions top earlier forecasts as the company faces bigger content costs

BY SHALINI RAMACHANDRAN  
AND MICAH MAIDENBERG

Netflix Inc. exceeded expectations for adding subscribers in the third quarter, reporting strong user growth in international markets as it continues to invest heavily in its global programming offerings.

Shares of Netflix gained 12%

in after-hours trading, after rising 4% to close at \$346.40 amid a broader market rally Tuesday.

Maintaining a fast clip of subscriber additions is key to Netflix's ability to cover its rapidly growing content costs. Netflix has said it expects to book content expenses of as much as \$8 billion this year. Analysts estimate it will spend as much as \$4 billion more on shows and movies this year that will be released in the future, bringing its total cash spent on content to some \$12 billion, dwarfing rivals such as Amazon.com Inc. and HBO.

For the third quarter, Netflix added 6.96 million subscribers globally, beating the five million the company forecast for the period in July and the 5.18 million analysts surveyed by FactSet predicted. The additions bring Netflix's total global subscriber count to 137 million.

The user growth is likely to allay investor fears after the previous earnings report that Netflix's momentum was slowing. Notably, even in the relatively mature U.S. market where growth at times has slowed year-over-year, Netflix vastly exceeded its guidance, adding

1.09 million domestic customers, compared with 850,000 in the year-earlier quarter.

On a video interview to discuss earnings, Netflix Chief Executive Reed Hastings said the difference between the second- and third-quarter stories was "mostly an issue with forecasting."

As a result, Netflix said it plans to move away from reporting at quarter's end how many subscribers had signed up for free trials. The company said it will focus on paid subscribers going forward, in part because internal forecasts

for paid subscribers are more accurate than its forecasts for total subscribers including those on free trials.

Five years into its strategy to invest in original programming and move beyond licensing from rival media companies, Netflix said its internal studio is the single largest supplier of content to Netflix on a cash basis. As it expands its lineup of original shows and movies, the company said it would bring \$1 billion in production over the next 10 years to a new production facility in Albuquerque, N.M.,

that will create as many as 1,000 production jobs a year.

In a letter to shareholders, Netflix said it is aware of looming competition from rivals such as AT&T Inc.'s WarnerMedia, Walt Disney Co. and Apple Inc., all of which have plans for subscription services offering premium original programming. "Our job is to make Netflix stand out so that when consumers have free time, they choose to spend it with our service," the company said.

Netflix said that as it has created more diversified fare

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## Advertisers Allege Facebook Put Off Disclosing Error

BY SUZANNE VRNICA

Facebook Inc. knew of problems in how it measured viewership of video ads on its platform for more than a year before it disclosed them in 2016, according to a complaint filed Tuesday by advertisers.

A group of small advertisers filed a lawsuit in California federal court in 2016, alleging the tech giant engaged in unfair business conduct by disseminating inaccurate metrics that significantly overestimated the amount of time users were spending watching video ads.

The plaintiffs later added a fraud claim, and in Tuesday's court filing they alleged Facebook knew of irregularities in its video metrics by January 2015 and understood the nature of the miscalculation within a few months, but failed to disclose the information for over a year.

The filing followed the plain-

tiffs' review of some 80,000 pages of internal Facebook records that they obtained as part of court proceedings.

The complaint, which cites the internal Facebook documents, also alleges that the scale of the miscalculation was far worse than understood.

"Facebook's internal efforts behind the scenes reflect a company mentality of reckless indifference toward the accuracy of its metrics," the plaintiffs said in Tuesday's filing.

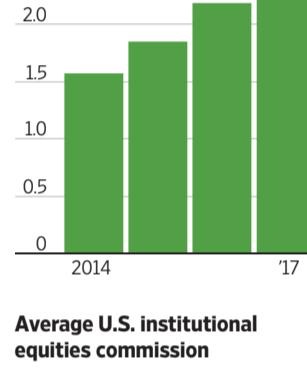
In a statement, a Facebook spokeswoman said, "Suggestions that we in any way tried to hide this issue from our partners are false. We told our customers about the error when we discovered it—and updated our help center to explain the issue."

Facebook said the lawsuit is without merit and has moved to dismiss the fraud claim.

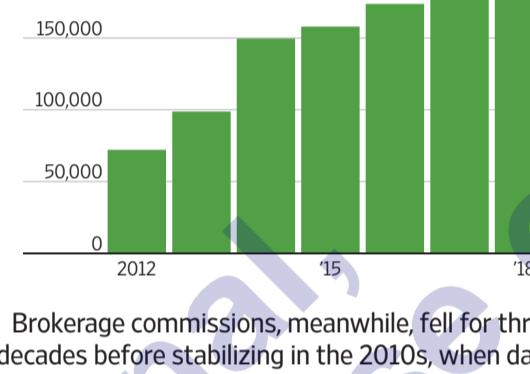
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NYSE parent Intercontinental Exchange, Nasdaq and Cboe have expanded the revenue they earn from selling market data in recent years, and firms paying for the feeds face increasingly steep charges.

**Combined market-data revenue for ICE, Nasdaq and Cboe**

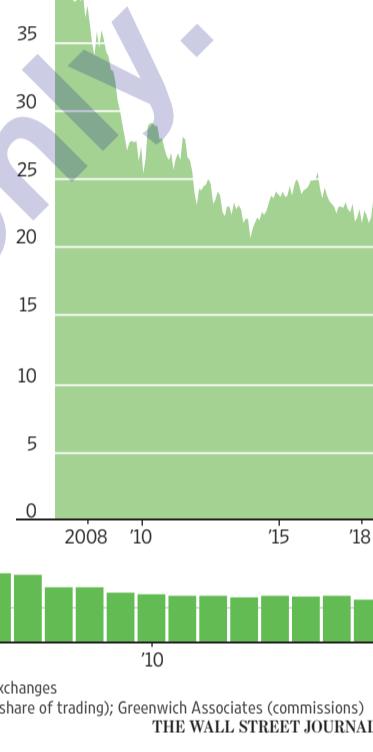


**Estimate of monthly cost for an average trading firm for the richest, fastest data\***



The stock markets turned to the new source of revenue as income from trading fees slumped.

**The share of stock trading at the NYSE†**



\*Estimates are for Jan. 1 except for 2017 and 2018, which are for June 1. Based on public fee schedules. †Combined share of all NYSE exchanges.

Sources: Committee on Capital Markets Regulation, based on an analysis of company filings (revenue); R2G (monthly cost); Tabb Group (share of trading); Greenwich Associates (commissions).

THE WALL STREET JOURNAL.

## SEC Ruling Hits at Exchanges' Profit

The Securities and Exchange Commission ruled against the New York Stock Exchange and Nasdaq Inc. over the fees they

By Alexander Ospovich,  
Dave Michaels  
and Gretchen Morgenson

charge Wall Street banks and traders for market data, casting doubt on a crucial revenue stream that has helped make up for falling income from trading.

The five-member commission on Tuesday unanimously

shot down a pair of requests to raise fees for certain NYSE and Nasdaq data, saying the exchanges hadn't justified the price increases. The decision is the first time the SEC has rejected fee increases for the exchanges' most lucrative class of stock-market data feeds.

The SEC's decision sided with the Securities Industry and Financial Markets Association, or Sifma, a major financial-industry trade group that had accused the exchanges of "exploiting their monopoly over market data." Brokers say big and small investors alike will benefit if

regulators rein in skyrocketing market-data costs.

The SEC also put into limbo over 400 other market-data fee increases that were challenged by Sifma. The regulator didn't reject those price increases but told the exchanges to review brokers' complaints that they undermine competition, giving the exchanges a year to do so.

The move puts pressure on the exchanges to restrain fees or disclose more about why they are necessary.

"Today's decision is a victory for ordinary investors in our stock markets—who have, for

too long, been paying steep costs for an uneven playing field," said SEC Commissioner Robert J. Jackson Jr.

A NYSE spokeswoman said the decision represents a "troubling shift by the SEC" toward "regulatory overreach prioritizing the interests of powerful Wall Street interests," adding the exchange didn't believe the decision would withstand its challenge. Nasdaq said in a statement that it was "disappointed" by the ruling and would appeal in federal court. "This decision represents the

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## Humira Cheaper In Europe

Continued from page B1

AbbVie says it is protecting investments it made developing an innovative drug.

"There's nothing about our intellectual property around Humira, or the licensing agreements we've done...that's anything close to gaming the system," AbbVie Chief Executive Richard Gonzalez said on a conference call with analysts in July.

"We invested a tremendous amount in research and development" to test Humira in a range of diseases and gain regulatory approval for those uses, Mr. Gonzalez said. "And we've improved and refined the manufacturing and the formulation of Humira over time, and there's nothing inappropriate about protecting that investment in innovation," he added.

In Europe, over 20 biosimilar drugs have gone on sale since the first approval in 2006, in what industry observers say is a more friendly legal environment to challenge patents. In the U.S., where the FDA has approved 12 biosimilar drugs since 2015, only five are available for sale.

"Europe has a much more robust and effective and time-tested means to challenge the validity of patents," said Robert Cerwinski, a New York-based intellectual-property lawyer specializing in pharmaceuticals at Goodwin Procter LLC. "So the companies were able to challenge AbbVie patients in the so-called patent thicket earlier and more effectively than in the U.S."

AbbVie said it welcomes the introduction of biosimilars in Europe but patients who are stable on their drugs shouldn't be switched to another product for nonmedical reasons.

Amgen Inc. and Novartis AG plan to start selling their biosimilar versions of Humira—Amgevita and Hyrimoz respectively—on Tuesday as soon as the European patent expires. Samsung Bioepis Ltd. and Mylan NV are expected to start



The drug's biosimilars are expected to sell at a 10% to 25% discount in Europe's biggest markets.

JOE BUGLIOVICZ FOR THE WALL STREET JOURNAL

**Blockbusters**

AbbVie's Humira is the highest-selling prescription drug in the world.

The top 10 also include several other "biologic" drugs that have faced limited competition in the U.S. from lower-cost copies.

**Top 10 selling drugs globally, 2017**

\* Biologic drugs

Note: Figures do not capture volume discounts in distribution channels such as pharmacy chains, or any retail discounts, coupons, rebates or promotions.

Source: IQVIA

Humira\*

Lantus\*

Enbrel\*

Harvoni

Remicade\*

Xarelto

Eliquis

Mabthera\*

Novorapid\*

Seretide

\$ 0 million 5,000 10,000 15,000 20,000 25,000

THE WALL STREET JOURNAL

Service, which spends more than £400 million (\$526 million) a year on Humira, says it hopes to save at least £150 million a year by 2021 by switching to biosimilars.

But in the U.S., extra patients have pushed biosimilar developers to delay bringing their products to market until

the next decade.

Amgen and Boehringer Ingelheim GmbH developed the two Humira biosimilars approved in the U.S., but they haven't gone on sale so far. Amgen settled litigation with AbbVie and agreed to wait until 2023 to launch its version. Boehringer Ingelheim says it plans to introduce a biosimilar Humira in the U.S. before 2023, but it hasn't specified a date while it defends itself against a patent-infringement lawsuit brought by AbbVie.

At least three more AbbVie rivals—Samsung Bioepis, Mylan and Novartis—have agreed in legal settlements with AbbVie not to sell their coming biosimilars in the U.S. until 2023.

For now, AbbVie has a U.S. monopoly on a drug which raked up more than \$12 billion in U.S. sales last year.

Slow approval of biosimilars, as well as limited uptake once such drugs do go on sale in the U.S., is costing the American health-care system an estimated \$15 billion to \$18 billion a year in missed savings, according to Gary Stibel, founder and CEO of the New England Consulting Group.

FDA Commissioner Scott Gottlieb in July criticized "patent thickets" for brand-name biologic drugs "that are purely designed to deter the entry of approved biosimilars," saying they have thwarted competition.

## BUSINESS & FINANCE

# J&J Raises Forecast as Sales Rise

BY PETER LOFTUS  
AND KIMBERLY CHIN

**Johnson & Johnson** reported higher revenue and profit for the third quarter, as improved pharmaceutical sales helped offset weakness in its medical-device business.

Global sales of J&J's cancer drugs, which include Zytiga for prostate cancer and blood-cancer treatments Darzalex and Imbruvica, jumped 36% for the quarter. Overall, sales at the company's pharmaceutical unit—its biggest business—rose 6.7%.

But sales were less impressive in the New Jersey-based health-care conglomerate's other two units, with consumer-product sales up 1.8% and medical-device sales down 0.2% for the quarter.

"Our positive view on pharma is offset by ongoing challenges to the company's medical device and consumer franchises," JPMorgan analyst Chris Schott wrote in a research note. "While today's consumer results were encouraging, we believe it remains



The company's consumer-product sales rose 1.8% in the quarter.

vision, J&J posted improved sales of over-the-counter drugs including the Tylenol pain reliever and Zyrtec allergy medicine.

Overall, J&J's third-quarter sales rose 3.6% from a year ago to \$20.35 billion. Analysts polled by Refinitiv had expected \$20.05 billion.

J&J's profit was \$3.93 billion, or \$1.44 a share, compared with \$3.76 billion, or \$1.37 a share, a year earlier.

The quarter included a non-cash, after-tax impairment charge of about \$630 million, to reflect the diminished value of an experimental infectious-disease drug after a clinical trial of the drug was halted.

On an adjusted basis, excluding various costs and gains, J&J made \$2.05 a share, slightly above analysts' estimates of \$2.03.

J&J raised its forecast for full-year 2018 results. It now expects earnings of \$8.13 to \$8.18 a share, compared with previous guidance of \$8.07 to \$8.17, excluding certain items.

Shares of J&J rose 2% to \$136.56 on Tuesday.

GABBY JONES/BLOOMBERG NEWS

too early to call for a broad recovery in these businesses."

J&J Chief Executive Alex Gorsky said the company was accelerating sales momentum in its consumer business and making "consistent progress" in the device unit.

Declines in sales of diabetes-care and orthopedics products weighed on the medical-device division.

J&J executives said they weren't satisfied with the performance of the medical-device unit and are pursuing ways to jump-start growth.

The company has shed some underperforming device units,

and it is developing new products in-house and pursuing external acquisitions to boost the unit, Ashley McEvoy, executive vice president and world-wide chairman of medical devices, said on a conference call with analysts.

In the consumer-product division

an adjusted basis.

Revenue rose 12% to \$56.55 billion; analysts had expected \$56.34 billion. Revenue from its UnitedHealthcare segment grew 13% while sales from its Optum health-services arm climbed 11%.

UnitedHealth slightly beat projections for its medical-loss ratio, or the share of premiums spent on health-care costs, in its third-quarter results.

Analysts said that the 2019 consensus estimate reflects earnings-per-share growth of around 13%.

UnitedHealth, the parent of the nation's largest health insurer as well as Optum, its growing health-services arm, said net income in the third quarter rose 28% from a year earlier to \$3.19 billion, or \$3.24 a share.

UnitedHealth's adjusted profit, which excludes acquisition-related intangible amortization and other items, rose to \$3.41 a share. Analysts polled by Refinitiv expected the company to earn \$3.29 a share on

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## BUSINESS NEWS

# Musk and Tesla Pacts With SEC Approved

BY MARK H. ANDERSON  
AND DAVE MICHAELS

WASHINGTON—A federal judge approved settlements between Elon Musk, Tesla Inc. and securities regulators over the chief executive's August tweet saying he had secured funding to take the auto maker private.

U.S. Judge Alison Nathan of the U.S. District Court for the Southern District of New York on Tuesday signed orders completing the two settlements without raising questions about subsequent tweets in which Mr. Musk appeared to mock the Securities and Exchange Commission's case against him.

Mr. Musk's lawyers and the SEC submitted a joint legal filing last Thursday saying the settlements were "fair, reasonable, and will serve the interests of the public and investors."

Judge Nathan had asked the two sides to explain why the deal should be approved.

The judge's approval was the final step to put in place settlements requiring Tesla and Mr. Musk to pay \$20 million each in fines over statements that regulators said were misleading. Tesla and Mr. Musk must pay the fines within 14 days.

Under the deal, Mr. Musk agreed to have some of his public communications vetted by the company before they are released. Mr. Musk also must step down as Tesla's chairman by Nov. 13 under the terms of the deal and the company must add two new independent directors. Mr. Musk isn't eligible to take over as chairman again for three years.

The settlement also calls for Tesla to create a new committee, composed only of independent directors, to oversee the firm's procedures for monitoring Mr. Musk's statements.

# Walmart Cuts Earnings Forecast

Acquisition of Flipkart for \$16 billion earlier this year expected to weigh on results

BY SARAH NASSAUER

Walmart Inc. lowered its profit targets following its largest-ever acquisition but said sales growth is expected to continue next year.

The lowered profit goal for the current year reflects the acquisition of Indian e-commerce company Flipkart, which Walmart paid \$16 billion to buy earlier this year. At the time, Walmart said the deal was a long-term bet on a fast-growing market that would depress earnings.

Walmart expects to earn between \$4.65 and \$4.80 a share in the year ending Jan. 31, down from \$4.90 to \$5.05.

Sales in existing stores are likely to rise between 2.5% and 3% next fiscal year, the company said Tuesday at an investor meeting, continuing a string of solid sales gains for the world's largest retailer amid a strong economy and investments in online growth. In the second quarter, sales for Walmart accelerated at the fastest rate in more than a decade.

Walmart executives laid out



A Walmart store in El Salvador. The retailer expects sales in existing stores to rise between 2.5% and 3% next fiscal year.

their plans for fending off Amazon.com Inc., highlighting their advantage in food. Grocery sales contribute 56% of Walmart's sales, making it the largest grocer in the country.

"Having fresh food within 10 miles of 90% of the population is a structural competitive advantage," Walmart Chief Executive Doug McMillon told

analysts gathered near the company's Bentonville, Ark., headquarters. By the end of the year, 800 U.S. stores will offer grocery delivery and over 2,000 will offer grocery-pickup service, where shoppers order online and pick up their items in store parking lots.

The Flipkart deal is part of Walmart's effort to ramp up

its web business. The company said Tuesday it expects e-commerce sales—still a small slice of its total business—to rise 35% next year, slightly slower than the 40% sales growth predicted for the current year.

Walmart expects its e-commerce business to record a slightly wider operating loss next year, Chief Financial Officer Brett Biggs said.

Earlier this month, Amazon raised the minimum wage it pays all U.S. employees to \$15 an hour, putting pressure on some competitors to increase wages to compete for workers.

Walmart has been gradually raising wages since 2015, most recently setting a minimum wage of \$11 earlier this year.

# United Lifts Its Profit Outlook as Fares Climb

BY ALISON SIDER

United Continental Holdings Inc. boosted its profit outlook for the year as higher fares and cost cuts offset surging fuel prices in the third quarter.

The No. 3 U.S. carrier by traffic said Tuesday that growth at hubs in Chicago, Denver and Houston helped fuel a 6.1% increase in passenger-unit revenue, exceeding the 4%-to-6% increase United had forecast. That is a sign

work to gain market share at those hubs is paying off, United said.

"Our growth plan has been essential to our success," Chief Executive Oscar Munoz said.

The carrier raised the midpoint of its profit outlook for all of 2018 for a third time this year. It lifted its profit outlook for the year to a range of \$8 to \$8.75 a share from a previous forecast of \$7.25 to \$8.75 a share.

United shares rose 5% in after-market trading Tuesday.

United has significantly outperformed other U.S. airlines this year; its stock is up nearly 24%, while shares of American Airlines Group Inc. are down 36%.

Delta Air Lines Inc. beat earnings expectations last week, saying that it had made up 85% of the increase in fuel prices this year by raising ticket prices and cutting costs. Jet-fuel prices have risen about 40% over the past year.

United's fuel costs rose \$763 million in the third quar-

ter compared with a year earlier, but it fully offset that rise by cutting costs, raising ticket prices and adding flights.

Other airlines have trimmed underperforming routes and scaled back expansion plans in response to higher fuel prices. United has remained committed to plans set early this year to add flights and connect more small cities to its hubs—a strategy that initially rattled investors, who thought the new flights could spark a fare war.

United had increased capacity by 9.7% at its hubs in Chicago, Denver and Houston. But United has scaled back plans for growth of up to 6% across its flight network in the next three years. Overall, United said it is on track to increase capacity by 4.9% this year.

United reported adjusted earnings per share of \$3.06, up from \$2.25 a year ago. Analysts surveyed by FactSet predicted the carrier would report adjusted earnings of \$3.07 a share.

# CSX Rolls Past Analysts' Expectations



Railroad operator CSX Corp. reported a sharp increase in profit for its third quarter, beating analysts' expectations.

The Jacksonville, Fla.-based company reported net income of \$894 million, or \$1.05 a share, for the third quarter, compared with \$459 million, or

51 cents a share, a year earlier.

Revenue increased 14% to \$3.13 billion, boosted by volume growth, increases in fuel recovery, favorable mix, higher supplemental revenue and pricing gains. Expenses have also declined 2% year over year.

Analysts polled by Refinitiv

were expecting earnings of 94 cents a share and revenue of \$3.05 billion.

Shares of CSX rose 1.9% to \$72.20 Tuesday and are up 30% year to date. In after-hours trading, the stock increased about 2.5%.

—Patrick Thomas

# Audi to Pay \$927 Million to Settle Diesel-Engine Probe in Germany

BY WILLIAM BOSTON

BERLIN—German luxury car brand Audi on Tuesday said it agreed to pay a fine of €800 million (\$927 million) to settle a German fraud investigation.

The settlement—related to the sale of cars with six- and eight-cylinder diesel engines that contained illegal software to manipulate emissions readings—removes another uncertain financial risk for Audi's parent, Volkswagen AG.

Volkswagen has shouldered fines, penalties and compensation payments of more than \$27 billion after admitting in 2015 it rigged nearly 11 million diesel vehicles to cheat on emissions tests.

Earlier this year, Volkswagen settled a similar case in

Braunschweig, near its headquarters, and agreed to pay a €1 billion fine.

The only outstanding fraud case stemming from the diesel scandal is in Stuttgart, where prosecutors are investigating the role Volkswagen's sports-car brand Porsche played in the affair.

Audi issued a profit warning, saying the fine would force it to "significantly undercut major financial key performance indicators forecasted for the fiscal year 2018."

A Volkswagen spokesman said the company would book the charge in its third-quarter results and that there would be no impact on Volkswagen earnings.

The company doesn't intend to change its earnings

## Prepared to defend at any moment

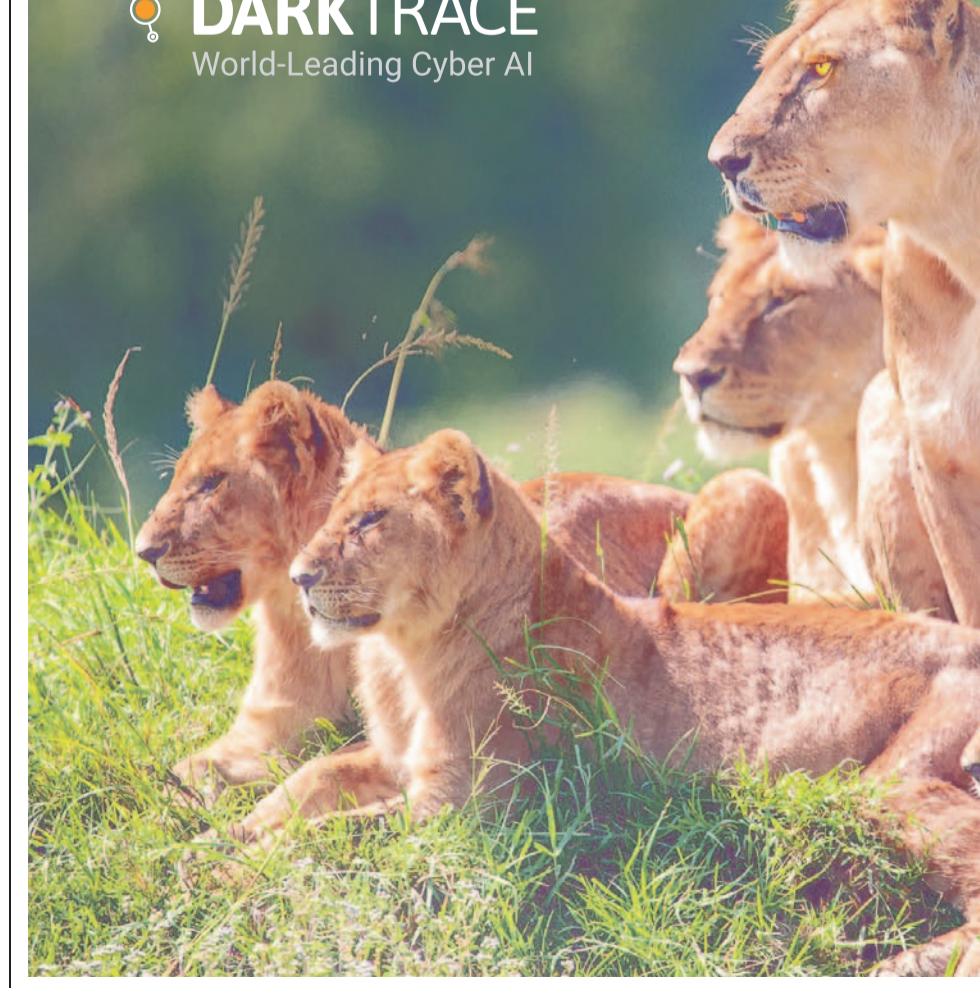
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## TECHNOLOGY

# IBM Snaps Revenue Streak

Sales from cloud computing and other growth businesses fall below key marker

BY JAY GREENE

**International Business Machines** Corp.'s streak of revenue growth ended after three quarters.

The computing giant Tuesday reported third-quarter revenue that fell 2.1% from a year earlier, snapping a brief return to growth that had ended nearly six years of shrinking sales and given IBM Chief Executive Ginni Rometty breathing space to talk about the company's future.

The report unnerved inves-

tors, raising questions about whether IBM had put its difficult years firmly behind it. IBM's stock fell to its lowest point in a year, dropping 4.6% in after-market trading to \$138.40, after finishing the day up 2.8%.

IBM spent years preaching patience, signaling a turnaround was coming and that the legacy computer maker needed time to refocus on new lines of business that promise rapid growth. Three quarters ago, IBM finally delivered on year-over-year revenue growth, pushed over the line in part by sales of industrial strength computers the company refreshes every years.

But in its latest report, IBM fell short in one of its long-held goals: getting more than 50% of its revenue from cloud comput-

ing, data analytics and other fast-growing businesses.

Revenue from that group, which IBM calls strategic imperatives, came to \$9.3 billion—less than 50% of total revenue. Three months ago, IBM said strategic-imperatives revenue totaled \$10.1 billion, slightly more than half the tech company's total revenue for the first time.

Investors reacted to "flattish growth in a robust spending environment," said Sanford C. Bernstein analyst Toni Sacconaghi. He specifically cited a 21% year-over-year drop in signings of new customers in IBM's services business.

Just because IBM showed growth the past three quarters doesn't mean the company had resolved all its problems, some-

thing the third-quarter results show, Mr. Sacconaghi said. "It's more a continuation of the same," he said.

IBM finance chief James Kavanaugh sought to dispel concerns, pointing to the long-term growth of its strategic-imperatives businesses.

Three years ago, IBM said it expected those businesses, which at the time accounted for only 25% of its revenue, to generate \$40 billion in revenue this year. Mr. Kavanaugh said those businesses are on track to do so.

Overall, profit fell 1.2% to \$2.69 billion. Excluding some acquisition-related and retirement-benefit charges, earnings were \$3.42 a share. Analysts expected adjusted profit of \$3.40 a share.

# Google to Charge To Preinstall Apps On European Phones

BY SAM SCHECHNER

For phone makers selling devices in Europe, Google-owned apps like Gmail, YouTube and Google Maps are about to get a new feature: a price.

**Alphabet Inc.'s** Google said Tuesday that it will start charging device manufacturers license fees to preinstall Google apps on devices running the company's Android operating system in Europe, a stark shift in the business model for an advertising-dominated company that has until now distributed its consumer software free on mobile devices.

The company disclosed the shift as part of its plan to comply with the European Union's antitrust order in July that fined the search company €4.34 billion (\$5.03 billion) for allegedly abusing Android's dominance. Google has appealed the decision, but faces an Oct. 29 deadline to implement it or face further fines.

The license fee is the first major sign that the EU's Android decision—the bloc's second against Google in as many years—will have an impact on Google's business model. The EU contends that Google has abused the dominance of the Android operating system, which powers more than 80% of the world's smartphones, to promote its mobile-advertising services at the expense of rivals.

As part of the decision, the EU ordered Google to stop forcing phone manufacturers to pre-install its cash-cow search engine and the Chrome Web browser if they want to pre-install Google's Play store, which is the dominant way to download Android apps. It argued that Google's bundling of its search and browser apps reduced the incentive for manufacturers to pre-install competing search apps.

Google said Tuesday that it has dropped those restrictions. But it will start charging an unspecified per-device license fee for manufacturers to pre-install the suite of apps that includes the Play store. Those that pay the fee will then have the option to pre-install Chrome or Google search if they choose. Google declined to specify the fee, except to say it will be modest and apply uniformly across all manufacturers.

People close to the company said it applied the fee to guarantee the viability of the Android business model if it can no longer bundle its biggest

moneymaking apps in the EU. A spokesman for the European Commission, the EU's antitrust enforcer, said its decision didn't require Google to charge any fees. He added that regulators will closely monitor Google's compliance to "ensure the remedy is effective."

The company's decision to implement license fees for its apps will have ripple effects on the global mobile phone ecosystem. While the new fees only apply to devices sold in Europe, phone makers in Asia, the U.S. and elsewhere will have to adjust their cost structures in Europe—one of the world's most mature smartphone markets. Consumers bought more than 94 million new Android smartphones in Europe last year, according to research firm IDC.

It isn't clear yet how large an impact the fees will have on phone makers—or on what consumers pay for phones. Some low-cost manufacturers may opt to stop pre-installing Google apps, instead allowing consumers to download them manually. But others may decide it's in their interest to pay for a suite of popular apps.

"Now that they have ubiquity, Google has pricing power," said Mark Mahaney, an analyst at RBC Capital Markets, adding that manufacturers may sacri-

## 94M

New Android smartphones purchased in Europe last year.

fice some margin to keep pre-installing Google apps. "That would be one of the ironic outcomes of accusing Google of unfairly bundling," he added.

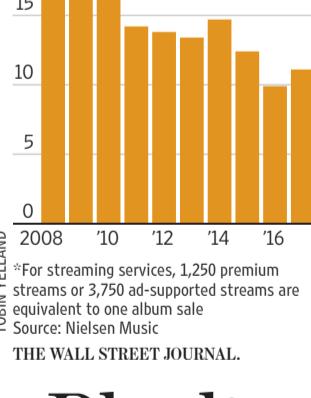
Representatives of **Samsung Electronics Co.** and **Huawei Technologies Co.**, two of the largest makers of Android phones, didn't respond to requests for comment.

As part of the compliance measures announced Tuesday, Google said it would also comply with the EU's order to drop restrictions that blocked phone makers from selling tweaked versions of Android if they also want to sell an official Android phone. Now those companies will also be able to sell modified versions—called forks—that may not be compatible with official apps.

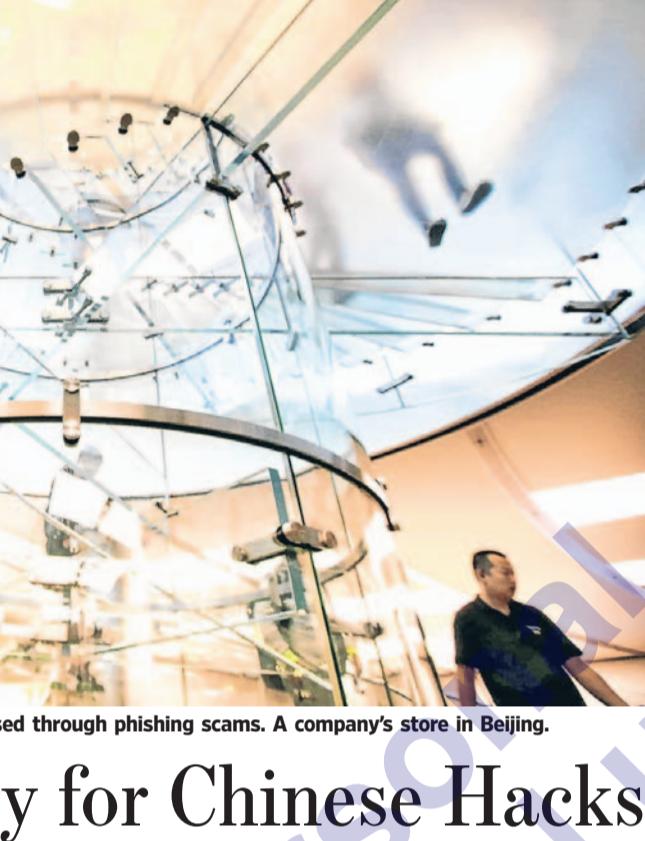
## Uneasy Listening

Annual U.S. streams\* of soundtrack albums

25 million units



THE WALL STREET JOURNAL.



Apple said 'a small number of our users' accounts' had been accessed through phishing scams. A company's store in Beijing.

# Apple Says It's Sorry for Chinese Hacks

BY YOKO KUBOTA

**BEIJING**—Apple Inc. apologized over the hacking of some Chinese accounts in phishing scams, almost a week after it emerged that stolen Apple IDs had been used to swipe customer funds.

In its English statement Tuesday, Apple said it found "a small number of our users' accounts" had been accessed through phishing scams. "We are deeply apologetic about the inconvenience caused to our customers by these phishing scams," Apple said in a separate Chinese statement.

The Cupertino, Calif.-based company didn't specify how many users were hit or how much money was stolen, nor did it offer details about how the hackers acquired the users' Apple IDs and passwords. To

help prevent unauthorized access to their accounts, Apple said, people should enable two-factor authentication.

An Apple ID refers to the account used to access Apple services such as its App Store and iCloud. It includes information such as the user's email address, password and payment details, according to Apple's website.

China is a key market for Apple, and the fraud is the latest challenge it is facing in an area where its share of the smartphone market has been treading water.

As the U.S.-China trade bat-

tle escalates, Apple is particularly exposed—most of its products are assembled in China. Still, it has so far avoided a sizable hit, and there have been no signs of boycotts of U.S. goods, though some major brands are vulnerable should tensions ramp up.

The hacking incident received broad media coverage in China, including detailed reports by state broadcaster CCTV that included victims saying they lost money to App Store purchases they didn't make. The broadcaster urged the companies to be more responsive.

Google said Tuesday that it has dropped those restrictions. But it will start charging an unspecified per-device license fee for manufacturers to pre-install the suite of apps that includes the Play store. Those that pay the fee will then have the option to pre-install Chrome or Google search if they choose. Google declined to specify the fee, except to say it will be modest and apply uniformly across all manufacturers.

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# Suit Faults Facebook Disclosure

Continued from page B1

The plaintiffs include **Crowd Siren**, a Las Vegas marketing agency, and Jonathan Murdough, a Pennsylvania resident who purchased video ads.

The lawsuit, which seeks class-action status and punitive damages, stemmed from a September 2016 Wall Street Journal report that said Facebook had vastly overestimated average viewing time for video ads. Facebook disclosed the issue in a post on its advertiser help center that August.

The plaintiffs allege the Facebook documents show that by July 2015 the company had received inquiries from several advertisers about video metrics that appeared suspect, and had essentially determined the cause of the issue.

In June 2016, a Facebook engineering manager, following up on advertisers' complaints, discussed the issue internally, writing, "somehow there was no progress on the task for the year." The plaintiffs also allege the company developed a "no PR" strategy to avoid drawing attention to the matter.

Facebook decided to "obfuscate the fact that we screwed up the math," the complaint said, quoting the Facebook documents.

After the video-metric error, Facebook disclosed other errors in its measurement practices on several occasions and came under renewed pressure from the ad industry to make changes.

—Aruna Viswanatha contributed to this article.

Facebook replaced the metric with "average watch time," which reflects video views of any duration.

After disclosing the issue in 2016, Facebook said it had "recently discovered" the error.

Facebook told some advertisers that it likely overestimated average time spent watching videos by 60% to 80%. The plaintiffs alleged in Tuesday's complaint that the average viewership metrics had been inflated by some 150% to 900%.

Facebook also said at the time that the error didn't affect billings. However, the plaintiffs claim Facebook's misrepresentations "induced" advertisers to purchase video ads and to pay more for Facebook's video ads because they believed users were watching videos for longer than they actually were.

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Independent movie studio A24 is releasing the music to the new film "Mid90s" as a playlist on the streaming service, rather than as an album distributed by a record label. A24, which previously made "Moonlight" and "Lady Bird," has joined with Spotify to put out the soundtrack as the service's first "Official Motion Picture Playlist."

After starting with an initial 15 songs from the movie, the playlist will be updated over time.

The collaboration—in which no money changed hands, according to the companies—is the latest example of the album giving way to the playlist and another indication of how people's listening habits have evolved with streaming.

Written and directed by comedian Jonah Hill, the coming-of-age film follows a group of skateboarders one summer in Los Angeles. A series of hip-hop and alternative-rock tracks from the era play throughout the movie.

"The playlist nature of the music in the film so naturally extends to the way we listen to and share music now," Mr. Hill said.

"We have this conversation every time we release a movie about what to do with the music," said Eli Bush, producer on the film, which is due out Oct. 26 nationwide, after opening a week earlier in New York and Los Angeles. "What is the place of a movie soundtrack in 2018?"

Mr. Bush said there usually is no longer real commercial value to soundtracks, "unless they're like 'Black Panther'"—which featured original songs produced by Kendrick Lamar and Anthony "Top Dawg" Tiffith.

"The business we're in is selling tickets to movies," said Mr. Bush. From that perspective, he added, music associated with a movie offers mostly promotional value.

Sales of soundtrack albums halved between 2008 and 2017, according to Nielsen Music.

Because all of the music from the film, most of it selected by Mr. Hill, is already available on Spotify, no additional licensing was needed to create a playlist associated with the movie.

Usually, a film studio will join with a label, which will license the songs from the company that originally released them, then bundle them together in a new album.

The label will typically pay an advance to the studio to release the soundtrack, and the studio may get a small percentage of revenue from sales.

"A traditional soundtrack, at least with predominantly pre-existing songs, doesn't make sense in a world of streaming when the songs are widely available," said Mr. Hill, who said he wrote the script and shot the film while listening to an evolving playlist of these tracks.

Since launching a decade ago, Spotify has sought to distinguish itself from competitors by its playlists, which it says help users discover and listen to more music. Some of its most popular playlists attract upward of 10 million followers.



'Mid90s' director Jonah Hill, right, with actors Sunny Suljic, center, and Lucas Hedges.

# Spotify Adds Soundtracks as Playlist

BY ANNE STEELE

**Spotify Technology SA** is disrupting another part of the music business: the soundtrack.

Independent movie studio A24 is releasing the music to the new film "Mid90s" as a playlist on the streaming service, rather than as an album distributed by a record label. A24, which previously made "Moonlight" and "Lady Bird," has joined with Spotify to put out the soundtrack as the service's first "Official Motion Picture Playlist."

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## BUSINESS NEWS

# Netflix Is Boosted Globally

Continued from page B1

across countries and languages, it is finding that even its biggest hits are only a "low-single-digit" percentage of overall streaming hours. "Our growth in any one quarter is not attributable to any one piece of content," the company wrote.

For the third quarter, Netflix reported a profit of \$403 million, or 89 cents a share, compared with \$129.6 million, or 29 cents a share, a year earlier. Analysts predicted 68 cents a share in earnings, according to FactSet. Sales for the quarter rose 34% to \$4 billion, in line with analyst estimates. International streaming revenue jumped 49% to \$1.97 billion, while domestic sales increased 25% to \$1.94 billion.

The price of oil, Russia's main export, has risen almost 14% since mid-August. This is largely because of the coming resumption of U.S. sanctions against Iran, choking off the supply of crude from that country.

The ruble has declined 15% since April, when Washington imposed sanctions on Russia for alleged meddling in U.S. elections and other aggressions.

So, just as the price of dollar-denominated oil rises, those greenbacks are worth more when translated back into a weaker ruble.

In recent days, oil and the ruble have changed directions again, with both crude and the dollar declining. But for months, the Russian economy benefited as a rising oil price and a falling ruble refilled government coffers and sent profit soaring at the country's giant energy groups. This year, shares of oil producers Rosneft Oil Co. and Lukoil Oil Co. are up 56% and 39%, respectively, handily outperforming Western peers.

"Russia is much better off with higher oil and a weaker ruble because, from a budgetary perspective, that's a double positive," said Viktor Szabo, emerging-markets debt-portfolio manager at Aberdeen Standard Investments.

Emerging markets generally have been hit by the rising U.S. dollar and interest rates, trade worries and domestic political concerns in individual countries such as Turkey. The ruble has the added weight of U.S. sanctions.

In August, the ruble fell further after the U.S. put more sanctions on Russia over an

By AVANTIKA CHIKOTI

U.S. sanctions have driven the price of oil and the ruble apart—leaving Russia with expensive crude and a cheaper currency, a combination that is helping its economy.

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In August, the ruble fell further after the U.S. put more sanctions on Russia over an

alleged nerve-agent attack in the U.K. and threatened to follow through with a second round of measures in 90 days' time if Russia doesn't meet a list of three criteria involving stopping the use of biological and chemical weapons.



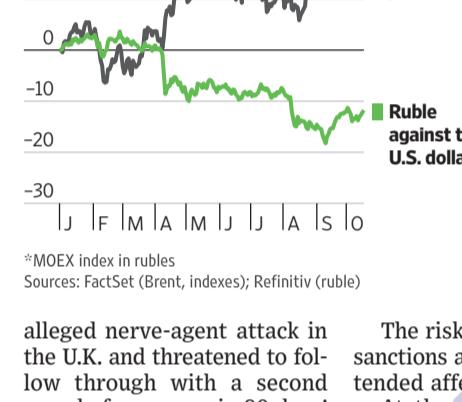
The price of oil, Russia's main export, has surged recently, largely due to coming U.S. sanctions against Iran. A Rosneft facility.

ANDREY RUDAKOV/BLOOMBERG NEWS

## Divergent Paths

Russia has benefited as U.S. sanctions boosted oil's price and weakened the ruble.

### Performance, year to date



Russian stocks have outperformed their peers.



THE WALL STREET JOURNAL.

The risk for the U.S. is that sanctions aren't having the intended affect.

At the end of last year, a barrel of oil brought in just over 3,835 rubles for Russian sellers, when translated back from the dollars it is sold

in. Now, each barrel brings in roughly 5,260 rubles, an increase of almost 40%.

The sanctions are also helping the country lower its foreign debt at a time it had started to rise for the government and companies, accord-

ing to Société Générale. That is occurring both as the fall in the ruble deters issuers from taking on dollar-denominated debt and amid concern the U.S. will impose sanctions on trading in Russia's dollar debt.

Russian private and government debt held by foreign investors has been falling since 2016, reaching 32% of gross domestic product in the first quarter, according to Société Générale.

To be sure, years of sanctions have hurt the Russian economy. A spate of Western penalties against Russia since Vladimir Putin's decision to annex Crimea in 2014 have wiped out half of the ruble's value and reduced investment in the energy sector.

Some Russian markets have also suffered more recently. Since the start of this year, the yield on a U.S.-denominated Russian government bond maturing in September 2023 has risen to around 4.275% from around 3.28%. Prices fall as yields rise.

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# THE PROPERTY REPORT

## Some Landlords Welcome Sears's Exit

BY ESTHER FUNG

**Sears Holding** Corp.'s bankruptcy threatens to widen the gap between the more successful shopping centers and the struggling ones.

The giant retailer filed for chapter 11 protection on Monday, and the company is closing 142 money-losing stores near year-end, Sears said. An additional 46 stores are expected to close by next month.

At prosperous malls with trendy retailers, lively restaurants and other forms of popular entertainment, many of these landlords would welcome Sears's departure, mall owners and analysts said. The department store's exit would allow

\$4

Price per square foot some Sears stores may be paying in rent

them to take over a big-box space and lease it to a more profitable tenant.

In malls where leases were signed decades ago, Sears rents could be as low as \$4 a square foot. New tenants in the same space could bring as much as six times that amount.

But for mall landlords in more economically depressed areas, where there is often still a glut of run-of-the-mill retail and much of the former foot traffic has migrated to online shopping, the loss of Sears as anchor tenant could be troubling. The brand still attracts some consumers, and many owners would be hard-pressed to find another large tenant to take Sears's place.

Several other department stores, like J.C. Penney Co. and Macy's Inc., have been closing weaker locations and aren't eager to lease space in floundering malls, while a number of

other chains, like Toys 'R' Us Inc. and Bon-Ton Stores, that once occupied big-box spaces are out of business.

"The top 50 mall owners in the country were dying to get Sears out of the mall, so they're thrilled," said Corey Bialow, chief executive at Bialow Real Estate LLC, a firm that represents retail tenants. "Where it's going to hurt most [is] at malls that are already struggling. Losing Sears could hurt foot traffic in places where customers don't have access to Nordstrom. Sears is still a relevant brand in the heartland, and closures there will inevitably hurt."

Either way, mall owners seem prepared for Sears to go. The company, which had 866 Sears and Kmart stores as of Aug. 4, has been unprofitable for seven straight years and has closed hundreds of locations.

As of Oct. 1, the company operated 380 full-line Sears stores, less than half of the 919 it ran in August 2008, according to AggData.com, a provider of location data. Kmart has shrunk even more dramatically: Just 360 were open in mid-July, down from 1,498 a decade ago.

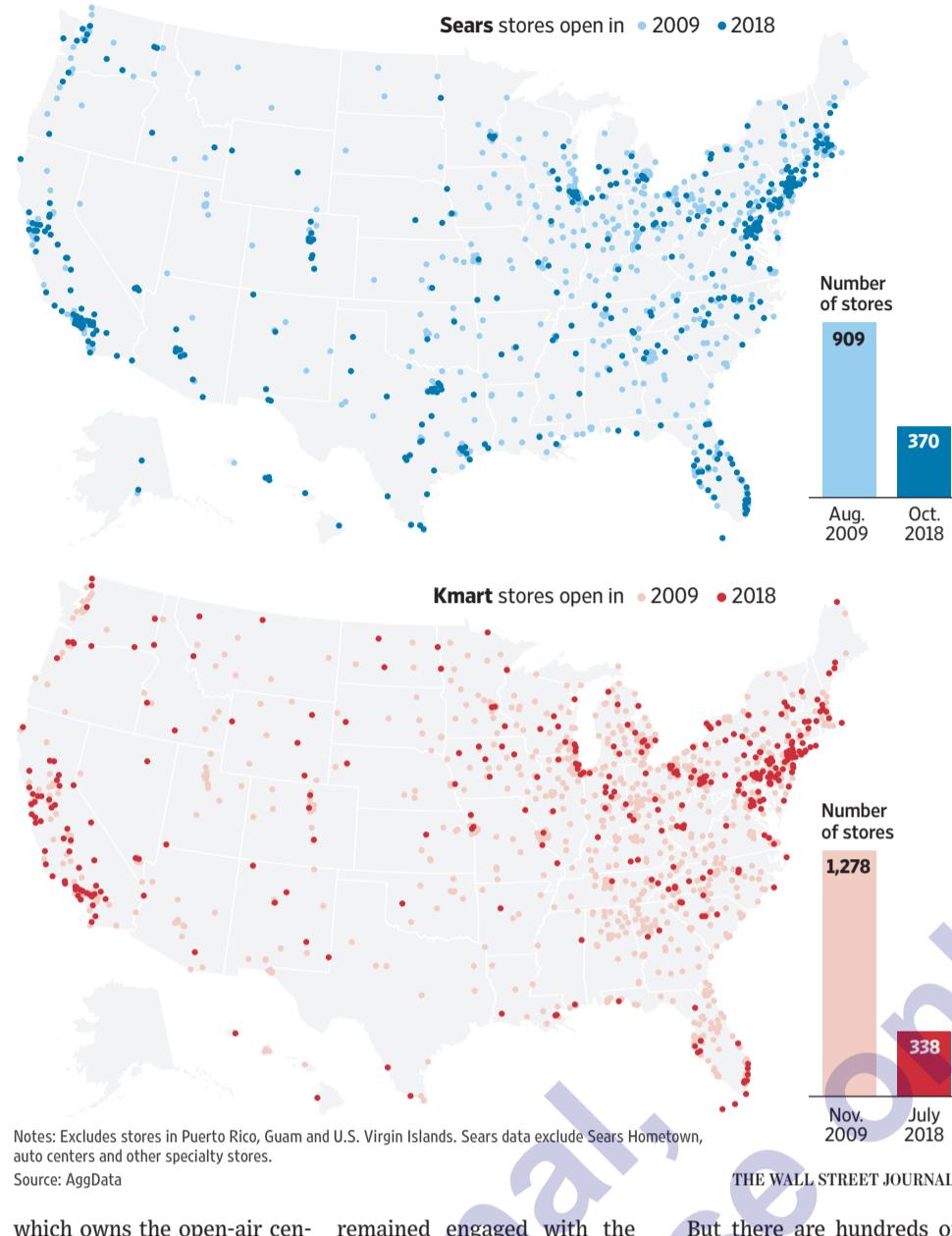
Many property owners have anticipated this kind of shake-up and have already made contingency plans for their Sears department stores, auto centers and Kmart stores, which are also owned by the holding company.

In Yonkers, N.Y., the owner of Cross County Shopping Center has leased a three-story, 250,000-square-foot building to Sears for about 40 years. Its store is not on the list of closings, but the landlord said earlier this month that an exit by Sears wouldn't be a cause for concern.

The center is currently 98% leased and sees a healthy amount of foot traffic, said Craig Deitelzweig, chief executive officer of Marx Realty,

### Vanishing Act

Sears and Kmart stores are disappearing across the country



Notes: Excludes stores in Puerto Rico, Guam and U.S. Virgin Islands. Sears data exclude Sears Hometown, auto centers and other specialty stores.

Source: AggData

which owns the open-air center with Benenson Capital.

By providing a Fourth of July fireworks show, sponsoring family days with inflatable bounce houses for children, and adding new restaurants like Shake Shack and Jamba Juice, the shopping center has

remained engaged with the community, Mr. Deitelzweig said.

"We aren't worried about whether the space can be backfilled," he added. "We can accommodate not just Sears, but any other tenant that may go under."

But there are hundreds of malls and open-air shopping centers across the U.S. that have a wave of vacant space coming due and will face new leasing challenges if their anchor tenant closes its doors.

"It becomes an additional burden on a center that is try-

ing to repair itself because it's one more issue that they have to rectify," said Neill Kelly, a senior vice president at CBRE focused on retail restructuring.

Simon Property Group, the biggest shopping mall owner in the U.S. and the one with the most Sears, said it has 43 Sears at its malls. Washington Prime Group has 42 stores, according to data from Wells Fargo Securities and SNL REIT Datasource. Washington Prime is managing its Sears exposure and has redevelopment plans for a number of the stores, a spokeswoman for the company said. CBL & Associates started the year with 40 stores, but said it expects to be at 28 by the year-end.

But in each case, rent from Sears represents less than 1% of these mall owners' overall revenue, according to Wells Fargo Securities and SNL. This helps mitigate some of the financial impact, but a Sears departure could still have a negative impact.

For instance, if the landlord is unable to find a replacement tenant, a so-called cotenancy clause would allow other mall tenants to seek rent reductions or lease terminations.

A Sears liquidation would also pose problems for holders of debt that is backed by malls where the retailer operates. More than \$10.6 billion of outstanding loans that were converted into commercial-mortgage-backed securities are retail properties that count a Sears or Kmart store among their top five tenants, according to data firm Trepp LLC.

The lower the quality of the mall, the higher the risk, according to a Trepp report issued Thursday. Still, a liquidation "would not be the death knell" for all these malls, partly because many of the poorest-performing Sears stores have already been closed.

—Peter Grant contributed to this article.

## Co-Living Takes On Bigger Spaces

BY LAURA KUSISTO

Co-living, a budding real-estate trend often derided as an extension of college dorm life, may be growing up.

At co-living buildings, tenants lease tiny rooms in larger apartments shared with strangers. Renters have access to living rooms, kitchens and other common spaces, while amenities like cleaning services, dog walking and cooking classes are part of the deal.

This product, which is less than 10 years old and found primarily in large U.S. cities, represents only a tiny niche in the multibillion-dollar apartment industry. But developers are now preparing to build some of the largest new co-living properties in North America, a sign that the appeal of this type of housing could be broadening.

"Co-living's institutional moment is now upon us," said Chris Bledsoe, co-founder and chief executive of Ollie, which recently opened a project with 422 bedrooms. "There's no more flying by the seat of your pants."

San Francisco co-living startup Starcity last week agreed to purchase a development site in downtown San Jose where it plans to build a 750-unit co-living building. The company intends to file plans this week for a 270-unit co-living building in SoMa, a former industrial area in San Francisco, that will be half affordable housing. Starcity plans to break ground on both buildings in the first quarter of next year and open them in 2021 or earlier. The company opened a 15-unit residence in SoMa earlier this year.

The Collective, meanwhile, has purchased a site tucked beside an elevated train line in the Williamsburg neighborhood of Brooklyn to build a more than 500-unit new building for its first U.S. project. This London co-living developer said it has 6,500 units in the pipeline across the U.S. and Europe.

If successful, the new properties could pave the way for larger investors to enter this sector at a time when many developers are looking for alternatives to the oversupplied luxury multifamily market.

Making it affordable to have



A suite and common space at a Starcity San Francisco residence.

an urban apartment will trigger demand," said Jay Parsons, a vice president at RealPage.

Silicon Valley and the real-estate industry began experimenting with co-living on a small scale nearly a decade ago, but its growth has been slower than many expected. Unlike the rapid expansion of the co-working sector, where developers take empty office space and design it as they like, apartment buildings are expensive and difficult to quickly renovate.

This was a barrier for WeWork Cos.' co-living concept, WeLive. The company in 2014 told investors it expected 69 locations by the end of 2018. It has completed two, with an

other handful in the pipeline.

Early entrepreneurs focused on retrofitting existing houses and apartments to better accommodate roommates. That model avoids the risks, heavy costs and delays of ground-up development. But many companies found those spaces didn't lend themselves to their vision of tiny, relatively affordable rooms surrounding large and vibrant common spaces.

Some co-living developers said that personal experience helped shape their vision. Jon Dishotsky, co-founder and chief executive of Starcity, grew up in Palo Alto, Calif. His father, who was a professor at Stanford University, let graduate students

stay on their property in exchange for free child care. Mr. Dishotsky became intrigued with creating a modern version of the communes he grew up in, one for young professionals struggling to afford urban rents.

Rents at the company's properties range from about \$1,600 to \$3,100 a month—not cheap but less than the average studio apartment rents in the Bay Area. Half of the rents at the new San Francisco property will be even further below market, affordable to people making as little as \$35,000 a year, under new state legislation that streamlines the permitting process for projects with an affordable component.

To tackle our affordability crisis we need both private sector solutions and public sector solutions," said San Jose Mayor Sam Liccardo, referring to his city's new co-living project.

Mr. Dishotsky said the company spent years learning to make its business model work on a small scale. But for the model to deliver real cost-savings for developers and residents he believes Starcity needs to build large-scale buildings.

Starcity has raised enough capital to build its larger projects. "We've come a long way from when we first started the company and we got laughed out of lenders' offices," he said.

—Eliot Brown contributed to this article.

## Home Prices Spur More To Think Rent, Not Buy

BY LAURA KUSISTO

More than three-quarters of Americans now view renting as more affordable than owning a home, the latest sign that rising mortgage rates and higher home prices will continue to pressure home sales.

Some 78% of people now say that renting is more affordable than owning, according to survey data to be released Tuesday by mortgage company Freddie Mac. That is up 11 percentage points from only six months ago.

The survey also indicates that demand for for-sale housing could remain soft in the coming months. Some 58% of renters now say they don't currently have plans to buy a home—up from 54% in February, according to Freddie.

Demand for rentals swelled after the recession, as millions of families lost their homes to foreclosure and tight credit made it difficult for young people to buy homes. Rents rose by double-digit percentages in many cities and the share of families who couldn't afford their rent swelled to records.

Meanwhile, home prices plummeted and, for those who could qualify for mortgages, it was a great time to buy.

But this year, that dynamic has reversed. Rent growth has slowed in line with inflation in

the past few quarters, as new rental supply hits a three-decade high. At the same time, home prices continue to grow significantly faster than incomes and inflation and mortgage rates have risen nearly a percentage point from the beginning of this year. That has made it significantly more expensive to buy a home.

David Brickman, president of Freddie Mac and the head of its multifamily division, cautioned that renting remains unaffordable for many families. But buying lately has become even more unaffordable.

"It's the worst of both worlds," Mr. Brickman said.

Two-thirds of renters say they have had difficulty affording their rent at some point in the past two years, according to the Freddie survey. Nearly nine in 10 renters in what Freddie deems "essential" fields like health care and education say they have had significant struggles to pay rent during the past two years.

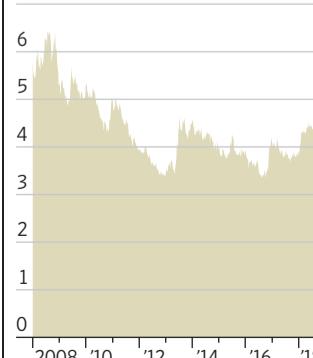
Mr. Brickman cautioned that if more people decide to continue renting that could eventually reverse the current dynamic and make rents once again begin to rise quickly.

"I do worry that it may be short-lived, that it's some reaction to rising rates, but the underlying demographic trends are not slowing at all," he said.

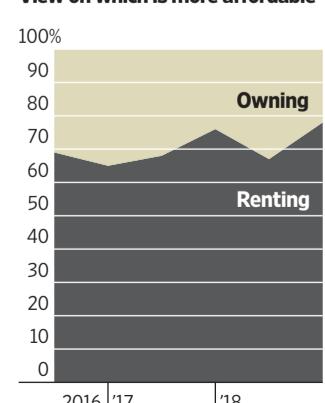
### Rate Squeeze

As 30-year fixed mortgage rates have risen recently more people view renting as more affordable than owning.

#### Mortgage rates



Sources: Freddie Mac (rates); Freddie Mac/Harris online poll, most recent of 1,059 renters conducted August 13-15 (view on affordability).



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 The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.  
 The list comprises the 1,000 largest companies based on market capitalization.  
**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.  
**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

**Footnotes:**  
 i-New 52-week high.  
 d-Indicates loss in the most recent four quarters.  
 f-FIRST day of trading.  
 h-Does not meet continued listing standards.  
 l-FI Late filing  
 q-Temporary exemption from Nasdaq requirements.  
 t-NYSE bankruptcy.  
 v-Trading halted on primary market.  
 w-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, October 16, 2018

	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	
A	B	C			A	B	C		A	B	C		A	B	C		A	B	C		
ABB	ABB	21.47	0.38		Amphenol	APH	86.31	1.01	BestBuy	BYY	74.81	1.82		DolbyLab	DLB	70.79	2.10	Fortinet	FTNT	82.71	2.56
ADT	ADT	8.01	0.29		DollarGeneral	DG	110.95	4.56	Fortis	FTV	79.78	0.84		DominionEner	D	72.30	0.49	IngersollRand	IR	98.75	1.64
AES	AES	15.34	0.52		DollarTree	DLTR	86.50	5.53	FortBrandsHome	FBHS	48.90	0.92		Domino'sPapa	DNP	259.63	-13.31	FreightCorp	FNV	65.66	-1.17
Aflac	AFL	44.10	0.36		Entergy	ETR	121.45	0.43	France-Nevada	FNV	18.94	0.92		DominionEner	D	72.30	0.49	GlobeInn	GlobeInn	17.51	0.57
AGNC Inv	AGNC	18.00	0.18		ExxonMobil	XOM	126.85	4.99	FreeportMcMoRan	FCX	12.68	-0.15		Domino'sPapa	DNP	259.63	-13.31	GlobeInn	GlobeInn	17.51	0.57
ANGI Homescv	ANGI	19.68	0.77		FirstEnergy	CNP	27.75	0.20	FreseniusMed	FMS	49.86	0.97		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Ansys	ANSS	159.00	2.49		FirstEnergy	CNP	27.75	0.20	Gallagher	AJG	71.88	1.09		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
ASML	ASML	181.72	8.37		FirstEnergy	CNP	27.75	0.20	Gaming&Leisure	GLPI	34.61	0.61		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AT&T	T	33.29	0.03		FirstEnergy	CNP	27.75	0.20	Gap	GPS	27.25	0.13		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AbbottLabs	ABT	70.95	2.25		FirstEnergy	CNP	27.75	0.20	Gartner	IT	151.14	4.09		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AbbVie	ABBV	91.91	2.73		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Abiomed	ABMD	386.88	14.80		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Accenture	ACN	161.20	3.28		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
ActivisionBliz	ATVI	78.73	3.06		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Adobe	ADBE	260.67	22.66		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AdvanceAuto	AAP	16.37	1.44		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AdvMicrowave	AMD	28.19	1.92		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Aegon	AEG	6.10	0.05		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AerCap	AER	53.71	0.56		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Aetna	AET	200.44	1.55		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AffiliatedMtrs	AMG	125.94	1.27		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AgilentTechs	A	67.46	1.83		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AgnicoEagle	AGN	37.24	-0.74		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AirProducts	APD	159.60	2.99		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AllisonTransm	ALSN	49.92	0.50		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Allstate	ALL	95.14	2.35		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AllyFinancial	ALLY	26.10	0.02		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AinlyPharm	ALNY	82.91	2.90		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Alphabet	GOOG	1121.28	29.03		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Alphabt A	GOOGL	113.00	30.64		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Altiba	AABA	62.83	1.90		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AlticeUSA	ATUS	18.74	0.39		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Altira	MO	60.77	-0.67		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
AlumofChina	ACH	10.13	0.11		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Amarin	AMRN	20.12	0.83		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD	194.71	2.08		DukeEnergy	DKE	24.90	0.93	GlobeInn	GlobeInn	17.51	0.57
Amazon.com	AMZN	181.99	59.01		FirstEnergy	CNP	27.75	0.20	GeneralDynamics	GD											

## BIGGEST 1,000 STOCKS

Continued From Page B8

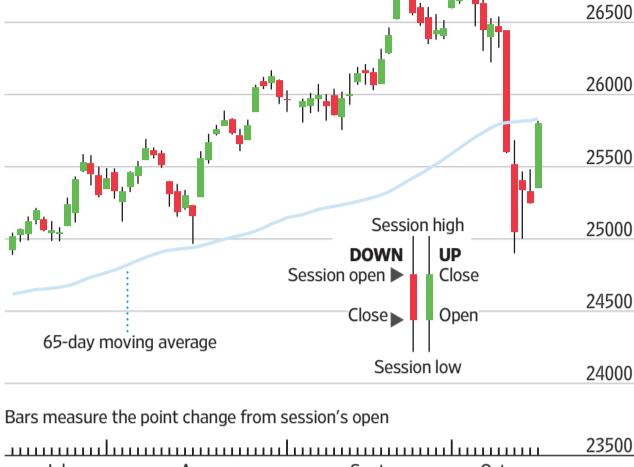
Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
RegenPharm	REGN	398.52	20.97	Sasol	SSL	37.00	0.78	StarwoodProp	STWD	21.73	0.18	TysonFoods	TSN	62.03	0.93	Viacom B	VIAB	32.83	1.05	WynnResorts	WYNN	117.83	3.16	ZTO Express	ZTO	16.65	0.40
RegionsFin	RF	17.22	0.06	Schlumberger	SLB	59.68	0.13	StateStreet	STT	82.27	1.07	UBS Group	UBS	14.32	0.10	Viacom A	VIA	36.01	0.95	XPO Logistics	XPO	103.59	2.07	ZayoGroup	ZAYO	32.30	0.47
GenesGrp	RGA	137.70	1.49	SchwabC	SCHW	48.23	0.59	SteelDynamics	STLD	40.26	-0.41	TeledeyTech	TDY	227.70	6.75	UGI	UGI	54.35	0.49	Venture	VST	23.99	0.16	XcelEnergy	XEL	48.27	0.63
RelianceSteel	RS	82.33	0.99	Seagate	STX	44.11	1.35	Steris	STE	110.23	3.79	Ericsson	ERIC	8.63	0.30	US Foods	USG	25.29	0.77	Vodafone	VOD	20.35	-0.01	ZebraTech	ZBRA	168.37	7.57
RepublicSvcs	RMD	106.11	3.32	SeattleGenetics	SGEN	74.75	1.68	STMicroelec	STM	17.23	0.60	TelefonicaBras	VIV	10.14	0.06	USG	USG	42.90	0.80	VornadoRealty	VNO	68.62	-0.27	Zendesk	ZEN	63.22	2.58
ResMed	RMD	106.11	3.32	SempraEnergy	SRE	115.76	0.66	Stryker	SYK	175.10	5.69	TelekomIndonesia	TLK	25.25	1.04	UltraBeauty	ULTA	285.41	3.68	VoyaFinancial	VOYA	47.77	0.60	Xilinx	XLN	78.89	3.35
RestaurantBrands	OSR	57.98	0.38	ServiceCorp	SCI	44.12	0.97	SumitomoMits	SMFG	7.98	0.15	Tenaris	TS	35.00	0.36	Software	ULTI	307.42	12.28	VulcanMats	VMC	100.90	1.61	Zillow C	Z	41.31	2.37
RioTinto	RIO	49.85	0.52	ServiceMaster	SERV	45.51	1.85	SunComms	SUI	99.29	2.09	Teradyne	TER	34.59	1.34	UltraPrapart	UPG	10.75	0.38	UnderArmour	UAA	19.56	0.80	Zillow W	Z	40.98	2.18
RobertHalf	RHI	65.52	2.03	ServiceNow	NOW	192.72	11.81	SuncorEnergy	SU	36.79	-0.02	Tesla	TSLA	27659	17.00	Under Armour	UAA	17.91	0.50	WABCO	WBC	110.00	2.28	Zoetis	ZTS	91.81	1.73
Rockwell	RHT	26.17	3.45	ShawComm B	SJR	19.15	0.36	SunTrustBank	STI	61.77	-0.02	TevaPharm	TEVA	22.26	0.52	WEC Energy	WEC	69.17	1.13	Wynn Resorts	WYNN	117.83	3.16	ZTO Express	ZTO	16.65	0.40
RockwellCollins	COL	135.60	0.33	ShinhanFin	SHG	39.04	0.36	Symantec	SYMC	20.66	0.88	TexaSInstruments	TXI	102.15	2.72	Unilever	UN	54.14	0.68	WEX	WEX	190.38	7.27	ZayoGroup	ZAYO	32.30	0.47
RogersComm B	RRCI	51.43	0.98	Shopify	SHPG	175.51	3.34	Synaptics	SNPS	89.24	2.36	ThermoFisher	TDX	227.70	6.75	Univer	UNP	53.45	0.75	WPP	WPP	69.70	0.46	ZebraTech	ZBRA	168.37	7.57
Roku	RKTU	63.66	1.97	SignatureBank	SBNY	111.96	0.57	Sysco	SY	70.14	1.18	ThomsonReuters	TRI	46.39	0.87	UpfrontNetworks	UBNT	90.24	3.96	Voyafinancial	VY	47.77	0.60	Zendesk	ZEN	63.22	2.58
Rollins	ROL	57.55	1.23	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	TAL Education	TAL	24.18	1.06	Tenaris	TS	35.00	0.36	VulcanMats	VMC	100.90	1.61	Zillow W	Z	41.31	2.37
RoperTech	ROP	287.21	7.72	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	TAM Education	TE	80.06	1.44	Teradyne	TER	34.59	1.34	UltraBeauty	ULTA	285.41	3.68	Zoetis	ZTS	91.81	1.73
RossStores	ROST	98.32	1.69	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	TATRA Connectivity	TEL	80.06	1.44	Tesla	TSLA	27659	17.00	UltraPrapart	UPG	10.75	0.38	ZTO Express	ZTO	16.65	0.40
RoyalBank Can	RBC	18.88	1.12	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	Tel Aviv	TAV	22.26	0.52	TevaPharm	TEVA	22.26	0.52	Unilever	UN	54.14	0.68	ZayoGroup	ZAYO	32.30	0.47
RoyalBank Can	RBC	18.88	1.12	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	Tel Aviv	TAV	22.26	0.52	TevaPharm	TEVA	22.26	0.52	Unilever	UN	54.14	0.68	ZayoGroup	ZAYO	32.30	0.47
RoyalBank Can	RBC	18.88	1.12	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	Tel Aviv	TAV	22.26	0.52	TevaPharm	TEVA	22.26	0.52	Unilever	UN	54.14	0.68	ZayoGroup	ZAYO	32.30	0.47
RoyalBank Can	RBC	18.88	1.12	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	Tel Aviv	TAV	22.26	0.52	TevaPharm	TEVA	22.26	0.52	Unilever	UN	54.14	0.68	ZayoGroup	ZAYO	32.30	0.47
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RoyalBank Can	RBC	18.88	1.12	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	Tel Aviv	TAV	22.26	0.52	TevaPharm	TEVA	22.26	0.52	Unilever	UN	54.14	0.68	ZayoGroup	ZAYO	32.30	0.47
RoyalBank Can	RBC	18.88	1.12	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	Tel Aviv	TAV	22.26	0.52	TevaPharm	TEVA	22.26	0.52	Unilever	UN	54.14	0.68	ZayoGroup	ZAYO	32.30	0.47
RoyalBank Can	RBC	18.88	1.12	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39	Tel Aviv	TAV	22.26	0.52	TevaPharm	TEVA	22.26	0.52	Unilever	UN	54.14	0.68	ZayoGroup	ZAYO	32.30	0.47
RoyalBank Can	RBC	18.88	1.12	Snap	SNA	174.09	3.07	SnapOn	SNA	171.59	2.39																

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**25798.42** ▲ 547.87, or 2.17%  
 High, low, open and close for each trading day of the past three months.



Current divisor 0.14748071991788  
 Session high  
 DOWN UP Close  
 Session open ► Close Open  
 Session low  
 65-day moving average

Last Year ago  
 Trailing P/E ratio 23.01 20.98  
 P/E estimate \* 16.39 19.39  
 Dividend yield 2.15 2.23  
 All-time high 26828.39, 10/03/18

Bars measure the point change from session's open

July Aug. Sept. Oct. 23500

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2809.92** ▲ 59.13, or 2.15%  
 High, low, open and close for each trading day of the past three months.



65-day moving average  
 2800  
 2750  
 2700  
 2650

Last Year ago  
 Trailing P/E ratio 22.70 24.55  
 P/E estimate \* 17.08 19.39  
 Dividend yield 1.89 1.95  
 All-time high 2930.75, 09/20/18

July Aug. Sept. Oct. 2600

## Nasdaq Composite Index

**7645.49** ▲ 214.75, or 2.89%  
 High, low, open and close for each trading day of the past three months.



8250  
 8075  
 7900  
 7725  
 7550  
 7375

Last Year ago  
 Trailing P/E ratio 24.75 26.19  
 P/E estimate \* 19.98 21.15  
 Dividend yield 1.01 1.10  
 All-time high: 8109.69, 08/29/18

July Aug. Sept. Oct. 7200

Bars measure the point change from session's open

July Aug. Sept. Oct. 23500

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week		YTD % chg	3-yr. ann.
						High	Low		
<b>Dow Jones</b>									
Industrial Average	25817.68	25351.53	<b>25798.42</b>	547.87	<b>2.17</b>	26828.39	22997.44	<b>12.2</b>	4.4 <b>14.4</b>
Transportation Avg	10757.53	10563.06	<b>10744.85</b>	190.88	<b>1.81</b>	11570.84	9440.87	<b>9.4</b>	1.2 <b>10.0</b>
Utility Average	738.30	723.82	<b>734.97</b>	8.62	<b>1.19</b>	774.47	647.90	<b>-0.8</b>	1.6 <b>7.2</b>
Total Stock Market	29037.38	28523.90	<b>29006.97</b>	630.34	<b>2.22</b>	30390.61	26493.79	<b>9.3</b>	4.8 <b>11.2</b>
Barron's 400	727.03	711.31	<b>726.51</b>	16.28	<b>2.29</b>	786.73	676.86	<b>6.2</b>	2.2 <b>11.0</b>
<b>Nasdaq Stock Market</b>									
Nasdaq Composite	7658.14	7493.44	<b>7645.49</b>	214.75	<b>2.89</b>	8109.69	6556.77	<b>15.4</b>	10.7 <b>16.1</b>
Nasdaq 100	7291.26	7133.29	<b>7276.43</b>	207.76	<b>2.94</b>	7660.18	6037.87	<b>18.8</b>	13.8 <b>17.9</b>
<b>S&amp;P</b>									
500 Index	2813.46	2766.91	<b>2809.92</b>	59.13	<b>2.15</b>	2930.75	2557.15	<b>9.8</b>	5.1 <b>11.4</b>
MidCap 400	1919.11	1878.66	<b>1918.39</b>	39.25	<b>2.09</b>	2050.23	1801.29	<b>5.6</b>	0.9 <b>10.2</b>
SmallCap 600	997.84	969.64	<b>996.79</b>	26.26	<b>2.71</b>	1098.36	889.94	<b>10.1</b>	6.5 <b>13.3</b>
<b>Other Indexes</b>									
Russell 2000	1598.01	1554.11	<b>1596.84</b>	43.74	<b>2.82</b>	1740.75	1463.79	<b>6.6</b>	4.0 <b>11.2</b>
NYSE Composite	12653.89	12425.68	<b>12645.95</b>	220.27	<b>1.77</b>	13637.02	12177.70	<b>2.4</b>	-1.3 <b>6.7</b>
Value Line	556.13	543.85	<b>555.86</b>	12.01	<b>2.21</b>	593.57	533.26	<b>2.6</b>	-1.1 <b>6.0</b>
NYSE Arca Biotech	5074.31	4855.10	<b>5069.93</b>	214.82	<b>4.42</b>	5400.34	4045.25	<b>17.9</b>	20.1 <b>13.6</b>
NYSE Arca Pharma	585.47	571.97	<b>585.14</b>	13.17	<b>2.30</b>	598.21	516.32	<b>5.1</b>	7.4 <b>2.2</b>
KWB Bank	100.96	99.35	<b>100.88</b>	0.91	<b>0.91</b>	116.52	97.59	<b>2.1</b>	-5.5 <b>12.4</b>
PHLX® Gold/Silver	71.28	69.23	<b>70.10</b>	-0.36	<b>-0.50</b>	92.08	61.92	<b>-18.3</b>	-17.8 <b>7.8</b>
PHLX® Oil Service	145.90	144.41	<b>145.73</b>	1.05	<b>0.72</b>	170.18	127.61	<b>6.1</b>	-2.6 <b>-6.5</b>
PHLX® Semiconductor	1284.27	1255.00	<b>1282.95</b>	41.12	<b>3.31</b>	1445.90	1218.66	<b>4.8</b>	2.4 <b>25.3</b>
Cboe Volatility	20.56	17.55	<b>17.62</b>	-3.68	<b>-17.28</b>	37.32	9.14	<b>70.9</b>	59.6 <b>5.4</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	17,577.0	280.80	0.40	<b>0.14</b>	281.09	274.53
iShares Core MSCI Total Int'l	IXUS	8,929.7	57.17	-0.35	<b>-0.60</b>	57.17	57.17
Invesco QQQ Trust I	QQQ	8,457.2	178.43	1.21	<b>0.68</b>	178.75	173.50
Netflix	NFLX	5,094.3	386.76	40.36	<b>11.65</b>	405.00	339.33
Qualcomm	QCOM	2,841.8	66.40	0.28	<b>0.42</b>	66.46	66.00
Starbucks	SBUX	2,440.5	57.97	0.16	<b>0.28</b>	57.99	57.09
Alerian MLP ETF	AMLP	1,908.3	10.75	0.07	<b>0.66</b>	10.75	10.68
iShares Russell 2000 ETF	IWM	1,887.4	158.70	0.06	<b>0.04</b>	158.92	158.44

## Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
vTv Therapeutics Cl A	VTVT	642.1	4.11	1.26	<b>44.21</b>	4.28	2.66
Netflix	NFLX	5,094.3	386.76	40.36	<b>11.65</b>	405.00	339.33
R.R. Donnelley Sons	RRD	259.5	4.94	0.32	<b>6.93</b>	5.45	4.62
Verastem	VSTM	84.4	6.43	0.34	<b>5.58</b>	6.43	5.99
United Continental Holdings	UAL	277.7	87.25	3.73	<b>4.47</b>	87.85	82.42

## ...And losers

Company	
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## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract						Open interest
	Open	High	Hi lo	Low	Settle	Chg	
Copper-High (CMX)-25,000 lbs.; \$ per lb.	2.7730	2.7805	2.7690	2.7705	-0.0100	495	
Oct	2.7795	2.7930	2.7580	2.7795	-0.0090	114,855	
Dec	2.7795	2.7930	2.7580	2.7795	-0.0090	114,855	
Gold (CMX)-100 troy oz.; \$ per troy oz.	1227.10	1230.50	1227.10	1227.30	0.90	1,099	
Oct	1227.10	1230.50	1227.10	1227.30	0.90	1,099	
Dec	1230.50	1235.90	1226.30	1231.00	0.70	379,187	
Feb'19	1236.70	1241.70	1232.40	1236.90	0.60	56,367	
June	1249.00	1252.80	1245.00	1248.90	0.50	14,860	
Aug	1256.80	1256.80	1252.30	1254.80	0.40	2,453	
Dec	1269.40	1269.40	1268.40	1267.30	0.40	5,386	
Palladium (NYM)-50 troy oz.; \$ per troy oz.	1079.70	1082.90	1068.90	1073.90	-4.30	23,833	
Dec	1079.70	1082.90	1068.90	1073.90	-4.30	23,833	
Platinum (NYM)-50 troy oz.; \$ per troy oz.	1071.00	1078.20	1067.40	1069.00	-4.20	2,006	
Oct	844.80	845.30	844.80	843.10	0.60	37	
Jan'19	846.50	850.20	842.80	846.70	0.40	71,043	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	14.725	14.880	14.640	14.701	-0.026	22	
Dec	14.725	14.880	14.640	14.701	-0.026	159,592	
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	71.68	72.19	71.02	71.92	0.14	162,737	
Nov	71.68	72.19	71.02	71.92	0.14	162,737	
Dec	71.50	72.14	70.87	71.76	0.15	433,429	
Jan'19	71.42	72.06	70.80	71.70	0.17	192,911	
March	71.34	71.93	70.67	71.59	0.20	172,275	
Jun	71.18	71.75	70.41	71.38	0.27	184,992	
Dec	69.38	70.25	68.87	69.84	0.37	224,469	
NY Harbor ULSO (NYM)-42,000 gal.; \$ per gal.	2.3245	2.3494	2.3056	2.3402	.0145	84,629	
Nov	2.3245	2.3494	2.3056	2.3402	.0145	84,629	
Dec	2.3243	2.3510	2.3079	2.3419	.0138	110,036	
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.	1.9408	1.9915	1.9296	1.9773	.0330	78,176	
Nov	1.9408	1.9915	1.9296	1.9773	.0330	78,176	
Dec	1.9395	1.9874	1.9275	1.9738	.0307	110,803	
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.	3.254	3.311	3.210	3.239	-.003	149,220	
Dec	3.323	3.377	3.278	3.301	-.009	201,699	
Jan'19	3.402	3.454	3.355	3.374	-.015	240,657	
Feb	3.309	3.356	3.277	3.296	-.005	108,322	
March	3.115	3.150	3.092	3.114	.005	231,453	
April	2.754	2.769	2.734	2.755	.001	161,861	

## Contract

Open High hilo Low Settle Chg Open interest

## Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.

Dec 377.25 377.50 373.50 375.25 -3.00 803,377

March'19 389.00 389.25 385.75 387.25 -3.00 359,865

Oats (CBT)-5,000 bu.; cents per bu.

Dec 300.75 306.00 299.75 302.25 2.00 4,898

March'19 287.00 293.75 ▲ 287.00 289.50 1.00 1,284

Soybeans (CBT)-5,000 bu.; cents per bu.

Nov 891.25 891.25 884.75 -6.75 278,725

Jan'19 905.25 905.50 893.50 899.25 -6.50 221,359

Soybean Meal (CBT)-100 tons; \$ per ton.

Dec 327.00 327.00 320.60 322.30 -4.70 185,551

Jan'19 328.40 328.40 322.50 324.20 -4.20 97,458

Soybean Oil (CBT)-60,000 lbs.; cents per lb.

Dec 29.80 29.88 29.57 29.66 -10 192,795

Jan'19 30.05 30.11 29.80 29.88 -12 114,056

Rough Rice (CBT)-2,000 cwt.; \$ per cwt.

Nov 1071.50 1069.50 1071.00 1088.50 13.50 3,325

Jan'19 1092.00 1116.50 1088.00 1107.50 15.00 4,041

Wheat (CBT)-5,000 bu.; cents per bu.

Dec 525.75 527.00 521.00 523.50 -1.50 226,417

March'19 543.75 546.50 540.00 543.50 -.25 123,118

Wheat (CBT)-5,000 bu.; cents per bu.

Dec 532.25 533.25 526.50 528.00 -3.75 152,379

March'19 555.75 557.00 550.50 552.25 -3.25 75,602

Wheat (MPLS)-5,000 bu.; cents per bu.

Dec 600.00 601.50 596.00 596.25 -4.25 33,187

March'19 608.00 609.00 604.00 604.75 -3.50 19,648

Cattle-Feeder (CME)-50,000 lbs.; cents per lb.

Oct 155.175 155.175 153.925 154.025 -1.075 3,618

Jan'19 150.525 150.900 ▽ 149.600 149.950 -.57 25,251

Cattle-Live (CME)-40,000 lbs.; cents per lb.

Oct 113.275 113.400 112.450 112.650 -.725 10,146

Dec 117.825 118.100 117.325 117.775 -.200 122,398

Hogs-Lean (CME)-40,000 lbs.; cents per lb.

Dec 56.800 58.325 56.650 56.875 .125 102,661

Feb'19 63.850 65.250 64.100 64.250 -.350 40,467

Lumber (CME)-110,000 bd. ft.; \$ per 1,000 bd. ft.

Nov 327.20 340.20 ▽ 327.20 339.90 14.70 1,539

Jan'19 327.10 340.70 ▽ 327.10 339.90 14.20 1,632

Milk (CME)-200,000 lbs., cents per lb.

Oct 15.61 15.64 15.59 15.62 .02 4,190

## Contract

Open High hilo Low Settle Chg Open interest

## Currency Futures

Cocoa (ICE-US)-10 metric tons; \$ per ton.

Nov 2,131 2,222 2,122 2,194 53 103,700

March'19 2,148 2,232 2,141 2,205 46 79,345

Coffee (ICE-US)-37,500 lbs.; cents per lb.

Dec 119.80 120.00 116.80 117.65 -.170 134,612

March'19 123.15 123.60 120.50 121.30 -.165 77,498

Sugar-World (ICE-US)-112,000 lbs.; cents per lb.

March 13.43 13.45 13.19 13.25 -.18 404,276

May 13.53 13.54 13.31 13.38 -.15 142,483

Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.

Jan 25.26 25.28 25.25 25.28 .15 2,579

May 26.02 26.10 26.02 26.08 .17 1,464

Cotton (ICE-US)-50,000 lbs.; cents per lb.

Dec 78.93 79.00 78.25 78.33 -.39 138,188

March'19 80.00 80.14 79.40 79.78 -.06 71,140

Orange Juice (ICE-US)-15,000 lbs.; cents per lb.

Nov 144.25 145.60 143.75 145.10 .25 5,464

Jan'19 143.45 144.40 142.75 143.35 -.50 8,514

Mexican Peso (CME)-MXN-500,000; \$ per MXN

Dec .05259 .05289 .05239 .05279 .00016 208,373

## BANKING &amp; FINANCE



German railway Deutsche Bahn is evaluating its London-based financial instruments, including interest-rate and foreign-currency swaps.

## Post-Brexit, Even Swaps May Move

By NINA TRENTMANN

European companies could be forced to move financial instruments worth billions of euros as Britain prepares to leave the European Union.

The process, known as repatriating, might be required for syndicated loans, currency swaps and other derivatives taken out by EU-based corporations and booked through banks in the U.K.

Depending on the course of the Brexit negotiations, regulations that cover the City of London, the heart of the U.K.'s and Europe's financial industry, may stop applying as early as March.

That could make it necessary to relocate thousands of financial products used by corporations to an EU-based financial entity.

Company executives, mired in uncertainty about the final outcome of the divorce negotiations, could face significant amounts of paperwork—and additional costs.

"CFOs and treasurers are trying to ascertain what Brexit means for their financing arrangements," said Stefan Behr, head of corporate banking for Europe, Middle East and Africa at JPMorgan Chase & Co. "There are thousands and thousands of financial contracts...which could potentially be affected."

Loans, securities and derivatives totaling approximately €2.4 trillion (\$2.7 trillion) might have to be shifted to EU-based bank entities if Britain becomes a "third country" after

## EU Equivalence Entails Less Change

Companies may remain in limbo until they know whether the U.K. will be granted equivalence status by the EU. That scenario would require less change and would likely be accompanied by a transition period to avoid disruption.

Under an EU equivalence arrangement, financial firms based outside the bloc can offer a limited range of services to European customers, provided their home country's financial regulations are broadly similar to the EU's. Compared with today, equivalence would mean less freedom for U.K.-based banks to do business on the continent, as the current passporting regime allows British banks to operate freely across all EU member states.

Keeping the passport would require the U.K. to remain part of the EU's single market. Prime

a hard Brexit, according to estimates by consulting firm Boston Consulting Group U.K. LLP. About 68% of all trading in the City of London is done on behalf of clients, including companies from EU-member states, BCG said.

Negotiators for the U.K. and the EU are working on a separation agreement that would set terms of Britain's departure from the bloc and clarify the rules for financial services in the future. Lacking that, trea-

Minister Theresa May said in January 2017 that the U.K. would leave the single market. She has since proposed it should remain in the single market for goods but not for services such as banking.

Further issues could arise around clearing. An acrimonious divorce between the U.K. and EU could cut European customers off from U.K.-based clearing houses, even though certain derivatives—for metal, for example—trade only in London.

The Bank of England last week warned that over-the-counter derivatives totaling £41 trillion (\$53.8 trillion) at U.K. clearing houses could be at risk should negotiations between the U.K. and the EU break down.

Treasurers are expanding the number of banks they do business with, said Michael Dakin, a partner at Clifford Chance LLP. "Most treasurers are trying to diversify the products, currencies and banks they are dealing with," he said.

surers, lawyers and advisers are struggling to come up with definitive answers about whether financial instruments will have to be altered.

A weekend summit between U.K. and EU representatives failed to resolve differences, slimming the chances of a deal this week when EU leaders meet to discuss Brexit. The Bank of England this month urged the EU to take steps to allow existing financial contracts to be honored after the

U.K. leaves the bloc to avoid costs for banks and businesses.

Deutsche Bahn AG, the German rail operator, is among the companies evaluating their London-based financial instruments. The firm has interest-rate and foreign-currency swaps totaling €5.5 billion, some of which are booked through London.

It is unclear whether existing derivatives can be relocated from a U.K.-based bank to an EU-based bank without affecting Deutsche Bahn's hedge accounting, according to Wolfgang Bohner, head of the firm's finance and treasury department. The company is waiting for a definitive response from its auditors, he said.

Connected to that is the question of whether existing contracts have to be rewritten or duplicated, or whether the changes will apply only to future instruments. "The conversion or renegotiation of master contracts causes a significant bureaucratic burden that can take months," Mr. Bohner said.

The company hasn't made any changes yet but is considering its options, he said.

This is similar to other large businesses that might be affected by the changes in regulation, according to JPMorgan's Mr. Behr. "We don't intend to execute until we know the final outcome of the negotiations," Mr. Behr said. The time for that is running out, as both the U.K. and the EU parliaments need to ratify any deal before Britain's scheduled departure in the spring.

## BlackRock Sees Outflow For Quarter

By DAWN LIM

**BlackRock** Inc.'s cash machine is slowing, presenting new challenges for the world's largest asset manager.

Clients withdrew a net total of \$3.1 billion during the three months ended Sept. 30, the first quarterly outflow from BlackRock since the second quarter of 2015. That included a net withdrawal of \$17.3 billion from funds exposed to stocks.

The pullback was most evident on Wall Street, with the biggest client withdrawals coming from large institutions instead of retail customers. It was the second straight quarter these clients—ranging from insurers to pension funds—pulled their money.

"We're seeing more and more clients just pausing," BlackRock Chief Executive Laurence Fink said.

The institutional withdrawals could portend more trouble for smaller asset managers that are already wrestling with slowing demand for Wall Street's most popular investment products, a pricing war and investor unease about everything from rising interest rates to trade tensions.

Net inflows into all U.S. mutual funds and exchange-traded funds fell 46% in the first three quarters of 2018 compared with the year-ago period, according to data tracked by Morningstar.

The BlackRock results raised new questions on Wall Street about how well the money-management giant will fare if investor anxiety deepens and markets decline. The firm faces heightened competition in everything from its indexing business to fees to a new effort to step up invest-

ments in private markets.

Its shares dropped 4% on Tuesday, even as broader U.S. benchmarks rallied. BlackRock shares are down about 20% so far this year. That is a steeper decline than the Dow Jones U.S. Asset Managers Index, which is down 17% for the year to date.

"BlackRock is held to a higher standard by Wall Street in terms of gathering assets and they didn't live up to that today," said Kyle Sanders, an analyst with Edward Jones.

But he added that BlackRock could be better prepared than others to weather a downturn because of its sprawling array of strategies.

"They've got a better mousetrap because different funds can capture changing market cycles," Mr. Sanders said.

BlackRock rose to prominence as a money manager that served large institutions. Over the past decade, it also became one of the biggest beneficiaries of a shift by investors to low cost, passively managed investments that track indexes.

Last year, it pulled in the equivalent of \$1 billion a day thanks largely to interest in these cheaper products, or more than \$698,000 a minute. That torrent of cash—it ended the year with a net inflow of \$367.3 billion—helped BlackRock pass \$6 trillion in assets for the first time.

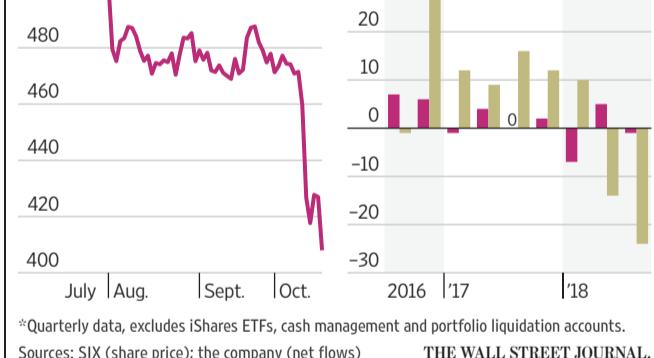
That flood is slowing. Net flows into BlackRock's index mutual funds and iShares exchange-traded funds were \$11.7 billion during the third quarter, down from net flows of \$70 billion a year ago.

—Allison Prang contributed to this article.

## Rising Unease

Large institutions are pulling more money from BlackRock, presenting new challenges for the world's largest asset manager as its shares drop.

## Share price



\*Quarterly data, excludes iShares ETFs, cash management and portfolio liquidation accounts.

Sources: SIX (share price); the company (net flows)

THE WALL STREET JOURNAL.

## Wall Street Charging Ahead

Continued from page B1

JPMorgan Chase & Co. and Bank of America Corp. have become trading giants in their own right.

Morgan Stanley, run by Chief Executive and Chairman James Gorman, reported profit of \$2.15 billion on \$9.87 billion in revenue, both better than a year ago. Earnings per share of \$1.17 exceeded the expectations of analysts polled by Refinitiv, who predicted \$1.01 a share.

At Goldman, earnings per share of \$6.28 beat expectations by 90 cents. The firm reported profit of \$2.52 billion on revenue of \$8.65 billion, both up from the third quarter of 2017.

At Morgan Stanley, gains came from across the firm. Its wealth-management arm continued to rake in client money, the institutional businesses of trading and underwriting held up and Mr. Gorman kept a lid on expenses.

Once Wall Street's weakling, Morgan Stanley is in the late innings of a multiyear turnaround under Mr. Gorman, a matter-of-fact Australian who spent a decade as a McKinsey & Co. consultant before coming to finance.

He has pared its freewheeling trading and principal-investing operations—responsible for billions of dollars in crisis-era losses—and doubled down on wealth management. His goal is a firm that does well in boom times and limits losses in busts.

These strategic choices were designed to ensure that as much as we can control, the firm does well in its strong market environment and demonstrates stability in tougher times.

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—Ben Eisen contributed to this article.

## More Bankers Skip Saudi Conference

By MARGOT PATRICK AND JENNY STRASBURG



Tidjane Thiam of Credit Suisse was among the bank CEOs who withdrew from next week's event.

Skipping this year's conference could mean banks miss out on potentially lucrative transactions involving the Saudi government over the coming years. However, many of the banks with chief executives canceling their appearances are still sending delegations.

HSBC Chief Executive John Flint had been scheduled to speak, and the bank was a strategic partner for this year's conference. The British bank part-owns a lender and has an investment-banking joint venture in the country.

Credit Suisse CEO Tidjane

Thiam was on the conference's advisory board, while Standard Chartered CEO Bill Winters was slated as a speaker.

Conference organizers have declined to comment on the cancellations and indicated the event would go forward as planned.

The latest withdrawals increase pressure on other executives to clarify their plans.

As of Tuesday afternoon,

Deutsche Bank AG executives were still discussing whether CEO Christian Sewing would attend the conference, according to people familiar with the

matter. Mr. Sewing isn't scheduled as a speaker but had tentative plans to represent his bank in meetings with clients at the conference, the people said.

French bank Société Générale SA was "monitoring closely the situation" Tuesday for CEO Frédéric Oudéa's planned attendance, a spokesman said.

JPMorgan Chase & Co. CEO James Dimon, BlackRock Inc. CEO Laurence Fink and Blackstone Group chief Stephen Schwarzman have already decided they won't attend.

Global banks have been courting the Saudi government and its 33-year-old crown prince, Mohammed bin Salman, the public face of the kingdom's effort to establish itself as a financial and investing hub. Last year's inaugural conference, billed as a "Davos in the Desert," was well attended by Western executives.

## MARKETS

# Oil Climbs As Traders Fret About Iran Supply

BY DAN MOLINSKI  
AND NEANDA SALVATERRA

Oil prices rose for a third straight session as a surge by stock markets led oil investors to resume their focus on tightening global supplies due largely to **COMMODITIES** U.S. sanctions on Iran.

Light, sweet crude for November delivery rose 0.2% to \$71.92 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, rose 0.8% to \$81.41 a barrel.

U.S. benchmark oil prices hit a nearly four-year high of \$76 a barrel at the beginning of this month on concerns that as much as 2 million barrels a day of Iranian exports could come off the global market once U.S. sanctions start to take full effect next month. But oil prices retreated quickly from those highs last week when a huge drop in stocks reduced risk appetite for oil and created worries of a weaker global economy.

"We've endured a nice pull-back after reaching four-year highs, and now we're finding support once again from whether or not the loss of the Iranian oil will create a tight global supply of oil," said Eugene McGillian, vice president, market research, at Tradition Energy.

While the stock market's tumble last week spurred concerns of a weaker global economy and lower oil demand, he said, "we're not seeing any demand drop in the numbers yet. Energy demand remains strong."

Iran's crude exports have declined at a faster-than-expected pace ahead of the U.S. sanctions next month, and that helped push Brent above \$80 a barrel. Still, some analysts say these lost barrels are already being offset by increased supply from major producers such as Saudi Arabia and Russia.

"Iranian exports will fall quite sharply from November onwards, so there is a bit of timing mismatch as the Saudis and others have already offset that Iranian falloff," said Amrita Sen, analyst at consultancy Energy Aspects.

OPEC crude output rose by 100,000 barrels a day in September, to 32.78 million barrels a day, with the biggest increase from Saudi Arabia. Additional supply is also coming from elsewhere, including the U.S.

Still, Mideast politics could disturb the balance of oil supply. Washington has threatened to sanction Riyadh over the suspected killing of a Saudi journalist, and the Saudis have said they could retaliate by raising crude to well above \$100 a barrel.

# Treasurys Eke Out Small Increase

Investors remain cautious as high yields spark volatility, draw funds from stocks

BY DANIEL KRUGER

U.S. government bond prices edged higher Tuesday, snapping a two-session streak of declines as stocks advanced.

The yield on the benchmark 10-year Treasury note settled at 3.158%, compared with 3.163% Monday. **CREDIT MARKETS** Yields fall as prices rise.

Tuesday's muted move reflects investors' caution after bond yields recently surged to multiyear highs, sparking volatility in major U.S. indexes, some analysts said.

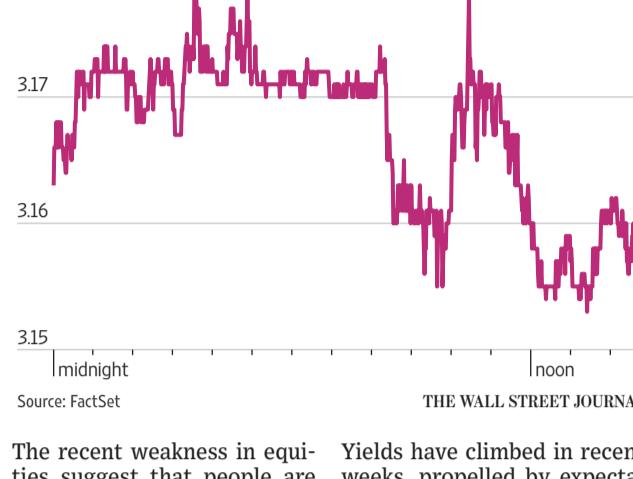
"Deep down, people are still concerned about stocks, and that concern is reflected in the lower yields," said Brian Edmonds, head of Treasury trading at Cantor Fitzgerald LP.

Investors also remain cautious about the course of U.S. fiscal and monetary policy.

## Steady Debt

The yield on the 10-year Treasury note leveled off Tuesday after rising in recent sessions.

3.18%



The recent weakness in equities suggest that people are "sellers of stocks on the bounce rather than buyers on the dip," he said.

Yields have climbed in recent weeks, propelled by expectations for economic growth and interest-rate increases from the Federal Reserve. Yields rose Monday after the Treasury Department said the U.S. budget deficit rose 17% to

\$779 billion and government debt climbed this year by about \$800 billion through September.

The rise in the deficit stems from 2017's tax cuts, which analysts said helped boost growth as well as corporate profits. The pace of the economic expansion has led some to speculate that the Fed may need to raise interest rates at a faster pace than policy makers have forecast. Investors and analysts remain divided about whether a rising supply of Treasury debt will lead to higher yields.

The climb in U.S. government debt yields since late August has fueled this month's rise in volatility in the stock market, analysts said. The yield on the two-year Treasury note, which is close to 2.9%, is about 1 percentage point higher than the dividend yield on the S&P 500 index. For many investors, the safe income of government debt that comes without credit risk can be more attractive than divi-

## AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

### FOUR-WEEK BILLS

Applications	\$112,487,502,300
Accepted bids	\$40,000,042,300
*noncompetitively	\$1,040,670,300
foreign noncompetitively	\$0
Auction price (rate)	99.832389
Coupon equivalent	(2.15%)
Bids at clearing yield accepted	59.03%
Cusip number	912796QJ1
The bills, dated Oct. 18, 2018, mature on Nov. 15, 2018.	

### EIGHT-WEEK BILLS

Applications	\$78,333,092,500
Accepted bids	\$25,000,172,500
*noncompetitively	\$83,092,500
foreign noncompetitively	\$5,000,000
Auction price (rate)	99.674500
Coupon equivalent	(2.17%)
Bids at clearing yield accepted	22.07%
Cusip number	912796UD9
The bills, dated Oct. 18, 2018, mature on Dec. 11, 2018.	

dends if they are tied to equities with the potential to lose value.

The increase in the supply of new debt could come back to hurt stocks if it pushes yields much higher, analysts said.

# Mozambique Lenders Seek Debt Revamping

BY MATT WIRZ

Banks that arranged billions of dollars of loans to government companies in Mozambique have proposed to restructure some of the now-defaulted debt, as the government of President Filipe Nyusi struggles to relieve financial pressure on Mozambique's economy.

**Credit Suisse Group AG** proposed the deal in recent weeks on behalf of a group of institutions holding a loan that the Swiss lender and Russia's **Bank VTB Group** arranged in secret for a Mozambican government-owned company five years ago, people familiar with the matter said. The restructuring would swap the loan into new debt with interest payments tied to Mozambique's future economic performance, one of the people said, and would help the banks move past an episode that attracted international scrutiny to their lending practices.

The first known proposal by the group comes as the country attempts to restore access to international capital markets. Mr. Nyusi said in a September interview that Mozambique needs external investment to pay for basic services ranging from health care to water infrastructure.

The debt crisis has become emblematic of the risks posed by a surge of borrowing conducted in recent years by African governments that fund managers say has left countries like Zambia and Ghana heavily indebted and at risk of default.

The debt is part of \$1.2 billion the banks helped Mozambique borrow soon after the discovery of vast natural-gas reserves off its coast. Development of the gas fields has been slow and the country defaulted on the debt in 2017 after much of the borrowed funds disappeared.

Foreign governments and financial institutions are unwilling to resume lending to the country until it normalizes relations with its private creditors and the International Monetary Fund.

Mozambique offered in March to reduce some of its debt and delay repayment of the rest until as late as 2034, but creditors rebuffed the plan. The Credit Suisse group's proposal suggests swapping their claims into new securities that would pay increasing amounts when gas exports replenish the country's coffers, a concept the Nyusi administration has consistently rejected.

"The proposal does not meet the requirements of the authorities and is not considered a viable basis for a solution," said Ian Clarke, a lawyer for Mozambique at White & Case LLP.

A spokesman for Credit Suisse said the bank "has been working to develop a sustainable restructuring solution that accommodates the government of Mozambique's requests and accounts for its current economic circumstances." A spokeswoman for VTB declined to comment.

—Liz Hoffman

contributed to this article.

# Copper Slips on Sluggish China Data

BY DAVID HODARI  
AND AMRITH RAMKUMAR

Copper prices inched lower for the third consecutive session, wobbling as worries about a weaker Chinese economy continued to hang over the market.

Front-month copper for October delivery declined 1 cent, or 0.4%, to \$2.7705 a pound on the Comex division of the New York Mercantile Exchange.

Prices have fallen 16% from their four-year high in June,

and figures showed a 49% year-over-year drop in home sales in China's 10 major cities during this year's Golden Week—typically a time for big-ticket purchases.

On top of that, car sales fell in September for the third straight month, putting China on course for its first annual drop in passenger-car sales in almost three decades.

Worries about slower growth in the country, which consumes about half of the world's copper and a similar proportion of other industrial materials, as well as China's months-long tar-

iff fight with the U.S., have dented sentiment in the metals markets, analysts say.

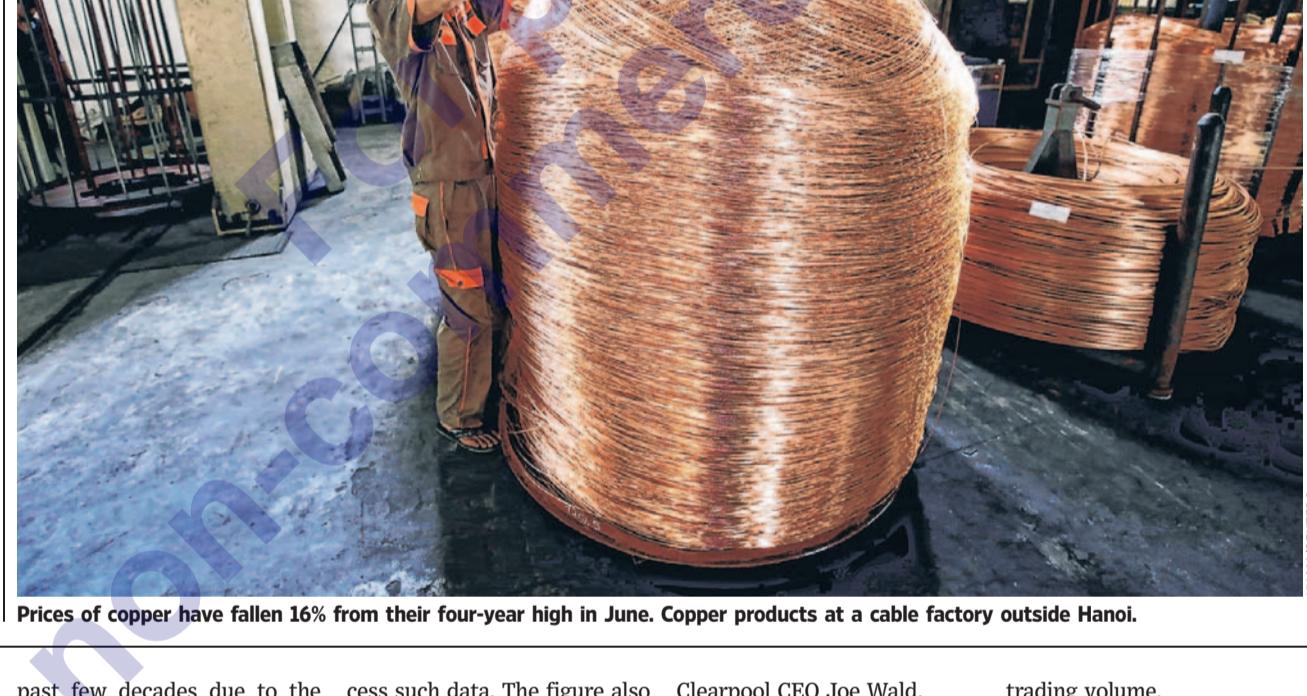
Base metals "will continue to see choppy price action amid this ongoing macro uncertainty," said Alastair Munro, a broker at Marex Spectron. That said, "any ratchet higher in trade-war tensions is likely to result in China resorting to infrastructure stimulus to support growth," a move that would be positive for copper prices, Mr. Munro said.

In London on Tuesday, aluminum for delivery in three months added 0.5% to \$2,037.50 a metric ton. Zinc climbed 0.3% to \$2,606, tin was up 0.3% at

\$19,200, nickel edged down 0.2% to \$12,595 and lead dropped 0.9% to \$2,065.

Among precious metals, front-month gold for October delivery continued a recent rebound, climbing less than 0.1% to \$1,227.30 a troy ounce. A weaker dollar has lifted gold lately by making it cheaper for overseas buyers. The WSJ Dollar Index, which tracks the dollar against a basket of 16 others, dipped less than 0.1% Tuesday.

Elsewhere in precious metals, most-active silver futures fell 0.2% to \$14.701 a troy ounce. Platinum was up less than 0.1% at \$846.70 an ounce and palladium edged down 0.4% to \$1,073.90.



Prices of copper have fallen 16% from their four-year high in June. Copper products at a cable factory outside Hanoi.

# Ruling Hits Exchange Profits

Continued from page B1

latest in a 20-year-long series of attempts to over regulate the best capital markets in the world, in order to benefit the largest financial institutions," it said.

Brokers, including those that serve retail-oriented investors such as mutual and pension funds, say they are essentially required by SEC rules to buy the data. The costs, brokers say, act as a tax on the industry, which they either swallow or pass on to customers.

Data has emerged as a lucrative business for the three big exchange groups that dominate the U.S. stock market: NYSE parent **Intercontinental Exchange Inc.**, known as ICE, Nasdaq and Cboe Global Markets Inc. Until the 2000s, exchanges made only a small share of revenue from data and sometimes even gave data away free. Now, revenues from ICE's and Nasdaq's various data-related businesses rival what the companies make from trading.

That shift coincided with an explosion in demand. The importance and sheer volume of market data has grown in the

past few decades due to the widespread adoption of electronic trading and the rise of ultrafast traders who need lightning-quick information about price moves.

Exchanges sell data on current stock prices and recent trades, as well as on how much supply and demand there is for stocks at different price levels. High-frequency traders use such data to power their computerized trading strategies. Brokers, including banks **UBS Group AG** and **JPMorgan Chase & Co.**, use it to ensure they are giving their clients—hedge funds, pension funds and other big investors—the best price on each trade.

Building on their core equities-data business, exchanges have pushed into related areas, such as bond-price data and market-analysis software. From 2014 to 2017, total annual revenues from market-data services for the big three exchange companies surged 45% to \$2.3 billion, according to an analysis by the Committee on Capital Markets Regulation, a research group whose members include big banks and asset managers.

Exchanges said the analysis overstates the size and growth rate of their data business. Disclosures from ICE, Nasdaq and Cboe show their combined stock-market data revenues were around \$560 million in 2017, although that doesn't include connection fees that traders and brokers must pay to ac-

cess such data. The figure also excludes sales of options and futures data.

So far, small investors haven't seen much impact from rising data costs, and their overall trading costs have generally fallen in recent years. Well-known names in retail investing have nonetheless joined Wall Street banks in complaining about fee increases. Charles Schwab Corp., Fidelity Invest-

Clearpool CEO Joe Wald. The SEC's ruling will likely make it tougher for exchanges to raise fees for data and related charges for connecting to their computer systems. The SEC has already started to scrutinize such fee increases more closely, in a broad effort to ensure they don't undermine competition, according to regulators and traders involved in the fight.

U.S. stock exchanges have long used their status as pillars of American capitalism to get their way in Washington. From 2008 through September, the SEC didn't reject any of 95 exchange proposals related to connection fees, according to an analysis by Mr. Jackson, the SEC commissioner.

The SEC's Sifma ruling re-

opens fundamental questions about the role of exchanges. Should they be utilities working for the good of markets, or as for-profit companies, should they focus on making money for shareholders?

The NYSE's metamorphosis into a Big Data company started in the 2000s, after new SEC rules aimed at breaking the decades-old

NYSE-Nasdaq duopoly took effect. As recently as the 1990s, it handled more than two-thirds of U.S. equities trading on a dollar basis.

The rise of rival exchanges and electronic trading platforms eroded the Big Board's market share. Today the NYSE handles about 23% of U.S. stock-

trading volume.

As it battled low-cost competitors, the exchange's traditional business suffered. From 2008 to 2017, the NYSE's net revenue from transaction fees fell by more than 40% to \$196 million, according to an analysis by Equity Research Desk, a research firm.

Seeking to lift its flagging fortunes, the NYSE turned to its trove of trading data. On an average day, around 1.7 billion shares change hands on the NYSE's markets. Vast volumes of digital messages zip around the Big Board's 400,000-square-foot data center in Mahwah, N.J., each of which represents a trade or a pending order to buy or sell stocks. The NYSE compiles those messages into high-speed electronic feeds that it sells to brokers and traders.

The NYSE also broadcasts stock prices through a cheaper, slower public data feed, called the securities information processor, or SIP. This is used by retail brokers such as TD Ameritrade Holding Corp. and internet search engines like Google and Yahoo.

Banks and electronic-trading firms say the SIP is too slow to be useful. Sifma has accused the NYSE and other exchanges of underinvesting in the SIP to steer big-ticket customers to pricier data feeds. The NYSE and other exchanges deny that contention.

—Liz Hoffman contributed to this article.

## MARKETS

# Solid Earnings Give Stock Investors Hope

BY AMRITH RAMKUMAR

Investors bruised by recent punishing losses in stocks have something to look forward to: corporate earnings.

The benchmark S&P 500 index has risen in seven of the past nine earnings seasons, climbing 1.7% on average during the four weeks after big banks kick off the reporting period, according to Dow Jones Market Data.

Even more encouraging is that in three of those periods, the S&P 500 had fallen in the four weeks leading up to earnings season. In other words, it isn't unusual for the equity market to go through a period of weakness before corporations report earnings.

**21%**

Estimated rise in third-quarter profits among S&amp;P 500 firms

tions.

**Morgan Stanley and Goldman Sachs Group** lifted financial stocks Tuesday following their third-quarter earnings, and positive figures in other sectors helped push the S&P 500 to a 2.1% advance—just its second one-day climb above 2% this year.

Reporting in other areas of the market will pick up in the coming days, potentially providing a further boost. Shares of health-care companies **UnitedHealth Group** and **Johnson & Johnson** rose Tuesday after the firms posted their latest figures.

Video-streaming company **Netflix** surged in after-hours trading following the release of its latest subscriber figures. And semiconductor-equipment maker **Lam Research** also climbed in late trading after its results from the most recent quarter.

Some analysts have said a higher level of stock buybacks also could underpin the market. Share repurchases by many companies slowed in the month leading up to earnings. Companies in the health-care and technology sectors—the market's leaders this year—are particularly poised to benefit from buybacks, Bank of America analysts said in a note to clients.

Although stocks have tended to climb during earnings seasons recently, there have been exceptions: During the busiest part of the reporting season in January and February, the S&P 500 fell 6%, marking the first rout for the equity market in months.

Some investors still warn the market could suffer this time around if company executives give cautious outlooks on earnings calls or if comments about the U.S.-China trade dispute lead to more volatility.

But Tuesday's market rebound, with all 11 S&P 500 sectors climbing, already has some analysts feeling optimistic with more earnings reports ahead.

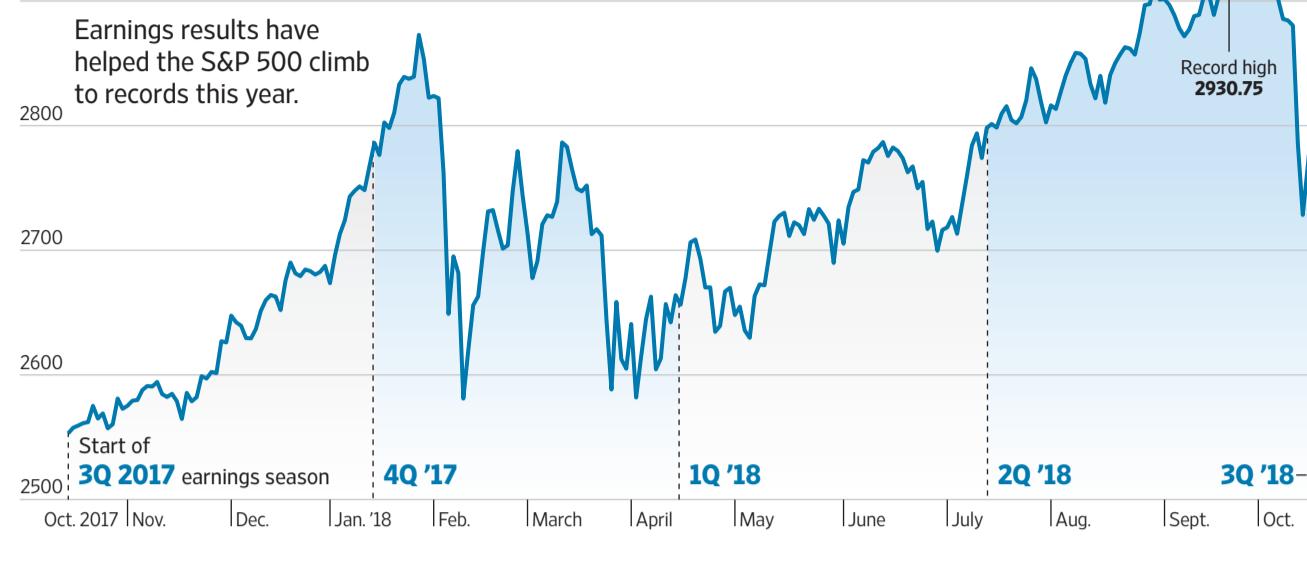
That is one reason some analysts remain confident that solid company results can power the stock market higher after last week's 4.1% drop. Wall Street analysts estimate S&P 500 profits rose by 21% in the third quarter from a year earlier, according to a Goldman Sachs report. Still, that is smaller than the 25% increases during the first two quarters of the year, and some analysts expect a slower pace of profit growth in coming quarters.

While unease about higher interest rates lingers, dozens of large companies will be reporting soon, which could lure investors back to stocks, analysts say.

U.S. equities already have steadied in the past three sessions, and results from large financial institutions like **JPMorgan Chase** and **Citigroup** generally exceeded expecta-

tions.

Earnings results have helped the S&P 500 climb to records this year.



The S&P 500 has generally risen during the busiest part of recent earnings seasons.\*



S&P 500 earnings growth has accelerated this year, with Wall Street expecting another strong quarter.



\*Analysis based on four weeks after big banks start reporting.

Sources: SIX (S&P 500, Tuesday performance); Dow Jones Market Data (S&P 500 earnings-season performance); FactSet (earnings growth, report dates); Goldman Sachs (earnings-growth estimate); Ryan ALM (Treasury yield); Bank of America Merrill Lynch (report dates)

Dozens of S&P 500 companies are scheduled to report earnings in the coming days.

80 companies reporting

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## HEARD ON THE STREET

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# Big Banks' Rebound Just Starting

## OVERHEARD

## Netflix Knows Its Audience

The business of America may be business, but the business of business schools is hurting like nobody's business.

Credit-ratings firm Moody's put out a warning about the finances of U.S. business schools following a drop in applications, citing a survey conducted by the Graduate Management Admission Council. Applications rose by 8.8% in the Asia-Pacific region and by smaller amounts in Canada and Europe. They fell by 6.6% in the U.S., though, and international applications to U.S. business schools fell by 10.8%.

The immigration policies of the businessman in the White House, a graduate of the famous Wharton School of Business, were partly to blame, according to Moody's. Students are concerned about visas and the possibility of remaining in the U.S. to work after graduation, it said. President Trump's alma mater needn't worry, at least, as top-ranked programs were immune to the trend.

Netflix doesn't always please the crowd, but the streaming-video company deserves credit for creating a sense of catharsis.

The release, in this case, came in the form of the company's third-quarter results Tuesday afternoon. The previous report in July spooked investors with subscriber numbers that were lower than the company had projected.

This time was the opposite: Netflix added nearly seven million net new subscribers during the quarter, 40% more than it had previously forecast. It also projected adding a record 9.4 million new subscribers during the fourth quarter. Analysts had been expecting about 7.6 million in net new additions in the fourth quarter, according to FactSet.

Netflix, in theory at least, needs more than just a willing audience. Indeed, the company's cash-burn rate jumped to \$859 million during the third quarter compared with \$465 million in the same period last year as it continued to plow money into producing new content

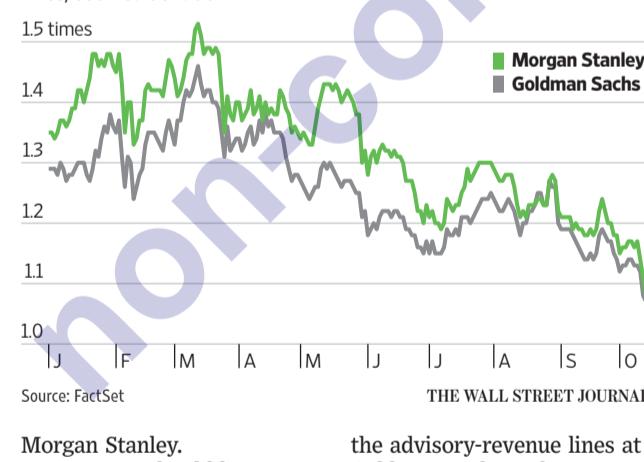
that will keep subscribers streaming in. But Netflix also said that it now sees its full-year burn rate coming in on the lower side of the range of \$3 billion to \$4 billion it had previously projected. It also said next year's rate will be "roughly flat."

Not that investors mind. Booming subscriber growth has driven Netflix shares up 80% already this year, even accounting for a 14% sell-off following the company's July report. The stock jumped after hours following Tuesday's results. Neither subscribers nor investors can tear themselves away from Netflix, it seems.

—Dan Gallagher

### Wall Street on Sale

Price/book-value ratio



the advisory-revenue lines at Goldman Sachs and Morgan Stanley should benefit.

Goldman Sachs did note that its investment-banking backlog declined from a record level at the end of the second quarter, but this isn't overly concerning, as the pipeline of deals remains well above year-ago levels. Global deal volumes tapered off in the third quarter, but the overall deal-making environment still appears robust.

Just this week, **Harris Corp.** and **L3 Technologies** announced the largest defense-industry merger ever. Harris was advised by Morgan Stanley and L3 by Goldman Sachs.

Furthermore, October's market swings, including steadily higher Treasury yields and equity-market volatility, should be positive for the banks' trading desks.

"For our trading business right now it would be good volatility," said Morgan Stanley Chief Financial Officer Jonathan Pruzan in an interview. "The volatility we saw last week led to increased client activity."

In the longer term, as investors adjust their portfolios to a rising-rate environment, there is plenty more business to come for Wall Street trading houses.

Shares of Goldman Sachs and Morgan Stanley were down 15.5% and 17% this year before Tuesday's results, and both trade at a reasonable 1.1 times book value. This Wall Street duo is due for a second look from investors.

—Aaron Back

### On the Mend

S&amp;P 500 Health Care Index



tumRx pharmacy-benefit-management business.

**Johnson & Johnson's** international exposure hurt a bit. It grew sales and earnings at a slower clip and coped with unfavorable foreign-exchange rates, but revenue in all three of its major business lines—pharmaceuticals, consumer health and medical devices—was flat or positive. The consumer business increased revenue by 6% from a year earlier after adjusting for foreign exchange. That was its strongest result in nearly two years.

Both stocks rose in response—a good sign for the rest of the sector. The two companies combine for more

than one-sixth of the S&P 500 Health Care Index. That index is up 10% so far this year, but it had fallen sharply in line with the broader market last week. There were general worries about stocks with supposedly defensive characteristics. A sustained sector sell-off becomes less likely when its largest members are thriving, though.

UnitedHealth's results, in particular, suggest a strong earnings season for the rest of the sector. Spending on medical reimbursement topped \$36 billion in the quarter, up more than 10% from a year earlier. That bodes well for hospital, drug and device companies.

Good business results don't remove all risks to stock prices, of course. UnitedHealth trades at 19 times forward earnings, according to FactSet, which is near a record for a health insurer. Meanwhile, Johnson & Johnson's dividend yield of 2.6%, down from 3% last summer, looks even less attractive now that bond yields have risen.

Those risks aside, the strong business conditions that have characterized the health-care industry for most of the decade have yet to show any sign of souring. That should be enough to keep investors' blood pressure at healthy levels.

—Charley Grant

Another round of strong earnings suggests that health care is living up to its reputation as a defensive industry.

**UnitedHealth Group** and **Johnson & Johnson**, two industry heavyweights, demonstrated that with third-quarter results on Tuesday by beating analyst expectations on both the top and bottom lines and increasing full-year profit guidance. That should reassure investors in light of the recent stock-market hiccup.

UnitedHealth, the nation's largest publicly traded health insurer, reported revenue of \$56.5 billion and adjusted earnings of \$3.41 a share, up 12% and 28%, respectively,